A Progressive Digital Media business

COMPANY PROFILE

Edward D. Jones & Co., L.P.

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COMPANY OVERVIEW

Edward D. Jones & Co., L.P. (Edward Jones or "the company") is a retail investment firm that provides brokerage and dealing services. The company is the principal operating subsidiary of The Jones Financial Companies, L.L.L.P. (JFC). The company primarily operates in the US and Canada. It is headquartered in Saint Louis, Missouri, the US.

The company recorded revenues of USD6,557 million during the financial year ended December 2016 (FY2016), a decrease of 0.9% over FY2015. The operating profit of the company was USD746 million in FY2016, a decrease of 11% over FY2015. The net profit of the company was USD556 million in FY2016, a decrease of 10.9% over FY2015.

*Total revenues taken are the Net revenues given in the 10 K filing of the company.

KEY FACTS

Head Office	Edward D. Jones & Co., L.P. 12555 Manchester Road Saint Louis Missouri Saint Louis Missouri USA
Phone	1 314 515 2000
Fax	
Web Address	www.edwardjones.com
Revenue / turnover (USD Mn)	6,619.0
Financial Year End	December
Employees	41,000
Ticker	

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SWOT ANALYSIS

Edward Jones is a financial services company offering financial investment and advisory services. Broad portfolio of product and services and strong parent backing are the key strengths of the company, even as overdependence on domestic market remains an area of concern. In future, government policies and regulations, the Dodd-Frank Act and intense competition may affect the company's business performance. However, growing economy in the US, positive outlook for the life insurance segment in the US and demographic changes in the US will provide ample growth opportunities for the company.

Strength Strong Parent Company Broad Portfolio of Product and Services	**Weakness** Overdependence on Domestic Market
Opportunity Growing Global Asset Management Likely to Increase Revenues Demographic Changes in the US Positive Outlook for Life Insurance Segment in the US Growth in the US Economy	**Threat** Intense Competition Dodd Frank Act Government Policies and Regulations

Strength

Strong Parent Company

The company's association with The Jones Financial Companies, L.L.L.P. (Jones Financial) further enhances its brand image and market position. Edward Jones is a subsidiary of Jones Financial, a financial services provider based in the US. Jones Financial, through its subsidiaries, offers a wide range of banking, life insurance, non-life insurance and investment products and services. It caters to individuals and businesses through a network of 12,928 branches in the US and Canada. Edward Jones support from its parent provides the company's operations with a strategic advantage over its competitors, including financial support, superior brand identity and product recognition.

Broad Portfolio of Product and Services

Broad product portfolio helps the group efficiently cater to the diverse needs of its customer base it offers wide range of products such as stocks, mutual funds, fixed income, retirement savings plans, education savings plan, annuities and tax free savings accounts. In addition, it offers permanent life insurance, term life, disability and long term insurance. It also offers services such as advisory and investment solutions. The company distributes its product and services through network of independent general agents. Such broad product range allows it to garner higher market share and increase its revenues.

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Weakness

Overdependence on Domestic Market

Overdependence on the US market for its income may be a cause of concern for the company during any political or economic adversity in the region. The company generates majority of its income from the US market, although it has operations in Canada. The company currently has 12,353 branches in the US alone, whereas other international operations account for significantly smaller part of its business. Overdependence on a single geographic region puts the company at risk, as any adverse development in the political, economic or climatic environment of the region might have an adverse impact on the company’s business. It also restricts its market share and growth options.

Opportunity

Growing Global Asset Management Likely to Increase Revenues

The global asset management industry has been growing at a positive rate and the trend is expected to continue in the coming years. According to industry estimates, total assets under management increased 8% to a record USD74 trillion in 2014, after rising 13% to in 2013. Furthermore, as per industry estimates, the volume of investable assets is set to increase at a compound growth rate of nearly 6% to more than USD100 trillion by 2020. The increase of high-net-worth-individuals from emerging economies; and the growth of sovereign wealth funds. Edward Jones is a provider of investment advisory services and portfolio management services to individual investors in the US and Canada. It is a retail investment firm that provides brokerage and dealing services. The positive outlook for asset management could provide opportunities for continued growth and boost the company's total revenues.

