

BROADRIDGE FINANCIAL SOLUTIONS, INC.

Form 10-Q

November 06, 2012

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2012

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 001-33220

**BROADRIDGE FINANCIAL SOLUTIONS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

<b>Delaware</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>33-1151291</b> (I.R.S. Employer Identification No.)
<b>1981 Marcus Avenue</b>	
<b>Lake Success, NY</b> (Address of principal executive offices)	<b>11042</b> (Zip Code)
<b>Registrant's telephone number, including area code (516) 472-5400</b>	

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 (§ 232.405 of this chapter) 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, or a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock, \$0.01 par value, as of October 31, 2012 was 122,225,214.

**Table of Contents**

**TABLE OF CONTENTS**

<b>ITEM</b>		<b>PAGE</b>
PART I.	<u>FINANCIAL INFORMATION</u>	3
Item 1.	<u>FINANCIAL STATEMENTS</u>	3
Item 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	15
Item 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	24
Item 4.	<u>CONTROLS AND PROCEDURES</u>	24
PART II.	<u>OTHER INFORMATION</u>	26
Item 1.	<u>LEGAL PROCEEDINGS</u>	26
Item 1A.	<u>RISK FACTORS</u>	26
Item 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	26
Item 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	27
Item 4.	<u>MINE SAFETY DISCLOSURES</u>	27
Item 5.	<u>OTHER INFORMATION</u>	27
Item 6.	<u>EXHIBITS</u>	28

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****Broadridge Financial Solutions, Inc.****Condensed Consolidated Statements of Earnings****(In millions, except per share amounts)****(Unaudited)**

	<b>Three Months Ended September 30, 2012      2011</b>	
Revenues	\$ 495.8	\$ 476.4
Cost of revenues	390.0	382.8
Selling, general and administrative expenses	72.9	64.7
Other expenses, net	4.3	2.7
<b>Total expenses</b>	<b>467.2</b>	<b>450.2</b>
Earnings from continuing operations before income taxes	28.6	26.2
Provision for income taxes	10.3	9.5
Net earnings from continuing operations	18.3	16.7
Loss from discontinued operations, net of tax benefit		
Net earnings	\$ 18.3	\$ 16.7
Basic earnings per share:		
Basic earnings per share from continuing operations	\$ 0.15	\$ 0.14
Basic earnings per share from discontinued operations		
Basic earnings per share	\$ 0.15	\$ 0.14
Diluted earnings per share:		
Diluted earnings per share from continuing operations	\$ 0.14	\$ 0.13
Diluted earnings per share from discontinued operations		
Diluted earnings per share	\$ 0.14	\$ 0.13
Weighted-average shares outstanding:		
Basic	124.0	123.7
Diluted	127.1	126.7
Dividends declared per common share	\$ 0.18	\$ 0.16

See Notes to Condensed Consolidated Financial Statements.



**Table of Contents****Broadridge Financial Solutions, Inc.****Condensed Consolidated Statements of Comprehensive Income****(In millions)****(Unaudited)**

	<b>Three Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
Net earnings	\$ 18.3	\$ 16.7
Other comprehensive income (loss), net:		
Foreign currency translation adjustments	5.1	(1.0)
Net unrealized gains (losses) on available-for-sale securities, net of taxes of (\$0.2) and \$2.1 at September 30, 2012 and 2011, respectively	0.3	(3.4)
Pension and post-retirement liability adjustment, net of taxes of \$0.4 at September 30, 2012	(0.6)	
Total other comprehensive income (loss)	4.8	(4.4)
Comprehensive income	\$ 23.1	\$ 12.3

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents****Broadridge Financial Solutions, Inc.****Condensed Consolidated Balance Sheets****(In millions, except per share amounts)****(Unaudited)**

	<b>September 30, 2012</b>	<b>June 30, 2012</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 211.8	\$ 320.5
Accounts receivable, net of allowance for doubtful accounts of \$6.5 and \$6.5, respectively	321.4	370.7
Other current assets	87.7	86.2
Total current assets	620.9	777.4
Property, plant and equipment, net	76.3	79.0
Goodwill	781.8	780.0
Intangible assets, net	135.2	143.3
Other non-current assets	216.3	207.9
Total assets	\$ 1,830.5	\$ 1,987.6
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 88.9	\$ 102.2
Accrued expenses and other current liabilities	174.1	260.6
Deferred revenues	50.6	47.5
Total current liabilities	313.6	410.3
Long-term debt	524.4	524.4
Deferred taxes	61.1	63.2
Deferred revenues	36.9	38.3
Other non-current liabilities	105.0	100.9
Total liabilities	1,041.0	1,137.1
Commitments and contingencies (Note 13)		
Stockholders equity:		
Preferred stock: Authorized, 25.0 shares; issued and outstanding, none		
Common stock, \$0.01 par value: Authorized, 650.0 shares; issued, 153.4 and 152.9 shares, respectively; outstanding, 122.1 and 124.8 shares, respectively		
	1.5	1.5
Additional paid-in capital	753.3	739.4
Retained earnings	682.5	686.1
Treasury stock at cost, 31.3 and 28.1 shares, respectively	(656.1)	(580.0)
Accumulated other comprehensive income	8.3	3.5
Total stockholders equity	789.5	850.5
Total liabilities and stockholders equity	\$ 1,830.5	\$ 1,987.6

See Notes to Condensed Consolidated Financial Statements.



**Table of Contents****Broadridge Financial Solutions, Inc.****Condensed Consolidated Statements of Cash Flows****(In millions)****(Unaudited)**

	<b>Three Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash Flows From Operating Activities</b>		
Net earnings	\$ 18.3	\$ 16.7
Adjustments to reconcile Net earnings to Net cash flows (used in) provided by operating activities:		
Depreciation and amortization	13.5	11.2
Amortization of acquired intangibles	5.5	5.2
Amortization of other assets	5.5	4.3
Deferred income taxes	(5.0)	(4.4)
Stock-based compensation expense	4.5	5.5
Excess tax benefits from the issuance of stock-based compensation awards	(0.8)	(0.1)
Other	5.1	(1.1)
Changes in operating assets and liabilities:		
Current assets and liabilities:		
Decrease in Accounts receivable, net	51.4	82.9
Decrease in Other current assets	0.5	7.3
Decrease in Accounts payable	(13.3)	(26.1)
Decrease in Accrued expenses and other current liabilities	(87.9)	(65.2)
Increase (decrease) in Deferred revenues	0.8	(11.0)
Non-current assets and liabilities:		
Increase in Other non-current assets	(15.7)	(12.9)
Increase in Other non-current liabilities	2.0	11.0
Net cash flows (used in) provided by operating activities of continuing operations	(15.6)	23.3
<b>Cash Flows From Investing Activities</b>		
Capital expenditures	(6.4)	(4.1)
Purchases of intangibles	(1.7)	(2.5)
Acquisitions, net of cash acquired		(72.7)
Net cash flows used in investing activities of continuing operations	(8.1)	(79.3)
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of Long-term debt		490.0
Payment on Short-term borrowings		(400.0)
Dividends paid	(20.3)	(18.5)
Proceeds from exercise of stock options	9.8	7.3
Purchases of Treasury stock	(76.1)	(9.8)
Other financing transactions	(1.1)	0.3
Excess tax benefits from the issuance of stock-based compensation awards	0.8	0.1
Cost related to issuance of Long-term debt		(2.5)
Net cash flows (used in) provided by financing activities of continuing operations	(86.9)	66.9

Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

Cash flows from discontinued operations:		
Cash flows provided by operating activities		
Cash flows used in financing activities		
Net cash provided by discontinued operations		
Effect of exchange rate changes on Cash and cash equivalents	1.9	0.4
Net change in Cash and cash equivalents	(108.7)	11.3
Cash and cash equivalents, beginning of period	320.5	241.5
Cash and cash equivalents of discontinued operations, beginning of period		
Cash and cash equivalents, end of period	211.8	252.8
Less Cash and cash equivalents from discontinued operations, end of period		
Cash and cash equivalents of continuing operations, end of period	\$ 211.8	\$ 252.8
<b>Supplemental disclosure of cash flow information:</b>		
Cash payments made for interest	\$ 1.5	\$ 0.7
Cash payments made for income taxes	\$ 39.6	\$ 33.0
Non-cash investing and financing activities:		
Dividends payable	\$ 1.6	\$ 1.3
Property, plant and equipment	\$ 0.5	\$ 0.3

