
Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported):
April 19, 2018

WADDELL & REED FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other
Jurisdiction of
Incorporation)

001-13913
(Commission
File Number)

51-0261715
(IRS Employer
Identification No.)

6300 Lamar Avenue
Overland Park, Kansas 66202
(Address of Principal Executive Offices) (Zip Code)

(913) 236-2000
(Registrant's telephone number, including area code)

(Registrant's Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 7.01 REGULATION FD DISCLOSURE.

Effective January 1, 2018, Waddell & Reed Financial, Inc. (the "Company") changed the presentation of certain line items in its consolidated statements of income that are intended to improve the transparency of the Company's financial statements through clearer alignment of operating expenses with financial statement captions. Specifically, the Company revised its accounting policy related to the reporting of indirect underwriting and distribution expenses in the former underwriting and distribution caption and certain expenses historically reported as general and administrative. Expenses previously recorded as Underwriting and distribution expenses will be reclassified into (a) the following existing operating expense captions: Compensation and benefits and General and administrative, and (b) the following newly created operating expense captions: Distribution, Technology, Occupancy, and Marketing and advertising. Certain expenses historically reported as general and administrative will be reclassified into the following newly created operating expense captions: Technology, Occupancy, and Marketing and advertising.

Waddell & Reed Financial, Inc.	\$ 33,871	—	—	\$ 33,871	\$ 24,062	—	—	\$ 24,062	\$ 53,582	—	—	\$ 53,582	\$ 29,764	—	—	\$ 29,764
Net income per share attributable to Waddell & Reed Financial, Inc. common shareholders, basic and diluted	\$ 0.40			\$ 0.40	\$ 0.29			\$ 0.29	\$ 0.64			\$ 0.64	\$ 0.36			\$ 0.36
Weighted average shares outstanding, basic and diluted	84,077			84,077	83,611			83,611	83,476			83,476	83,137			83,137
Operating margin	18.8%			18.5%	18.2%			17.8%	27.6%			18.6%	18.8%			21.0%
Distribution Expense																
Broker-Dealer	—	74,529	—	74,529	—	76,062	—	76,062	—	75,100	—	75,100	—	76,494	—	76,494
Unaffiliated	—	33,908	—	33,908	—	32,998	—	32,998	—	31,778	—	31,778	—	31,395	—	31,395
Total	—	\$ 108,437	—	\$108,437	—	\$ 109,060	—	\$109,060	—	\$ 106,878	—	\$106,878	—	\$ 107,889	—	\$107,889

Unaudited Schedule of Operating Data

(Amounts in thousands, except for per share and margin data)

