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Legg Mason, Inc. F4Q09 (Qtr End 3/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from William Katz – Buckingham Research.

William Katz – Buckingham Research

Where I'm really struggling in is as an organization is the margin of the company. It just seems like you've been talking about the potential of this organization for quite awhile and yet quarter in and quarter out it just seems to be frustrated about one point or another and this quarter it seems to be the compensation. Can you walk through why comp was relatively sticky? I know you gave a slide and C.J. covered a little bit. I guess I'm just surprised that on the absolute level, X is deferred comp and X the seasonal factors, there wouldn't have been more progress given the announced head count reductions, given these cost savings to date.

Mark Fetting

You're absolutely right. That's probably the key issue that pops off the page and as C.J. said, in my view you peel the onion and you take a look at the deferred comp reversal and you're still down to fundamentally what we did in a couple of equity managers, we stepped in and rather than enforce a revenue share, we provided some support so that we could invest in the key professionals.

At the same time we look forward to working with Western while preserving the basic revenue share in such a way that we can support their investment and opportunities that are over there. So I think as we go through a combination of the eroding markets and the challenges that has and also the opportunities that has, we're going to make this judgment call between short term cost savings and long term investment in the business when we see who knows if it's right, but there's an inflection point here. March 9 is the inflection point we want to be positioned to build and win.

William Katz – Buckingham Research

As you think about the pace of the attrition, any sense, you gave some commentary in your recent Q about January and February and you gave us, you went into April, but any sense of what you're seeing in terms of traction in the pipeline for the institutional business, maybe quantify the attrition by month, or get some comfort that the attrition is showing even more signs of improvement.

Mark Fetting

We thought it was important as you know, I think we're unusually early on AUM for April and we just decided given we have had enough experience that we could do an approximate and the message

there is clearly market appreciation is up but we do still have some outflows, a couple of which were really in the pipeline from earlier client decisions.

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