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents**

**Broadridge Financial Solutions, Inc.**

**Notes to Condensed Consolidated Financial Statements**

**(Tabular dollars in millions, except per share amounts)**

**(Unaudited)**

**NOTE 1. BASIS OF PRESENTATION**

**A. Description of Business.** Broadridge Financial Solutions, Inc. ( Broadridge® or the Company ), a Delaware corporation, is a leading global provider of investor communication solutions and securities processing and operations outsourcing solutions to the financial services industry. The Company classifies its continuing operations into the following two reportable segments:

**Investor Communication Solutions** A large portion of Broadridge's Investor Communication Solutions business involves the processing and distribution of proxy materials to investors in equity securities and mutual funds, as well as the facilitation of related vote processing. ProxyEdge®, its innovative electronic proxy delivery and voting solution for institutional investors, helps ensure the participation of the largest stockholders of many companies. Broadridge also provides the distribution of regulatory reports and corporate action/reorganization event information, as well as tax reporting solutions that help its clients meet their regulatory compliance needs. In addition, Broadridge provides financial information distribution and transaction reporting services to both financial institutions and securities issuers. These services include the processing and distribution of account statements and trade confirmations, traditional and personalized document fulfillment and content management services, marketing communications, and imaging, archival and workflow solutions that enable and enhance its clients' communications with investors. All of these communications are delivered in paper or electronic form. In addition, Broadridge provides registered proxy services and stock transfer and record keeping services to corporate issuers. In August 2010, Broadridge acquired NewRiver®, Inc., a leader in mutual fund electronic investor disclosure solutions. In December 2010, Broadridge acquired Forefield®, Inc., a leading provider of real-time sales, education, and client communication solutions for financial institutions and their advisors. In January 2011, Broadridge acquired Matrix Financial Solutions, Inc. ( Matrix ), an independent provider of mutual fund processing solutions for the defined contribution market.

**Securities Processing Solutions** Broadridge offers a suite of advanced computerized real-time transaction processing services that automate the securities transaction lifecycle, from desktop productivity tools, data aggregation, performance reporting, and portfolio management to order capture and execution, trade confirmation, settlement, and accounting. Broadridge's services help financial institutions efficiently and cost-effectively consolidate their books and records, gather and service assets under management, focus on their core businesses, and manage risk. With multi-currency capabilities, its Global Processing Solution supports real-time global trading of equity, option, mutual fund and fixed income securities in established and emerging markets. In addition, its operations outsourcing solutions allow broker-dealers to outsource certain administrative functions relating to clearing and settlement, from order entry to trade matching and settlement, while maintaining their ability to finance and capitalize their businesses. In September 2011, Broadridge acquired Paladyne Systems, Inc. ( Paladyne ), a provider of buy-side technology solutions for the global investment management industry.

**B. Basis of Presentation.** The Condensed Consolidated Financial Statements have been prepared in accordance with United States ( U.S. ) generally accepted accounting principles ( GAAP ). These financial statements present the condensed consolidated position of the Company. These financial statements include the entities in which the Company directly or indirectly has a controlling financial interest and various entities in which the Company has investments recorded under both the cost and equity methods of accounting. Intercompany balances and transactions have been eliminated. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 (the 2012 Annual Report ) filed on August 9, 2012 with the Securities and Exchange Commission (the SEC ). These Condensed Consolidated Financial Statements include all normal and recurring adjustments necessary for a fair presentation in accordance with U.S. GAAP of the Company's financial position at September 30, 2012 and June 30, 2012, the results of its operations for the three months ended September 30, 2012 and 2011 and its cash flows for the three months ended September 30, 2012 and 2011.

## Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

**C. Use of Estimates.** The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes thereto. Actual results may differ from those estimates.

**D. Cash and Cash Equivalents.** Investment securities with an original maturity of 90 days or less are considered cash equivalents. The fair value of the Company's cash and cash equivalents approximates carrying value.

**E. Financial Instruments.** Substantially all of the financial instruments of the Company other than Long-term debt are carried at fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. The carrying value

**Table of Contents**

of the Company's long-term variable-rate term loan facility approximates fair value because these instruments reflect market changes to interest rates. The carrying value of the Company's long-term fixed-rate senior notes represents the face value of the long-term fixed-rate senior notes net of the unamortized discount. The fair value of the Company's long-term fixed-rate senior notes is based on quoted market prices. See Note 10, Borrowings, for a further discussion of the Company's long-term fixed-rate senior notes.

**F. Subsequent Events.** In preparing the accompanying Condensed Consolidated Financial Statements, in accordance with Accounting Standards Codification Topic (ASC) No. 855, Subsequent Events, the Company has reviewed events that have occurred after September 30, 2012, through the date of issuance of the Condensed Consolidated Financial Statements. During this period, the Company did not have any material subsequent events.

**NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS**

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income, (ASU No. 2011-05) which amends current comprehensive income guidance. This accounting standards update eliminates the option to present the components of other comprehensive income as part of the statement of stockholders' equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 became effective for the Company in the first fiscal quarter of fiscal year 2013 and did not have a material impact on the Company's results of operations, cash flows or financial condition.

**NOTE 3. EARNINGS PER SHARE**

Basic earnings per share (EPS) is calculated by dividing the Company's Net earnings by the basic Weighted-average shares outstanding for the periods presented.

Diluted EPS reflects the potential dilution that could occur if outstanding stock options at the presented date are exercised and shares of restricted stock units have vested.

For the three months ended September 30, 2012 and 2011, the computation of diluted EPS did not include 2.7 million and 2.6 million options to purchase Broadridge common stock, respectively, as the effect of their inclusion would have been anti-dilutive.

The following table sets forth the denominators of the basic and diluted EPS computations:

	<b>Three Months Ended September 30, 2012      2011 (in millions)</b>	
<b>Weighted-average shares outstanding:</b>		
Basic	124.0	123.7
Common stock equivalents	3.1	3.0
 Diluted	 127.1	 126.7

**NOTE 4. OTHER EXPENSES, NET**

Other expenses, net consisted of the following:

	<b>Three Months Ended September 30, 2012      2011 (\$ in millions)</b>	
--	---	--

Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

Interest expense on borrowings	\$ 3.5	\$ 2.6
Interest income	(0.5)	(0.5)
Foreign currency exchange loss	0.8	0.5
Other, net	0.5	0.1
Other expenses, net	\$ 4.3	\$ 2.7

**Table of Contents****NOTE 5. ACQUISITIONS**

Assets acquired and liabilities assumed in business combinations were recorded on the Company's Consolidated Balance Sheets as of the respective acquisition dates based upon their estimated fair values at such dates. The results of operations of businesses acquired by the Company were included in the Company's Consolidated Statements of Earnings since their respective dates of acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to Goodwill.

During the three months ended September 30, 2012, there were no acquisitions. During the three months ended September 30, 2011, the Company acquired one business in the Securities Processing Solutions segment:

***Paladyne Systems, Inc.***

In September 2011, the Company acquired Paladyne, a provider of buy-side technology solutions for the global investment management industry. The purchase price was \$72.4 million, net of cash acquired and purchase price adjustments of \$8.3 million and \$0.3 million, respectively. Net liabilities assumed were \$15.4 million. This acquisition resulted in \$64.0 million of Goodwill. Intangible assets acquired, which totaled \$23.8 million, consist primarily of acquired software technology and customer relationships, which are being amortized over a seven-year life and ten-year life, respectively. The results of Paladyne's operations were included in the accompanying consolidated financial statements from the date of acquisition. Pro forma supplemental financial information is not provided as the impact of the acquisition was not material to the Company's operating results, financial position or cash flows.

**NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 Inputs that are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In valuing assets and liabilities, the Company is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company calculates the fair value of its Level 1 and Level 2 instruments based on the exchange traded price of similar or identical instruments where available or based on other observable instruments. These calculations take into consideration the credit risk of both the Company and its counterparties. The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the period.

The following table sets forth the Company's financial assets and liabilities at September 30, 2012 that are measured at fair value on a recurring basis during the period, segregated by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	(\$ in millions)			
Assets				
Cash and cash equivalents:				
Money market funds	\$ 34.7	\$	\$	\$ 34.7
Other non-current assets:				
Available-for-sale equity securities	14.4			14.4
Total	\$ 49.1	\$	\$	\$ 49.1





**Table of Contents**

The following table sets forth the Company's financial assets and liabilities at June 30, 2012 that are measured at fair value on a recurring basis during the period, segregated by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	(\$ in millions)			
Assets				
Cash and cash equivalents:				
Money market funds	\$ 160.9	\$	\$	\$ 160.9
Other non-current assets:				
Available-for-sale equity securities	7.0			7.0
Total	\$ 167.9	\$	\$	\$ 167.9

**NOTE 7. DISCONTINUED OPERATIONS**

For a period of time in fiscal year 2012, the Company continued to generate cash flows and reported income statement activity in Loss from discontinued operations, net of taxes, associated with the securities clearing business. The activities that gave rise to these cash flows and income statement activities were transitional in nature. For the three months ended September 30, 2012, the Company did not generate any revenues or losses from discontinued operations.

**NOTE 8. OTHER NON-CURRENT ASSETS**

Other non-current assets consisted of the following:

	September 30, 2012	June 30, 2012
	(\$ in millions)	
Deferred client conversion and start-up costs	\$ 118.8	\$ 115.9
Deferred data center costs	52.9	52.2
Long-term investments	17.9	12.6
Long-term broker fees	10.8	11.4
Other	15.9	15.8
Total	\$ 216.3	\$ 207.9

**NOTE 9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2012	June 30, 2012
	(\$ in millions)	
Employee compensation and benefits	\$ 92.6	\$ 139.6
Accrued broker fees	19.8	38.6
Accrued income tax liability	18.9	42.9
Accrued dividend payable	21.5	19.9
Other	21.3	19.6
Total	\$ 174.1	\$ 260.6



**Table of Contents****NOTE 10. BORROWINGS**

Outstanding borrowings and available capacity under the Company's borrowing arrangements were as follows:

	Expiration Date	September 30, 2012	June 30, 2012 (\$ in millions)	Unused Available Capacity
<b>Long-term debt</b>				
Term loan facility	September 2016	\$ 400.0	\$ 400.0	\$
Revolving credit facility	September 2016			500.0
Senior notes	June 2017	124.4	124.4	
<b>Total debt</b>		<b>\$ 524.4</b>	<b>\$ 524.4</b>	<b>\$ 500.0</b>

*Fiscal 2012 Credit Facilities:* On September 22, 2011, the Company entered into a \$990.0 million senior unsecured credit facility, consisting of a \$490.0 million five-year term loan facility (the Fiscal 2012 Term Loan) and a \$500.0 million five-year revolving credit facility (the Fiscal 2012 Revolving Credit Facility) (collectively the Fiscal 2012 Credit Facilities). Borrowings under the Fiscal 2012 Term Loan and Fiscal 2012 Revolving Credit Facility bear interest at LIBOR plus 125 basis points. The Fiscal 2012 Revolving Credit Facility also has an annual facility fee equal to 15 basis points, on the unused portion of the facility, which totaled \$0.2 million in fees for the three months ended September 30, 2012. The Company incurred \$3.0 million in debt issuance costs to establish the Fiscal 2012 Credit Facilities, of which \$0.1 million of these costs were expensed as incurred and \$2.9 million of these costs have been capitalized in Other non-current assets in the Consolidated Balance Sheets and are being amortized to interest expense on a straight-line basis, which approximates the effective interest method, over the terms of these facilities. At September 30, 2012, \$0.6 million had been amortized related to the Fiscal 2012 Credit Facilities.

The Fiscal 2012 Term Loan contains a repayment schedule that requires the Company to make minimum principal repayments on the loan of \$12.3 million, on a quarterly basis, commencing with the first payment due by March 31, 2013, and the final payment due by June 30, 2016, for a total repayment of \$171.5 million before the balance of the loan becomes due in September 2016. As of September 30, 2012, the Company has repaid \$90.0 million of the \$490.0 million of borrowings under the Fiscal 2012 Term Loan. Under the terms of the Fiscal 2012 Term Loan, any prepayment of a term borrowing shall be applied to reduce the subsequent scheduled repayment, in direct order of maturity, with no prepayment penalty. At September 30, 2012, the Company had met the repayment requirements on the Fiscal 2012 Term Loan through September 30, 2014. Under the terms of the Fiscal 2012 Term Loan agreement, as a portion of the outstanding borrowing is paid down, the total borrowing capacity is reduced commensurately, leaving a borrowing capacity of \$400.0 million at September 30, 2012. The weighted-average interest rate on the Fiscal 2012 Term Loan was 1.49% and 1.60% for the three months ended September 30, 2012 and 2011, respectively.

The Fiscal 2012 Credit Facilities are subject to covenants, including financial covenants consisting of a leverage ratio and an interest coverage ratio. At September 30, 2012, the Company is not aware of any instances of any non-compliance with the financial covenants of the Fiscal 2012 Credit Facilities. The carrying value of the Fiscal 2012 Term Loan approximates fair value.

*Senior Notes:* In May 2007, the Company completed an offering of \$250.0 million in aggregate principal amount of senior notes (the Senior Notes). The Senior Notes will mature on June 1, 2017 and bear interest at a rate of 6.125% per annum. Interest on the Senior Notes is payable semi-annually in arrears on June 1 and December 1 of each year. The Senior Notes were issued at a price of 99.1% (effective yield to maturity of 6.251%). The indenture governing the Senior Notes contains certain covenants including covenants restricting the Company's ability to create or incur liens securing indebtedness for borrowed money and to enter into certain sale-leaseback transactions. At September 30, 2012, the Company is not aware of any instances of non-compliance with the financial covenants of the indenture governing the Senior Notes. The indenture also contains covenants regarding the purchase of the Senior Notes upon a change of control triggering event. The Senior Notes are senior unsecured obligations of the Company and rank equally with the Company's other senior indebtedness. The Company may redeem the Senior Notes in whole or in part at any time before their maturity. The Company incurred \$1.9 million in debt issuance costs to establish the Senior Notes. These costs have been capitalized and are being amortized to interest expense on a straight-line basis, which approximates the effective interest method, over the ten-year term. At September 30, 2012 and June 30, 2012, \$0.8 million and \$0.8 million, respectively, had been amortized related to the Senior Notes. During the fiscal year ended June 30, 2009, the Company purchased \$125.0 million principal amount of the Senior Notes (including \$1.0 million unamortized bond discount) pursuant to a cash tender offer for such notes. The fair value of the fixed-rate Senior Notes at September 30, 2012 and June 30, 2012 was \$137.2 million and \$137.6 million, respectively, based on quoted market prices.

## Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

In addition, certain of the Company's foreign subsidiaries established unsecured, uncommitted lines of credit with banks. These lines of credit bear interest at LIBOR plus 250 basis points. There were no outstanding borrowings under these lines of credit at September 30, 2012 and June 30, 2012.

