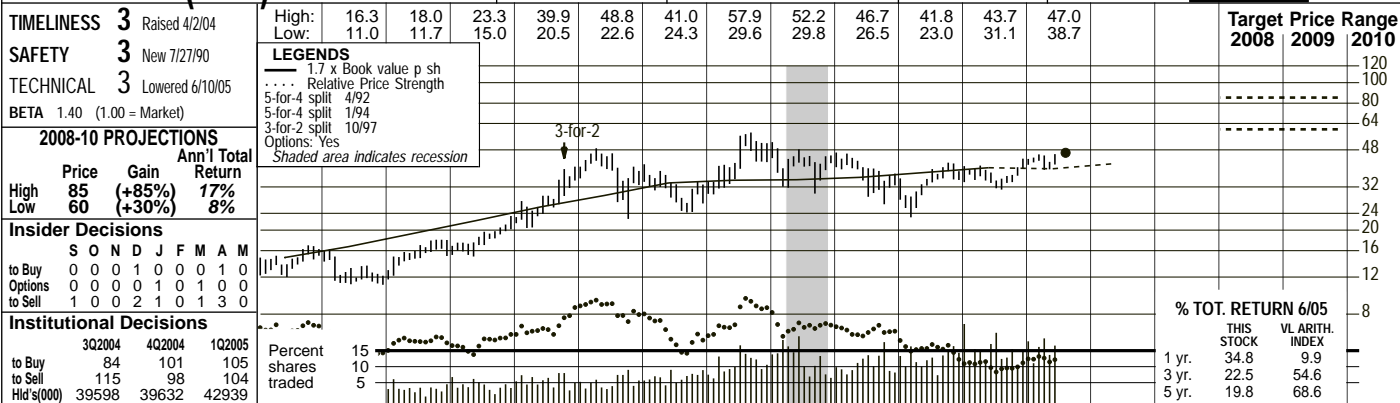


# EDWARDS (A.G.) NYSE-AGE

RECENT PRICE **46.50** P/E RATIO **17.2** (Trailing: 18.5; Median: 13.0) RELATIVE P/E RATIO **0.90** DIV'D YLD **1.4%** **VALUE LINE**



Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	© VALUE LINE PUB., INC.	08-10
Price	7.61	8.40	11.26	12.41	14.10	12.61	15.14	17.59	20.78	23.63	31.46	35.43	29.29	27.24	31.03	33.92	35.35	38.60	Revenues per sh <sup>A</sup>	46.45
Gain	52.5%	51.0%	55.6%	55.9%	60.4%	53.8%	55.4%	54.7%	55.3%	53.6%	51.9%	46.7%	40.1%	40.6%	43.7%	39.5%	39.0%	38.0%	Commissions	38.0%
Return	21.1%	23.2%	20.0%	20.0%	14.6%	20.4%	14.1%	12.5%	10.3%	9.0%	10.3%	10.2%	13.5%	14.1%	11.8%	9.7%	9.5%	9.5%	Principal Trans	10.0%
Options	8.8%	8.1%	9.6%	10.0%	11.4%	7.8%	7.2%	9.2%	9.5%	9.7%	8.2%	6.1%	10.8%	11.4%	12.8%	9.4%	9.0%	9.0%	Invest Banking	9.0%
to Buy	10.7%	9.8%	6.8%	6.0%	5.8%	8.9%	9.2%	8.7%	9.0%	8.9%	9.0%	12.6%	7.2%	4.8%	3.8%	4.9%	5.5%	5.5%	Interest Income	5.0%
to Sell	6.9%	7.9%	8.0%	8.1%	7.8%	9.1%	14.1%	14.9%	15.9%	18.8%	20.6%	24.4%	28.4%	29.1%	27.9%	36.5%	37.0%	38.0%	Other	38.0%
Options	.73	.73	1.25	1.38	1.71	1.33	1.77	2.24	2.75	3.00	3.71	3.43	1.71	1.46	1.97	2.37	2.85	3.20	Earnings per sh <sup>B</sup>	4.15
to Buy	.19	.19	.25	.27	.35	.37	.40	.44	.51	.57	.61	.64	.64	.64	.64	.64	.64	.64	Div's Decl'd per sh <sup>C</sup>	.64
to Sell	4.30	4.80	5.90	7.11	8.72	9.84	11.33	13.07	15.17	17.16	19.69	20.29	20.42	20.92	22.08	23.21	23.00	24.35	Book Value per sh	35.35
Hld's(000)	79.82	80.34	83.37	86.55	90.67	93.44	96.07	96.47	96.46	94.84	87.21	80.14	80.70	80.73	80.53	77.01	75.00	72.50	Common Shs Outst'g <sup>D</sup>	70.00
Options	8.9	8.7	9.5	8.6	8.5	9.2	9.0	8.6	11.1	12.7	8.2	12.8	24.0	24.4	17.7	15.7	15.7	15.7	Avg Ann'l P/E Ratio	17.5
Hld's(000)	.67	.65	.61	.52	.50	.60	.60	.54	.64	.66	.47	.83	1.23	1.33	1.01	.84	.84	.84	Relative P/E Ratio	1.15
Options	3.0%	3.0%	2.1%	2.3%	2.4%	3.0%	2.5%	2.3%	1.7%	1.5%	2.0%	1.5%	1.6%	1.8%	1.8%	1.7%	1.7%	1.7%	Avg Ann'l Div'd Yield	1.4%

Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	© VALUE LINE PUB., INC.	08-10
ST Borrowings <sup>E</sup>	1454.5	1696.5	2004.1	2240.8	2743.8	2839.1	2363.8	2199.2	2498.9	2611.8	2650	2800	Total Revenues (\$mill) <sup>A</sup>	3250						
LT Debt None	170.6	219.1	269.3	292.1	347.7	287.5	138.5	118.8	159.5	186.5	220	240	Net Profit (\$mill)	310						
Leases, Uncapitalized	38.3%	38.3%	38.5%	38.0%	36.5%	36.8%	20.6%	30.7%	35.0%	36.7%	35.0%	35.0%	Income Tax Rate	35.0%						
No Defined Benefit Pension Plan	11.7%	12.9%	13.4%	13.0%	12.7%	10.1%	5.9%	5.4%	6.4%	7.1%	8.3%	8.6%	Net Profit Margin	9.5%						
Pfd Stock None	1088.7	1261.3	1463.1	1627.7	1717.1	1626.3	1647.8	1688.5	1778.3	1787.7	Nil	Nil	Long-Term Debt	Nil						
Common Stock 76,840,949 shs. as of 6/30/05	15.7%	17.4%	18.4%	17.9%	20.3%	17.7%	8.4%	7.1%	9.0%	10.4%	13.0%	13.5%	Return on Total Cap'l	12.5%						
MARKET CAP: \$3.6 billion (Mid Cap)	15.7%	17.4%	18.4%	17.9%	20.3%	17.7%	8.4%	7.0%	9.0%	10.4%	13.0%	13.5%	Return on Shr. Equity	12.5%						
BALANCE SHEET	12.2%	14.0%	15.1%	14.7%	17.0%	14.4%	5.3%	4.0%	6.1%	7.6%	10.0%	11.0%	Retained to Com Eq	10.5%						
2003	22%	19%	18%	18%	16%	18%	37%	43%	32%	27%	23%	21%	All Div'ds to Net Prof	16%						

Year	2003	2004	5/31/05
Cash Assets	481.3	601.3	401.7
Securities Owned	428.5	400.2	380.5
Other	3525.3	3686.3	3756.5
Total Assets	4435.1	4687.8	4538.7
ST Financings <sup>E</sup>	259.7	223.4	188.1
LT Borrowings	---	---	---
Other	2397.0	2676.7	2527.2
Total Liab.	2656.7	2900.1	2715.3

Year	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '08-'10
Revenues	9.0%	7.0%	7.0%
Earnings	1.5%	-8.5%	13.5%
Dividends	8.5%	5.0%	Nil
Book Value	11.5%	7.0%	8.0%