Demographic Changes in the US

Increasing ageing population offers significant opportunities for life insurance and annuity based companies operating in the US. In 2013, the US population aged 65 years and over accounted for 13.9% of the total population. This is expected to rise to 15.5% by 2018 due to a projected decline in birth rate. With the US population aging and its birthrate falling, there has been an ongoing shift from death protection products to individual annuities and retirement based products. With this notion, long term savings and annuity based products are projected to grow at a healthier pace. The company, a provider of life insurance and annuity products in the US, is well positioned to benefit from this.

Positive Outlook for Life Insurance Segment in the US

Positive outlook for the life insurance segment in the US will help the group to expand its life insurance business. According to in-house report, the insurance industry’s gross written premium is expected to reach to USD2.70 trillion in 2018. The life segment’s gross written premium is expected to reach to USD731.6 billion in 2018. Low interest rates, increasing life expectancy, demographic changes, growing market opportunity, recovering economy and increasing mode of sales are expected to be some of the key drivers for the growing life insurance industry. The company, which provides annuity and life

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insurance based products in the US, is well placed to benefit from this growing insurance industry.

Growth in the US Economy

The US economy continues to recover at a tepid pace, ever since from a GDP contraction of -2.8% in 2009 to GDP growth rate of 2.4% in 2014. Further it continued to grew at 2.6% in 2015. However, amid the euro area debt crisis and uncertainty over domestic fiscal plans are created a challenging environment. As an outcome the US GDP grew at a sluggish rate 1.6% in 2016. Though, according to the International Monetary Fund (IMF), the US is estimated to have grown by 2.3% in 2017 and 2.8% in 2018. Growth will be primarily driven by continued recovery in the US economy, improving business activities and growing economy in North America, Europe and Asia. Growth in the US economy may result in higher demand for the company’s financial products. As a provider of annuity and insurance products and services, the company is well placed to benefit from this.

Threat

Intense Competition

Intense competition may affect the market share and profitability of the company. The company faces competition from local and international companies. It competes with its competitors based on various factors including products and services, distribution network, ratings, financial stability, solvency margin, and brand image. Some of its major competitors include, FMR LLC, Raymond James Financial, Inc., The Charles Schwab Corporation and Wells Fargo Advisors, LLC. Such intense competition may affect the company’s market position.

Dodd Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of the US includes a number of reforms of the financial services industry and financial products. The Act includes, among others, changes to rules governing derivatives; restrictions on proprietary trading by certain entities; a study by the SEC of rules governing broker dealers and investment advisers with respect to individual investors and investment advice, followed potentially by rulemaking; the creation of a new Federal Insurance Office within the US Treasury to gather information regarding the insurance industry; the creation of a resolution authority to unwind failing institutions, funded on a post-event basis; the creation of a new Consumer Financial Protection Bureau to protect consumers of certain financial products; and changes to executive compensation and certain corporate governance rules. These regulations could impose significant regulatory and compliance changes, increased capital, leverage and liquidity requirements, and numerous other provisions designed to improve supervision and oversight of the financial services sector. Stringent regulations under the Act could limit the company's ability to pursue business opportunities in the US financial services industry.

Government Policies and Regulations

Intrusive government interference in the wealth management sector, through a plethora of regulations, will have an adverse impact on the industry’s short-term profitability and long-term growth objectives.

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Historically, governments have refrained from supervision and micromanagement of the financial sector, an undertaking which was overseen by financial regulators. Governments also increased focus on the fees charged by wealth managers and transparency in operations, and to reduce systematic risk to the overall economy by extremely large wealth managers and financial institutions. These focus areas inspired governments worldwide to increasingly regulate wealth and asset managers. Towards this objective, the European Union has introduced the UCITS IV, AIFMD, Packaged Retail Investment Products (PRIPs) and MiFID regulations to bolster industry transparency and protect smaller clients. Such high compliance costs are likely to impair the ability of wealth managers to sustain their operations, which may result into increased mergers or flight of wealth from regulated markets, resulting in a loss of tax revenue for governments.

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