**Table of Contents****NOTE 11. STOCK-BASED COMPENSATION**

The activity related to the Company's incentive equity awards for the three months ended September 30, 2012 consisted of the following:

	Stock Options		Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Options (d)	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Balances at July 1, 2012	12,381,488	\$ 19.42	2,025,569	\$ 19.61	703,195	\$ 20.39
Granted			19,866	20.93		
Exercise of stock options (a)	(516,808)	16.77				
Vesting of restricted stock units (b)					(9,680)	23.30
Expired/forfeited	(20,100)	16.69	(7,705)	19.43	(110,475)	21.51
Balances at September 30, 2012 (c)	11,844,580	\$ 19.54	2,037,730	\$ 19.63	583,040	\$ 20.13

- (a) Stock options exercised during the period of July 1, 2012 through September 30, 2012 had an intrinsic value of \$3.3 million.
- (b) Performance-based restricted stock units that vested during the period of July 1, 2012 through September 30, 2012 had a fair value of \$0.2 million.
- (c) As of September 30, 2012, the Company's outstanding in the money stock options using the September 30, 2012 closing stock price of \$23.33 (approximately 9.4 million shares) had an aggregate intrinsic value of \$45.3 million. As of September 30, 2012, time-based restricted stock units and performance-based restricted stock units expected to vest using the September 30, 2012 share price of \$23.33 (approximately 1.9 million and 0.6 million shares, respectively) had an aggregate intrinsic value of \$44.8 million and \$13.1 million, respectively.
- (d) Stock options outstanding as of September 30, 2012 have a weighted-average remaining contractual life of 4.9 years and 9.9 million stock options are exercisable.

The Company has stock-based compensation plans under which the Company annually grants stock option and restricted stock unit awards. Exercise prices on options granted have been and continue to be set equal to the market price of the underlying shares on the date of the grant (except the special stock option grants, some of which have a premium exercise price), with the measurement of stock-based compensation expense recognized in Net earnings based on the fair value of the award on the date of grant. Stock-based compensation expense of \$4.5 million and \$5.5 million, respectively, as well as related tax benefits of \$1.7 million and \$2.1 million, respectively, were recognized for the three months ended September 30, 2012 and 2011, respectively.

As of September 30, 2012, the total remaining unrecognized compensation cost related to non-vested stock options and restricted stock unit awards amounted to \$4.2 million and \$20.7 million, respectively, which will be amortized over the weighted-average remaining requisite service periods of 3.1 years and 1.4 years, respectively.

For stock options issued, the fair value of each stock option was estimated on the date of grant using a binomial option pricing model. The binomial model considers a range of assumptions related to volatility, risk-free interest rate and employee exercise behavior. Expected volatilities utilized in the binomial model are based on a combination of implied market volatilities, historical volatility of the Company's stock price and other factors. Similarly, the dividend yield is based on historical experience and expected future changes. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The binomial model also incorporates exercise and forfeiture assumptions based on an analysis of historical data. The expected life of the stock option grants is derived from the output of the binomial model and represents the period of time that options granted are expected to be outstanding.

**NOTE 12. INCOME TAXES**

The Company's Provision for income taxes and effective tax rates for the three months ended September 30, 2012 were \$10.3 million and 36.0%, compared to \$9.5 million and 36.3% for the three months ended September 30, 2011, respectively. The decrease in the Company's effective tax rate for the three months ended September 30, 2012 when compared to the comparable prior year period is primarily attributable to the

geographical mix of income and lower tax rates in certain non-U.S. tax jurisdictions.

---

**Table of Contents**

**NOTE 13. CONTRACTUAL COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS**

In the normal course of business, the Company is subject to various claims and litigation. While the outcome of any claim or litigation is inherently unpredictable, and with the exception of the matter described in the following paragraph, the Company believes that the ultimate resolution of these matters will not, individually or in the aggregate, result in a material impact on its financial condition, results of operations or cash flows.

On January 28, 2010, the Company filed a declaratory action in the U.S. District Court for the District of Delaware (the Delaware District Court ) against Investshare, Inc. (the Defendant ) seeking a declaration by the court that Broadridge does not infringe two U.S. patents owned by the Defendant that included claims related to the delivery and distribution of an electronic solicitation. The Company's complaint also alleged that the Defendant's patents are invalid and/or are unenforceable due to inequitable conduct. On March 22, 2010, the Defendant answered the Company's complaint and filed a counterclaim against the Company alleging that Broadridge uses a process that infringes one of the patents in the action. In its counterclaim, Defendant is seeking injunctive relief and unspecified damages. This lawsuit is in an early procedural stage, with the Delaware District Court issuing its claim construction ruling on April 11, 2012; however, due to the limited scope of this matter, the Company believes that the outcome of this litigation would not result in a material adverse impact on its condensed consolidated financial condition, results of operations, or cash flows.

The Company entered into a data center outsourcing services agreement with Automatic Data Processing, Inc. ( ADP ) before the Company's spin-off from ADP in March 2007 (the ADP Agreement ) under which ADP provided the Company with data center services. The ADP Agreement expired on June 30, 2012. The Company entered into a short-term extension of the ADP Agreement which expired in August 2012. At September 30, 2012, the Company has no further obligation with ADP for data center services.

In March 2010, the Company and International Business Machines Corporation ( IBM ) entered into an Information Technology Services Agreement (the IT Services Agreement ), under which IBM provides certain aspects of the Company's information technology infrastructure that were previously provided under the ADP Agreement. Under the IT Services Agreement, IBM provides a broad range of technology services to the Company including supporting its mainframe, midrange, server, network and data center operations, as well as providing disaster recovery services. The Company has the option of incorporating additional services into the agreement over time. The migration of the data center processing from ADP to IBM was completed in August 2012. The IT Services Agreement expires on June 30, 2022. The Company has the right to renew the initial term of the IT Services Agreement for up to one additional 12-month term. Commitments remaining under this agreement are \$535.7 million through fiscal year 2022, the final year of the contract.

It is not the Company's business practice to enter into off-balance sheet arrangements. However, the Company is exposed to market risk from changes in foreign currency exchange rates that could impact its financial position, results of operations, and cash flows. The Company manages its exposure to these market risks through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company may use derivative financial instruments as risk management tools and not for trading purposes. The Company was not a party to any derivative financial instruments as of September 30, 2012 and June 30, 2012, respectively. In the normal course of business, the Company also enters into contracts in which it makes representations and warranties that relate to the performance of the Company's products and services. The Company does not expect any material losses related to such representations and warranties, or collateral arrangements.

Certain of the Company's processing services are performed by a registered broker-dealer. As a registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. ( FINRA ), it is subject to regulations concerning many aspects of its business, including trade practices, capital requirements, record retention, money laundering prevention, the protection of customer funds and customer securities, and the supervision of the conduct of directors, officers and employees. A failure to comply with any of these laws, rules or regulations could result in censure, fine, the issuance of cease-and-desist orders, or the suspension or revocation of SEC or FINRA authorization granted to allow the operation of its business or disqualification of its directors, officers or employees. In addition, as a registered broker-dealer, it is required to participate in the Securities Investor Protection Corporation ( SIPC ) for the benefit of customers. In addition, MG Trust Company, LLC ( MG Trust ), a subsidiary of Matrix, is a Colorado State non-depository trust company whose primary business is to provide cash agent, custodial and directed or non-discretionary trust services to institutional customers. MG Trust operates pursuant to the rules and regulations of the Colorado Division of Banking.

**Table of Contents****NOTE 14. INTERIM FINANCIAL DATA BY SEGMENT**

The Company classifies its operations into the following two reportable segments: Investor Communication Solutions and Securities Processing Solutions.

The primary components of Other are the elimination of intersegment revenues and profits as well as certain unallocated expenses. Foreign currency exchange is a reconciling item between the actual foreign currency exchange rates and fiscal year 2012 budgeted foreign currency exchange rates.

Certain corporate expenses, as well as certain centrally managed expenses, are allocated based upon budgeted amounts. Because the Company compensates the management of its various businesses on, among other factors, segment earnings, the Company records certain segment-related expense items of an unusual or non-recurring nature in Other rather than reflect such items in segment profit.