	Six Months Ended Jun. 30, 2017				Nine Months Ended Sep. 30, 2017				Year Ended Dec. 31, 2017			
	Previously Reported (1)	Expense Reclassification	ASU 2017-07	Adjusted	Previously Reported (1)	Expense Reclassification	ASU 2017-07	Adjusted	Previously Reported (1)	Expense Reclassification	ASU 2017-07	Adjusted
Total Revenues	\$ 573,221	—	—	\$573,221	\$ 862,668	—	—	\$862,668	\$ 1,157,144	—	—	\$1,157,144
Operating Expenses												
Underwriting and distribution	300,556	(300,556)	—	—	442,386	(442,386)	—	—	593,424	(593,424)	—	—
Distribution	—	217,497	—	217,497	—	324,375	—	324,375	—	432,264	—	432,264
Compensation and benefits	95,019	35,489	1,859	132,367	126,095	47,992	27,916	202,003	181,376	68,505	21,395	271,276
General and administrative	53,877	(8,395)	—	45,482	81,709	(12,827)	—	68,882	105,520	(16,569)	—	88,951
Technology	—	34,757	—	34,757	—	50,796	—	50,796	—	66,078	—	66,078
Occupancy	—	15,333	—	15,333	—	22,978	—	22,978	—	30,721	—	30,721
Marketing and advertising	—	5,875	—	5,875	—	9,072	—	9,072	—	12,425	—	12,425
Depreciation	10,396	—	—	10,396	15,626	—	—	15,626	20,983	—	—	20,983
Subadvisory fees	5,891	—	—	5,891	9,457	—	—	9,457	13,174	—	—	13,174
Intangible asset impairment	1,500	—	—	1,500	1,500	—	—	1,500	1,500	—	—	1,500
Total Operating Expenses	\$ 467,239	—	1,859	\$469,098	\$ 676,773	—	27,916	\$704,689	\$ 915,977	—	21,395	\$ 937,372
Operating Income	105,982	—	(1,859)	104,123	185,895	—	(27,916)	157,979	241,167	—	(21,395)	219,772
Investment and other income (loss)	4,150	—	1,859	6,009	11,386	—	27,916	39,302	15,689	—	21,395	37,084
Interest expense	(5,574)	—	—	(5,574)	(8,370)	—	—	(8,370)	(11,279)	—	—	(11,279)
Income before provision for income taxes	104,558	—	—	104,558	188,911	—	—	188,911	245,577	—	—	245,577
Provision for income taxes	45,489	—	—	45,489	74,988	—	—	74,988	101,368	—	—	101,368
Net income	\$ 59,069	—	—	\$ 59,069	\$ 113,923	—	—	\$113,923	\$ 144,209	—	—	\$ 144,209
Net income attributable to redeemable noncontrolling interests	1,136	—	—	1,136	2,408	—	—	2,408	2,930	—	—	2,930
Net income attributable to Waddell & Reed Financial, Inc.	\$ 57,933	—	—	\$ 57,933	\$ 111,515	—	—	\$111,515	\$ 141,279	—	—	\$ 141,279
Net income per share attributable to Waddell & Reed Financial, Inc. common shareholders, basic and diluted	\$ 0.69			\$ 0.69	1.33			\$ 1.33	\$ 1.69			\$ 1.69
Weighted average shares outstanding, basic and diluted	83,843			83,843	83,719			83,719	83,573			83,573
Operating margin	18.5%			18.2%	21.5%			18.3%	20.8%			19.0%

Distribution

Expense												
Broker-Dealer	—	150,591	—	150,591	—	225,691	—	225,691	—	302,185	—	302,185
Unaffiliated	—	66,906	—	66,906	—	98,684	—	98,684	—	130,079	—	130,079
Total	—	\$ 217,497	—	\$217,497	—	\$ 324,375	—	\$324,375	—	\$ 432,264	—	\$ 432,264

The table below reflects the retrospective change in the Company's accounting policy for reporting certain expenses for all periods presented.

Unaudited Schedule of Operating Data

(Amounts in thousands, except for per share and margin data)