Fiscal Year Begins	May 31	Aug 31	Nov 30	Feb 28	Full Fiscal Year
2002	600.4	570.6	514.0	514.2	2199.2
2003	552.9	633.4	622.9	689.7	2498.9
2004	666.6	615.0	639.4	690.8	2611.8
2005	655.2	624.8	665	705	2650
2006	695	670	710	725	2800

Fiscal Year Begins	May 31	Aug 31	Nov 30	Feb 28	Full Fiscal Year
2002	.48	.33	.39	.26	1.46
2003	.35	.46	.49	.67	1.97
2004	.57	.52	.63	.65	2.37
2005	.66	.66	.73	.80	2.85
2006	.82	.78	.80	.80	3.20

Calendar	Mar 31	Jun 30	Sep 30	Dec 31	Full Year
2001	.16	.16	.16	.16	.64
2002	.16	.16	.16	.16	.64
2003	.16	.16	.16	.16	.64
2004	.16	.16	.16	.16	.64
2005	.16	.16	.16	.16	.64

**BUSINESS:** A.G. Edwards Inc. is a holding company whose principal broker/dealer subsidiary, A.G. Edwards & Sons, Inc., provides a full range of financial products and services to its individual, institutional, corporate, governmental, and municipal clients. A.G. Edwards is a member of all major securities exchanges. Commissions account for approximately 40%-60% of revenues. Has about \$315 billion in total client assets, more than 700 branch offices (staffed by about 6,900 financial consultants), 3.6 million clients, and 15,400 employees. Officers and directors own 1.3% of the common stock outstanding (5/05 Proxy). Chrmn & CEO: Robert L. Bagby, Inc.: Delaware. Address: 1 North Jefferson Avenue, St. Louis, MO 63103. Tel.: (314) 955-3000. Internet: www.agedwards.com.

**A.G. Edwards' first-quarter earnings were largely in line with our estimate.** (Our presentation excludes two one-time gains associated with an accounting change and a favorable tax ruling, totaling \$0.05 a share.) The company was, however, able to meet our bottom-line expectations despite missing our top-line call. Compensation expenses declined as a percentage of total revenues from the fourth quarter and a year ago, and represent a decline in commissionable revenues during the period. Noncompensation expenses were up slightly sequentially, but were down 5% from the first quarter of fiscal 2004, reflecting the Gateway initiative to improve the efficiency of the communications infrastructure. Consequently, the company's net margin improved from 6.9% in the year-ago quarter to 8.3% in the most recent period. We have reduced our full-year revenue estimate, but kept our full-year earnings call intact, owing mostly to the improved expense controls at Edwards.

**The company is relying less on commission revenues.** For the first time, revenues from fee-based accounts outpaced

commissions. These results were helped by the 13% gain in client assets in fee-based accounts since last year. Periodic fees based on asset balances, rather than transaction-based fees, should lead to a more steady revenue stream for the company, and reduce its risk during times of low volatility. Revenues should also be aided in the coming quarters by a rising prime interest rate, which has allowed the company to improve its net interest spread on borrowed funds.

**A.G. Edwards shares have done well since our last report, and offer above-average appreciation potential over the 3- to 5-year pull.** The company's reliance on retail investor activity, as well as its growing sensitivity to interest-rate fluctuations, makes it one of the more risky plays in the brokerage industry. Therefore, much of the upside we project comes from an improving cost structure. Still, investors with bullish views on retail investor activities should take a look at this issue. Its strong balance sheet, moreover, should allow the company to weather storms in the equity markets.

*Matthew B. V. Albrecht* July 29, 2005

(A) Fiscal year ends the last day of February of the following calendar year. (B) Diluted earnings. Excludes nonrecurring gains: '99, 37¢; '01, 83¢; '05, 5¢. Includes tax benefit: Q3 '02, \$0.11. Next earnings report due late September. (C) Dividends historically paid in early Jan., Apr., July, and Oct. (D) In millions, adjusted for stock splits. (E) Incl. securities loaned: 2003, 231.4 mill.; 2004, \$207.0 mill.; 5/31/05, \$188.1 mill.

Company's Financial Strength	B+
Stock's Price Stability	65
Price Growth Persistence	75
Earnings Predictability	55