Segment results:

	<b>Revenues</b>	
	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(\$ in millions)</b>	
Investor Communication Solutions	\$ 339.5	\$ 313.0
Securities Processing Solutions	153.9	158.4
Foreign currency exchange	2.4	5.0
<b>Total</b>	<b>\$ 495.8</b>	<b>\$ 476.4</b>

	<b>Earnings (Loss) from Continuing</b>	
	<b>Operations before Income Taxes</b>	
	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(\$ in millions)</b>	
Investor Communication Solutions	\$ 27.2	\$ 8.4
Securities Processing Solutions	9.4	27.8
Other	(11.9)	(12.9)
Foreign currency exchange	3.9	2.9
<b>Total</b>	<b>\$ 28.6</b>	<b>\$ 26.2</b>

\* \* \* \* \*



## **Table of Contents**

### **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion should be read in conjunction with our Condensed Consolidated Financial Statements (the "Financial Statements") and accompanying Notes thereto included elsewhere herein.*

#### **Forward-Looking Statements**

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like expects, assumes, projects, anticipates, estimates, we believe, could be and other words of similar meaning, are forward-looking statements. In particular, information appearing under Business, Risk Factors, and Management's Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements. These statements are based on management's expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include:

the success of Broadridge Financial Solutions, Inc. (Broadridge or the Company) in retaining and selling additional services to its existing clients and in obtaining new clients;

Broadridge's reliance on a relatively small number of clients, the continued financial health of those clients, and the continued use by such clients of Broadridge's services with favorable pricing terms;

changes in laws and regulations affecting the investor communication services provided by Broadridge;

declines in participation and activity in the securities markets;

overall market and economic conditions and their impact on the securities markets;

any material breach of Broadridge security affecting its clients' customer information;

the failure of our outsourced data center services provider to provide the anticipated levels of service;

any significant slowdown or failure of Broadridge's systems or error in the performance of Broadridge's services;

Broadridge's failure to keep pace with changes in technology and demands of its clients;

the ability to attract and retain key personnel;

the impact of new acquisitions and divestitures; and

competitive conditions.

## Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

There may be other factors that may cause our actual results to differ materially from the forward-looking statements. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. You should carefully read the factors described in the Risk Factors section of in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 (the 2012 Annual Report ) for a description of certain risks that could, among other things, cause our actual results to differ from these forward-looking statements.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q and the 2012 Annual Report. We disclaim any obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

### **Overview**

Broadridge is a leading global provider of investor communications and technology-driven solutions to banks/broker-dealers, mutual funds and corporate issuers. Our systems and services include investor communication solutions, and securities processing and operations outsourcing solutions. In short, we provide the infrastructure that helps the financial services industry operate. With 50 years of experience, we provide financial services firms with advanced, dependable, scalable and cost-effective integrated systems. Our systems help reduce the need for clients to make significant capital investments in operations infrastructure, thereby allowing them to increase their focus on core business activities. Our operations are classified into two business segments: Investor Communication Solutions and Securities Processing Solutions.

## **Table of Contents**

### ***Investor Communication Solutions***

A large portion of our Investor Communication Solutions business involves the processing and distribution of proxy materials to investors in equity securities and mutual funds, as well as the facilitation of related vote processing. ProxyEdge, our innovative electronic proxy delivery and voting solution for institutional investors, helps ensure the participation of the largest stockholders of many companies. We also provide the distribution of regulatory reports and corporate action/reorganization event information, as well as tax reporting solutions that help our clients meet their regulatory compliance needs. In addition, we provide financial information distribution and transaction reporting services to both financial institutions and securities issuers. These services include the processing and distribution of account statements and trade confirmations, traditional and personalized document fulfillment and content management services, marketing communications, and imaging, archival and workflow solutions that enable and enhance our clients' communications with investors. All of these communications are delivered in paper or electronic form. In addition, Broadridge provides registered proxy services and stock transfer and record keeping services to corporate issuers.

In fiscal year 2011, the Company acquired three businesses in the Investor Communication Solutions segment. In August 2010, the Company acquired NewRiver, Inc., a leader in mutual fund electronic investor disclosure solutions. In December 2010, the Company acquired Forefield, Inc., a leading provider of real-time sales, education and client communication solutions for financial institutions and their advisors. In January 2011, the Company acquired Matrix Financial Solutions, Inc. ( Matrix ). Matrix is a provider of mutual fund processing services for third party administrators, financial advisors, banks and wealth management professionals. Matrix's back-office, trust, custody, trading and mutual fund settlement services are integrated into our product suite thereby strengthening Broadridge's role as a provider of data processing and distribution channel solutions to the mutual fund industry.

### ***Securities Processing Solutions***

We offer a suite of advanced computerized real-time transaction processing services that automate the securities transaction lifecycle, from desktop productivity tools, data aggregation, performance reporting, and portfolio management to order capture and execution, trade confirmation, settlement, and accounting. Our services help financial institutions efficiently and cost-effectively consolidate their books and records, gather and service assets under management, focus on their core businesses, and manage risk. With multi-currency capabilities, our Global Processing Solution supports real-time global trading of equity, option, mutual fund, and fixed income securities in established and emerging markets. In addition, our operations outsourcing solutions allow broker-dealers to outsource certain administrative functions relating to clearing and settlement, from order entry to trade matching and settlement, while maintaining their ability to finance and capitalize their business.

In fiscal year 2012, the Company acquired Paladyne Systems, Inc. ( Paladyne ), a provider of buy-side technology solutions for the global investment management industry.

### ***Basis of Presentation***

The Condensed Consolidated Financial Statements have been prepared in accordance with United States ( U.S. ) generally accepted accounting principles ( GAAP ). These Condensed Consolidated Financial Statements present the condensed consolidated position of the Company. These financial statements include the entities in which the Company directly or indirectly has a controlling financial interest and various entities in which the Company has investments recorded under both the cost and equity methods of accounting. All material intercompany balances and transactions have been eliminated. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's Consolidated Financial Statements for the fiscal year ended June 30, 2012 in the 2012 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC ) on August 9, 2012.

In presenting the Condensed Consolidated Financial Statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. In management's opinion, the Condensed Consolidated Financial Statements contain all normal recurring adjustments necessary for a fair presentation of results reported. The results of operations reported for the periods presented are not necessarily indicative of the results of operations for subsequent periods.

As a result of Broadridge's sale in June 2010 of substantially all of the contracts of the securities clearing clients of its former subsidiary, Ridge Clearing & Outsourcing Solutions, Inc. ( Ridge ) to Penson Financial Services, Inc. ( PFSI ), a wholly owned subsidiary of Penson Worldwide, Inc. ( PWI, referred to herein together with PFSI as Penson ), the securities clearing business is reflected in discontinued operations and the operations outsourcing solutions business retained by Broadridge is now reported as part of the Securities Processing Solutions business segment. This change is reflected in all prior periods presented in this Quarterly Report on Form 10-Q.



## **Table of Contents**

### ***Critical Accounting Policies***

In presenting the Condensed Consolidated Financial Statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Management continually evaluates the accounting policies and estimates used to prepare the Financial Statements. The estimates, by their nature, are based on judgment, available information, and historical experience and are believed to be reasonable. However, actual amounts and results could differ from these estimates made by management. In management's opinion, the Condensed Consolidated Financial Statements contain all normal recurring adjustments necessary for a fair presentation of results reported. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed in the Critical Accounting Policies section of Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2012 Annual Report on Form 10-K.

### ***Results of Continuing Operations***

The following discussions of Analysis of Condensed Consolidated Statements of Earnings from Continuing Operations and Analysis of Reportable Segments refer to the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The following discussions of the Company's results of continuing operations exclude the results related to the securities clearing business. This business is segregated from continuing operations and is included in discontinued operations for the three months ended September 30, 2012 and the three months ended September 30, 2011. The Analysis of Condensed Consolidated Statements of Earnings from Continuing Operations should be read in conjunction with the Analysis of Reportable Segments, which provides more detailed discussions concerning certain components of the Condensed Consolidated Statements of Earnings from Continuing Operations.

The following references are utilized in the discussions of Analysis of Condensed Consolidated Statements of Earnings from Continuing Operations and Analysis of Reportable Segments:

Acquisitions refers to the Company's acquisition of Paladyne in our Securities Processing Solutions segment.

Acquisition amortization and other costs represents amortization charges associated with intangible asset values as well as other deal costs associated with the Company's acquisitions.

IBM Migration costs refers to costs related to the Company's Information Technology Services Agreement with IBM and the associated migration of the Company's data center to IBM.