	Three Months Ended Mar. 31, 2016				Three Months Ended Jun. 30, 2016				Three Months Ended Sep. 30, 2016				Three Months Ended Dec. 31, 2016			
	ASU		ASU		ASU		ASU		ASU		ASU		ASU			
	Previously Reported (1)	Expense Reclassification	2017-07 Adjusted	2017-07 Adjusted	Previously Reported (1)	Expense Reclassification	2017-07 Adjusted	2017-07 Adjusted	Previously Reported (1)	Expense Reclassification	2017-07 Adjusted	2017-07 Adjusted	Previously Reported (1)	Expense Reclassification	2017-07 Adjusted	2017-07 Adjusted
Total Revenues	\$ 323,816	—	—	\$323,816	\$ 319,208	—	—	\$319,208	\$ 303,086	—	—	\$303,086	\$ 292,913	—	—	\$292,913
Operating Expenses																
Underwriting and distribution	173,197	(173,197)	—	—	180,669	(180,669)	—	—	152,392	(152,392)	—	—	158,390	(158,390)	—	—
Distribution	—	129,624	—	129,624	—	132,825	—	132,825	—	111,633	—	111,633	—	111,899	—	111,899
Compensation and benefits	51,848	17,569	1,154	70,571	57,351	23,563	1,093	82,007	39,173	14,543	1,124	54,840	52,450	18,637	(10,667)	60,420
General and administrative	19,152	1,030	—	20,182	19,276	(1,396)	—	17,880	23,280	(1,847)	—	21,433	22,287	(963)	—	21,324
Technology	—	14,444	—	14,444	—	14,569	—	14,569	—	16,988	—	16,988	—	17,044	—	17,044
Occupancy	—	7,842	—	7,842	—	7,808	—	7,808	—	7,899	—	7,899	—	7,857	—	7,857
Marketing and advertising	—	2,688	—	2,688	—	3,300	—	3,300	—	3,176	—	3,176	—	3,916	—	3,916
Depreciation	4,362	—	—	4,362	4,260	—	—	4,260	4,541	—	—	4,541	5,196	—	—	5,196
Subadvisory fees	2,093	—	—	2,093	2,325	—	—	2,325	2,566	—	—	2,566	2,588	—	—	2,588
Intangible asset impairment	—	—	—	—	—	—	—	—	5,700	—	—	5,700	4,049	—	—	4,049
Total Operating Expenses	\$ 250,652	—	1,154	\$251,806	\$ 263,881	—	1,093	\$264,974	\$ 227,652	—	1,124	\$228,776	\$ 244,960	—	(10,667)	\$234,293
Operating Income	73,164	—	(1,154)	72,010	55,327	—	(1,093)	54,234	75,434	—	(1,124)	74,310	47,953	—	10,667	58,620
Investment and other income (loss)	(10,218)	—	1,154	(9,064)	687	—	1,093	1,780	7,878	—	1,124	9,002	890	—	(10,667)	(9,777)
Interest expense	(2,768)	—	—	(2,768)	(2,776)	—	—	(2,776)	(2,792)	—	—	(2,792)	(2,786)	—	—	(2,786)
Income before provision for income taxes	60,178	—	—	60,178	53,238	—	—	53,238	80,520	—	—	80,520	46,057	—	—	46,057
Provision for income taxes	21,610	—	—	21,610	18,682	—	—	18,682	24,634	—	—	24,634	16,958	—	—	16,958
Net income	\$ 38,568	—	—	\$ 38,568	\$ 34,556	—	—	\$ 34,556	\$ 55,886	—	—	\$ 55,886	\$ 29,099	—	—	\$ 29,099
Net income attributable to redeemable noncontrolling interests	501	—	—	501	(124)	—	—	(124)	978	—	—	978	59	—	—	59
Net income attributable to Waddell & Reed Financial, Inc.	\$ 38,067	—	—	\$ 38,067	\$ 34,680	—	—	\$ 34,680	\$ 54,908	—	—	\$ 54,908	\$ 29,040	—	—	\$ 29,040
Net income per share attributable to Waddell & Reed Financial, Inc. common shareholders, basic and diluted	\$ 0.46	—	—	\$ 0.46	\$ 0.42	—	—	\$ 0.42	\$ 0.66	—	—	\$ 0.66	\$ 0.35	—	—	\$ 0.35
Weighted average shares outstanding, basic and diluted	82,104	—	—	82,104	82,947	—	—	82,947	82,834	—	—	82,834	82,783	—	—	82,783
Operating margin	22.6%	—	—	22.2%	17.3%	—	—	17.0%	24.9%	—	—	24.5%	16.4%	—	—	20.0%
Distribution Expense																
Broker-Dealer	—	82,776	—	82,776	—	90,374	—	90,374	—	72,146	—	72,146	—	76,043	—	76,043
Unaffiliated	—	46,848	—	46,848	—	42,451	—	42,451	—	39,487	—	39,487	—	35,856	—	35,856
Total	—	\$ 129,624	—	\$129,624	—	\$ 132,825	—	\$132,825	—	\$ 111,633	—	\$111,633	—	\$ 111,899	—	\$111,899

Unaudited Schedule of Operating Data

(Amounts in thousands, except for per share and margin data)

Six Months Ended Jun. 30, 2016
Nine Months Ended Sep. 30, 2016
Year Ended Dec. 31, 2016