Penson Charges, net represents transition costs related to the June 2012 termination and mutual release agreement with Penson and Penson Financial Services Canada, Inc. ( PFSC ) terminating the Penson outsourcing services contract, including the transfer of the Ridge entity to Apex Clearing Holdings LLC ( Apex ).

The following definitions describe the Company's Revenues:

Fee revenues in the Investor Communication Solutions segment are derived from both recurring and event-driven activity. In addition, the level of recurring and event-driven activity we process directly impacts distribution revenues. While event-driven activity is highly repeatable, it may not recur on an annual basis. The types of services we provide that comprise event-driven activity are:

Mutual Fund Proxy: The proxy and related services we provide to mutual funds when certain events occur requiring a shareholder vote including changes in directors, sub-advisors, fee structures, investment restrictions, and mergers of funds.

Mutual Fund Communications: Mutual fund communications services consist primarily of the distribution on behalf of mutual funds of supplemental information required to be provided to the annual mutual fund prospectus as a result of certain triggering events such as a change in portfolio managers. In addition, mutual fund communications consist of notices and marketing materials such as newsletters.

## Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

Proxy Contests and Specials, Corporate Actions, and Other: The proxy services we provide in connection with shareholder meetings driven by special events such as proxy contests, mergers and acquisitions, and tender/exchange offers.

Event-driven fee revenues are based on the number of special events and corporate transactions we process. Event-driven activity is impacted by financial market conditions and changes in regulatory compliance requirements, resulting in fluctuations in the timing and levels of event-driven fee revenue. As such, the timing and level of event-driven activity and its potential impact on revenues and earnings is difficult to forecast.

Generally, mutual fund proxy activity has been subject to a greater level of volatility than the other components of event-driven activity. During fiscal year 2010, the Company processed a record level of mutual fund proxy activity. In contrast, during fiscal years 2011 and 2012, mutual fund proxy fee revenues were 74% and 28% lower respectively, than in prior fiscal years. Although it is difficult to forecast the levels of event-driven activity, we expect that the portion of fee revenues derived from mutual fund proxy activity may continue to experience volatility in the future. However, the level of volatility experienced between fiscal year 2010 and fiscal year 2011 was greater than we had experienced in prior years.

**Table of Contents**

Revenues derived from sales are a component of Net New Business, which is defined herein as our closed sales less client losses. Closed sales represent anticipated revenues for new client contracts that were signed by Broadridge during the periods referenced. A sale is considered closed when the Company has received the signed client contract. For recurring revenue closed sales, the amount of the closed sale is generally a reasonable estimate of annual revenues based on client volumes or activity, excluding pass-through revenues such as distribution revenues. Event-driven revenue closed sales primarily occur in our Investor Communication Solutions segment. The amount of the event-driven revenue closed sale is generally a reasonable estimate of production revenues based on client volumes or activity, excluding pass-through revenues such as distribution revenues. Broadridge's determination of the amount of a closed sale is based on the client's estimate of transaction volumes and activity levels, as our fees are largely based on transaction volume and activity levels. The inherent variability of transaction volumes and activity levels can result in some variability of amounts reported as closed sales. Larger recurring revenue closed sales can take up to 12 to 24 months to convert to revenues, particularly for the services provided by our Securities Processing Solutions segment. The majority of event-driven revenue closed sales are usually recognized during the year the contract is signed.

The Company tracks actual revenue achieved during the first year that the client contract is fully implemented and compares this to the amount that was included in the Company's previously reported closed sales amount. The Company adjusts the current year closed sales amount for any difference between the prior year's reported closed sales amount and the actual revenue achieved in the first year of the applicable contract. There were no adjustments necessary for closed sales and recurring revenue closed sales for the three months ended September 30, 2012 and 2011, respectively.

**Analysis of Condensed Consolidated Statements of Earnings from Continuing Operations****Three Months Ended September 30, 2012 versus Three Months Ended September 30, 2011**

The table below presents Condensed Consolidated Statements of Earnings data for the three months ended September 30, 2012 and 2011, and the dollar and percentage changes between periods:

	Three Months Ended September 30,		Change	
	2012	2011	\$	%
Revenues	\$ 495.8	\$ 476.4	\$ 19.4	4
Cost of revenues	390.0	382.8	7.2	2
Selling, general and administrative expenses	72.9	64.7	8.2	13
Other expenses, net	4.3	2.7	1.6	59
Total expenses	467.2	450.2	17.0	4
Earnings from continuing operations before income taxes	28.6	26.2	2.4	9
Margin	5.8%	5.5%		0.3 pts
Provision for income taxes	10.3	9.5	0.8	8
Effective tax rate	36.0%	36.3%		(0.3) pts
Net earnings from continuing operations	\$ 18.3	\$ 16.7	\$ 1.6	10
Basic Earnings per share from continuing operations	\$ 0.15	\$ 0.14	\$ 0.01	7
Diluted Earnings per share from continuing operations	\$ 0.14	\$ 0.13	\$ 0.01	8

**Revenues.** Revenues for the three months ended September 30, 2012 were \$495.8 million, an increase of \$19.4 million, or 4%, compared to \$476.4 million for the three months ended September 30, 2011. The \$19.4 million increase was driven by higher recurring fee revenues of \$9.1 million, or 3%, and higher distribution revenues of \$8.0 million, or 6%. The positive contribution from recurring fee revenues reflected gains from Net New Business and acquisitions. Event-driven fee revenues were \$32.3 million, an increase of \$4.9 million, or 18%. Fluctuations in foreign currency exchange rates negatively impacted revenues by \$2.6 million. Revenues from the Paladyne acquisition contributed \$5.1 million.

## Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

Closed sales for the three months ended September 30, 2012 were \$19.3 million, a decrease of \$11.6 million, or 38%, compared to \$30.9 million for the three months ended September 30, 2011. Recurring revenue closed sales for the three months ended September 30, 2012 were \$13.7 million, a decrease of \$6.1 million, or 31%, compared to \$19.8 million for the three months ended September 30, 2011. Event-driven revenue closed sales for the three months ended September 30, 2012 were \$5.6 million, a decrease of \$5.5 million, or 50%, compared to \$11.1 million for the three months ended September 30, 2011, primarily due to lower fulfillment closed sales.



**Table of Contents**

**Total Expenses.** Total expenses for the three months ended September 30, 2012 were \$467.2 million, an increase of \$17.0 million, or 4%, compared to \$450.2 million for the three months ended September 30, 2011. The increase reflects higher Cost of revenues of \$7.2 million, or 2%, higher Selling, general and administrative expenses of \$8.2 million, or 13%, and a \$1.6 million increase in Other expenses, net. The increase in Total expenses relates mainly to acquisitions of \$6.0 million, higher cost of distribution revenues of \$6.4 million related to higher distribution revenues, higher selling and marketing expenses \$2.9 million, and other variable costs of \$7.0 million. Fluctuations in foreign currency exchange rates decreased Total expenses by \$3.3 million.

Cost of revenues for the three months ended September 30, 2012 were \$390.0 million, an increase of \$7.2 million, or 2%, compared to \$382.8 million for the three months ended September 30, 2011. The increase reflects costs of \$4.5 million related to acquisitions and other variable costs of \$7.0 million. These costs were partially offset by IBM Migration costs recorded in the prior year of \$3.2 million coupled with lower investments and strategic initiatives of \$2.7 million. Distribution cost of revenues for the three months ended September 30, 2012 were \$136.5 million, an increase of \$6.4 million, or 5%, compared to \$130.1 million for the three months ended September 30, 2011. Fluctuations in foreign currency exchange rates decreased Cost of revenues by \$3.4 million. Distribution cost of revenues consists primarily of postage related expenses.

Selling, general and administrative expenses for the three months ended September 30, 2012 were \$72.9 million, an increase of \$8.2 million, or 13%, compared to \$64.7 million for the three months ended September 30, 2011. The 13% increase was primarily due to costs related to higher selling and marketing expenses of \$2.9 million, the impact of acquisitions of \$1.5 million and strategic initiatives of \$1.4 million. Fluctuations in foreign currency exchange rates decreased Selling, general and administrative expenses by \$0.2 million.

Other expenses, net for the three months ended September 30, 2012 were \$4.3 million, an increase of \$1.6 million, or 59%, compared to \$2.7 million for the three months ended September 30, 2011, reflecting mainly higher interest expense on borrowings.

**Earnings from Continuing Operations before Income Taxes.** Earnings from continuing operations before income taxes for the three months ended September 30, 2012 were \$28.6 million, an increase of \$2.4 million, or 9%, compared to \$26.2 million for the three months ended September 30, 2011. The increase is mainly due to higher recurring and event-driven revenues which more than offset the increase in Total expenses. Overall margin increased to 5.8% for the three months ended September 30, 2012 compared to 5.5% for the three months ended September 30, 2011.

**Provision for Income Taxes.** Our Provision for income taxes and effective tax rates for the three months ended September 30, 2012 were \$10.3 million and 36.0%, compared to \$9.5 million and 36.3% for the three months ended September 30, 2011, respectively. The decrease in our effective tax rate for the three months ended September 30, 2012 when compared to the comparable prior year period is primarily attributable to the geographical mix of income and lower tax rates in certain non-U.S. tax jurisdictions.

**Net Earnings from Continuing Operations and Basic and Diluted Earnings per Share from Continuing Operations.** Net earnings from continuing operations for the three months ended September 30, 2012 were \$18.3 million, an increase of \$1.6 million, or 10%, compared to \$16.7 million for the three months ended September 30, 2011. The increase in Net earnings from continuing operations reflects higher revenues and increased margins driven by the mix of business.

Basic and diluted earnings per share from continuing operations for the three months ended September 30, 2012 were \$0.15 and \$0.14, respectively, compared to \$0.14 and \$0.13 for the three months ended September 30, 2011, respectively.

***Analysis of Reportable Segments***

The Company classifies its operations into the following two reportable segments: Investor Communication Solutions and Securities Processing Solutions.

The primary components of Other are the elimination of intersegment revenues and profits and certain unallocated expenses. Foreign currency exchange is a reconciling item between the actual foreign currency exchange rates and the fiscal year 2012 budgeted foreign currency exchange rates reflected in segments.

Certain corporate expenses, as well as certain centrally managed expenses, are allocated based upon budgeted amounts in a reasonable manner. Because the Company compensates the management of its various businesses on, among other factors, segment profit, the Company may elect to record certain segment-related expense items of an unusual or non-recurring nature in consolidation rather than reflect such items in segment profit.



**Table of Contents****Revenues**

	Three Months Ended September 30,			
	2012	2011	Change	
	(\$ in millions)			
Investor Communication Solutions	\$ 339.5	\$ 313.0	\$ 26.5	8
Securities Processing Solutions	153.9	158.4	(4.5)	(3)
Foreign currency exchange	2.4	5.0	(2.6)	(52)
Total	\$ 495.8	\$ 476.4	\$ 19.4	4

**Earnings (Loss) from Continuing Operations Before Income Taxes**

	Three Months Ended September 30,			
	2012	2011	Change	
	(\$ in millions)			
Investor Communication Solutions	\$ 27.2	\$ 8.4	\$ 18.8	NM*
Securities Processing Solutions	9.4	27.8	(18.4)	(66)
Other	(11.9)	(12.9)	1.0	(8)
Foreign currency exchange	3.9	2.9	1.0	34
Total	\$ 28.6	\$ 26.2	\$ 2.4	9

\* Not Meaningful

**Investor Communication Solutions**

**Revenues.** Investor Communication Solutions segment's Revenues for the three months ended September 30, 2012 were \$339.5 million, an increase of \$26.5 million, or 8%, compared to \$313.0 million for the three months ended September 30, 2011. Higher recurring fee revenues contributed \$13.6 million, or 51%, higher event-driven fee revenues contributed \$4.9 million, or 19%, and higher distribution revenues contributed \$8.0 million, or 30%, to the \$26.5 million increase in revenues.

Higher recurring fee revenues were driven by Net New Business and internal growth. On a full-year basis position growth and processed pieces are key indicators of internal growth. During the first fiscal quarter, position growth for mutual fund interim communications was positive 9% and it was negative 4% for annual equity proxy communications, resulting in a net increase in pieces processed. Higher event-driven fee revenues were the result of increased Mutual Fund Communications. Although these indicators were positive, the first fiscal quarter results are not necessarily indicative of our full-year results due to the seasonality of our business. Distribution revenues for the three months ended September 30, 2012 were \$150.2 million, an increase of \$8.0 million, or 6%, compared to \$142.2 million for the three months ended September 30, 2011.

**Earnings from Continuing Operations before Income Taxes.** Earnings from Continuing Operations before income taxes for the three months ended September 30, 2012 were \$27.2 million, an increase of \$18.8 million, compared to \$8.4 million for the three months ended September 30, 2011. Margin increased by 5.3 percentage points to 8.0% as a result of higher fee and distribution revenues, as well as improved productivity from strategic initiatives.

**Securities Processing Solutions**

## Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

**Revenues.** Securities Processing Solutions segment's Revenues for the three months ended September 30, 2012 were \$153.9 million, a decrease of \$4.5 million, or 3%, compared to \$158.4 million for the three months ended September 30, 2011. The decrease was the result of a 19% reduction in trade volumes to 821,000 trades per day, coupled with the decline in revenue resulting from the new outsourcing services contract with Apex replacing the terminated outsourcing services contract with Penson, mostly offset by growth from Net New Business and the impact of the Paladyne acquisition.

**Table of Contents**

**Earnings from Continuing Operations before Income Taxes.** Earnings from Continuing Operations before income taxes for the three months ended September 30, 2012 were \$9.4 million, a decrease of \$18.4 million, or 66%, compared to \$27.8 million for the three months ended September 30, 2011. Margin decreased by 11.5 percentage points to 6.1% for the three months ended September 30, 2012. The decrease was primarily as a result of revenue mix and an increase in systems investments.

**Other**

**Revenues.** There were no reportable Revenues in our Other segment for the periods presented.

**Loss from Continuing Operations before Income Taxes.** Loss from Continuing Operations before income taxes was \$11.9 million for the three months ended September 30, 2012, a decrease of \$1.0 million, compared to a \$12.9 million loss from Continuing Operations before income taxes for the three months ended September 30, 2011. The decreased loss was primarily due to decreased IBM Migration costs which were slightly offset by increased interest expense on borrowings.

**Adjusted Net Earnings from Continuing Operations**

We define Adjusted net earnings from Continuing Operations as Net earnings from Continuing Operations, net of taxes excluding all items associated with acquisition amortization and other costs, Pension Charges, net, and IBM Migration costs. Adjusted net earnings from Continuing Operations is not a measure defined in accordance with GAAP and should not be construed as an alternative to net income (loss), as determined in accordance with GAAP.

We use Adjusted net earnings from Continuing Operations as a financial measure for a number of reasons, including:

in communications with our board of directors concerning our consolidated financial performance;

we believe it is an enterprise level performance measure commonly reported and widely used by analysts and investors; and

for planning purposes, including the preparation of our annual operating budget.