	Previously Reported (1)	Expense Reclassification	ASU 2017- 07	Adjusted	Previously Reported (1)	Expense Reclassification	ASU 2017- 07	Adjusted	Previously Reported (1)	Expense Reclassification	ASU 2017- 07	Adjusted
Total Revenues	\$ 643,024	—	—	\$643,024	\$ 946,110	—	—	\$946,110	\$ 1,239,023	—	—	\$1,239,023
Operating Expenses												
Underwriting and distribution	353,866	(353,866)	—	—	506,258	(506,258)	—	—	664,648	(664,648)	—	—
Distribution	—	262,449	—	262,449	—	374,082	—	374,082	—	485,981	—	485,981
Compensation and benefits	109,199	41,132	2,247	152,578	148,372	55,675	3,371	207,418	200,822	74,312	(7,296)	267,838
General and administrative	38,428	(366)	—	38,062	61,708	(2,213)	—	59,495	83,995	(3,176)	—	80,819
Technology	—	29,013	—	29,013	—	46,001	—	46,001	—	63,045	—	63,045
Occupancy	—	15,650	—	15,650	—	23,549	—	23,549	—	31,406	—	31,406
Marketing and advertising	—	5,988	—	5,988	—	9,164	—	9,164	—	13,080	—	13,080
Depreciation	8,622	—	—	8,622	13,163	—	—	13,163	18,359	—	—	18,359
Subadvisory fees	4,418	—	—	4,418	6,984	—	—	6,984	9,572	—	—	9,572
Intangible asset impairment	—	—	—	—	5,700	—	—	5,700	9,749	—	—	9,749
Total Operating Expenses	\$ 514,533	—	2,247	\$516,780	\$ 742,185	—	3,371	\$745,556	\$ 987,145	—	(7,296)	\$ 979,849
Operating Income	128,491	—	(2,247)	126,244	203,925	—	(3,371)	200,554	251,878	—	7,296	259,174
Investment and other income (loss)	(9,531)	—	2,247	(7,284)	(1,653)	—	3,371	1,718	(763)	—	(7,296)	(8,059)
Interest expense	(5,544)	—	—	(5,544)	(8,336)	—	—	(8,336)	(11,122)	—	—	(11,122)
Income before provision for income taxes	113,416	—	—	113,416	193,936	—	—	193,936	239,993	—	—	239,993
Provision for income taxes	40,292	—	—	40,292	64,926	—	—	64,926	81,884	—	—	81,884
Net income	\$ 73,124	—	—	\$ 73,124	\$ 129,010	—	—	\$129,010	\$ 158,109	—	—	\$ 158,109
Net income attributable to redeemable noncontrolling interests	377	—	—	377	1,355	—	—	1,355	1,414	—	—	1,414
Net income attributable to Waddell & Reed Financial, Inc.	\$ 72,747	—	—	\$ 72,747	\$ 127,655	—	—	\$127,655	\$ 156,695	—	—	\$ 156,695
Net income per share attributable to Waddell & Reed Financial, Inc. common shareholders, basic and diluted	\$ 0.88			\$ 0.88	\$ 1.54			\$ 1.54	\$ 1.90			\$ 1.90
Weighted average shares outstanding, basic and diluted	82,526			82,526	82,629			82,629	82,668			82,668
Operating margin	20.0%			19.6%	21.6%			21.2%	20.3%			20.9%
Distribution Expense												
Broker-Dealer	—	173,150	—	173,150	—	245,296	—	245,296	—	321,339	—	321,339
Unaffiliated	—	89,299	—	89,299	—	128,786	—	128,786	—	164,642	—	164,642
Total	—	\$ 262,449	—	\$262,449	—	\$ 374,082	—	\$374,082	—	\$ 485,981	—	\$ 485,981

(1) As disclosed in the Form 10-K filed February 23, 2018, during the fourth quarter of 2017 the Company retrospectively changed its method of accounting for net periodic pension costs and elected to immediately recognize all actuarial gains and losses in net periodic pension cost in the year in which the gains and losses occur. The prior period quarters have been adjusted for this retrospective change.

[\(Back To Top\)](#)