We are reporting our Adjusted net earnings from Continuing Operations to exclude the impact of these items from our GAAP results because these items are significant and we believe this information helps our investors understand the effect of these non-recurring items on our reported results and therefore, will provide a better representation of our actual performance. Our presentation of Adjusted net earnings from Continuing Operations should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Set forth below is a reconciliation of Adjusted net earnings from Continuing Operations (Non-GAAP) to the comparable GAAP measure:

	<b>Three Months Ended September 30, 2012      2011 (\$ in millions)</b>	
Adjusted net earnings from Continuing Operations (Non-GAAP)	\$ 22.3	\$ 22.8
Adjustments:		
Acquisition Amortization and Other Costs	(5.5)	(6.3)
Pension Charges, net	(0.7)	
IBM Migration costs		(3.2)
Tax impact of adjustments	2.2	3.4
Adjusted net earnings from Continuing Operations (GAAP)	\$ 18.3	\$ 16.7



**Table of Contents**

Set forth below is a reconciliation of Adjusted earnings per share from Continuing Operations (Non-GAAP) to the comparable GAAP measure:

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(\$ in millions)</b>	
Adjusted diluted earnings per share from Continuing Operations (Non-GAAP)	\$ 0.18	\$ 0.18
Adjustments:		
Acquisition Amortization and Other Costs	(0.05)	(0.05)
Person Charges, net	(0.01)	
IBM Migration costs		(0.03)
Tax impact of adjustments	0.02	0.03
<b>Diluted earnings per share from Continuing Operations (GAAP)</b>	<b>\$ 0.14</b>	<b>\$ 0.13</b>

**Financial Condition, Liquidity and Capital Resources**

At September 30, 2012, Cash and cash equivalents were \$211.8 million and Total stockholders' equity was \$789.5 million. At September 30, 2012, working capital was \$307.3 million, compared to \$367.1 million at June 30, 2012. At the current time, and in future periods, we expect cash generated by our operations, together with existing cash, cash equivalents, marketable securities and borrowings from the capital markets, to be sufficient to cover cash needs for working capital, capital expenditures, strategic acquisitions, dividends and common stock repurchases. We do not rely on short-term borrowings to meet our liquidity needs.

As of September 30, 2012, \$127.0 million of the \$211.8 million of cash and cash equivalents was held by our foreign subsidiaries. If these funds are needed for our operations in the U.S., we would be required to accrue and pay U.S. taxes to repatriate these funds. However, our current plans do not demonstrate a need to repatriate them to fund our U.S. operations.

At September 30, 2012, the Company had \$524.4 million outstanding Long-term debt, consisting of a \$400.0 million five-year term loan facility and unsecured senior notes of \$124.4 million principal amount. The senior notes are senior unsecured obligations of the Company and rank equally with the Company's other senior indebtedness. Interest is payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup> each year based on a fixed per annum rate equal to 6.125%.

On September 22, 2011, the Company entered into a \$990.0 million senior unsecured credit facility, consisting of a \$490.0 million five-year term loan facility (the "Fiscal 2012 Term Loan") and a \$500.0 million five-year revolving credit facility (the "Fiscal 2012 Revolving Credit Facility") (collectively the "Fiscal 2012 Credit Facilities"). Borrowings under the Fiscal 2012 Term Loan and Fiscal 2012 Revolving Credit Facility bear interest at LIBOR plus 125 basis points. The Fiscal 2012 Revolving Credit Facility also has an annual facility fee equal to 15 basis points, on the unused portion of the facility, which would total \$0.8 million in annual fees if the facility is completely unused.

The Fiscal 2012 Term Loan contains a repayment schedule that requires the Company to make minimum principal repayments on the loan of \$12.3 million, on a quarterly basis, commencing with the first payment due by March 31, 2013, and the final payment due by June 30, 2016, for a total repayment of \$171.5 million before the balance of the loan becomes due in September 2016. As of September 30, 2012, the Company has repaid \$90.0 million of the \$490.0 million of borrowings under the Fiscal 2012 Term Loan. Under the terms of the Fiscal 2012 Term Loan, any prepayment of a term borrowing shall be applied to reduce the subsequent scheduled repayment, in direct order of maturity, with no prepayment penalty. At September 30, 2012, the Company had met the repayment requirements on the Fiscal 2012 Term Loan through September 30, 2014. The weighted-average interest rate on the Fiscal 2012 Term Loan was 1.49% for the three months ended September 30, 2012.

As of September 30, 2012, the Company had no outstanding borrowings on the Fiscal 2012 Revolving Credit Facility. For the three months ended September 30, 2012, the Company incurred \$0.2 million in facility fees related to the unused portion of the Fiscal 2012 Revolving Credit Facility.

Based upon current and anticipated levels of operation, management believes that the Company's cash on hand and cash flows from operations, combined with borrowings available under credit facilities, will be sufficient to enable the Company to meet its current and anticipated cash operating requirements, capital expenditures and working capital needs. Please refer to the discussion of net cash flows provided by financing activities in the following section for further discussion of the Company's financing activities.





## **Table of Contents**

### **Cash Flows**

Net cash flows used in operating activities were \$15.6 million for the three months ended September 30, 2012 compared to \$23.3 million net cash flows provided by operating activities during the three months ended September 30, 2011. The increase in cash used is primarily due to an increase in working capital resulting from the decrease in accounts receivable collected and the timing of the payment of liabilities accrued for at fiscal year end.

Net cash flows used in investing activities for the three months ended September 30, 2012 were \$8.1 million, a decrease of \$71.2 million compared to \$79.3 million net cash flows used in investing activities for the three months ended September 30, 2011. The decrease reflects lower spending of \$72.7 million on acquisitions during the three months ended September 30, 2012, compared to the three months ended September 30, 2011, and lower purchases of intangible assets of \$0.8 million, slightly offset by higher capital expenditures of \$2.3 million.

Net cash flows used in financing activities for the three months ended September 30, 2012 were \$86.9 million, an increase of \$153.8 million compared to \$66.9 million net cash flows provided by financing activities for the three months ended September 30, 2011. The increased use of cash in the three months ended September 30, 2012 reflects an increase in the purchases of common stock of \$66.3 million in the current year three month period versus the prior year, coupled with a decline of \$87.5 million of net proceeds from long-term borrowings after debt repayment and borrowing costs.

### **Liquidity Risk**

Our liquidity position may be negatively affected by changes in general economic conditions, regulatory requirements and access to the capital markets, which may be limited if we were to fail to renew any of the credit facilities on their renewal dates or if we were to fail to meet certain ratios.

Based upon current and anticipated levels of operation, management believes that the Company's cash on hand and cash flows from operations, combined with borrowings available under credit facilities, will be sufficient to enable the Company to meet its current and anticipated cash operating requirements, capital expenditures and working capital needs. Please refer to the discussion of net cash flows provided by financing activities in the preceding section for further discussion of the Company's financing activities.

### **Seasonality**

Processing and distributing proxy materials and annual reports to investors in equity securities and mutual funds comprises a large portion of our Investor Communication Solutions business. We process and distribute the greatest number of proxy materials and annual reports during our fourth fiscal quarter (the second quarter of the calendar year). The recurring periodic activity of this business is linked to significant filing deadlines imposed by law on public reporting companies and mutual funds. Historically this has caused our revenues, operating income, net earnings, and cash flows from operating activities to be higher in our fourth fiscal quarter than in any other fiscal quarter. The seasonality of our revenues makes it difficult to estimate future operating results based on the results of any specific fiscal quarter and could affect an investor's ability to compare our financial condition, results of operations, and cash flows on a fiscal quarter-by-quarter basis.

### **Income Taxes**

Our effective tax rate for the three months ended September 30, 2012 was 36.0%, compared to 36.3% for the three months ended September 30, 2011. The decrease in our effective tax rate for the three months ended September 30, 2012 when compared to the comparable prior year period is primarily attributable to the geographical mix of income and lower tax rates in certain non-U.S. tax jurisdictions.

### **Contractual Obligations**

The Company entered into a data center outsourcing services agreement with Automatic Data Processing, Inc. (ADP) before the Company's spin-off from ADP in March 2007 (the ADP Agreement) under which ADP provided the Company with data center services. The ADP Agreement expired on June 30, 2012. The Company entered into a short-term extension of the ADP Agreement which expired in August 2012. At September 30, 2012, the Company has no further obligation with ADP for data center services.

In March 2010, the Company and International Business Machines Corporation (IBM) entered into an Information Technology Services Agreement (the IT Services Agreement), under which IBM provides certain aspects of the Company's information technology infrastructure that were previously provided under the ADP Agreement. Under the IT Services Agreement, IBM provides a broad range of technology services to the Company including supporting its mainframe, midrange, server, network and data center operations, as well as providing disaster recovery

## Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

services. The Company has the option of incorporating additional services into the agreement over time. The migration of the data center processing from ADP to IBM was completed in August 2012. The IT Services Agreement expires on June 30, 2022. The Company has the right to renew the initial term of the IT Services Agreement for up to one additional 12-month term. Commitments remaining under this agreement are \$535.7 million through fiscal year 2022, the final year of the contract.

## **Table of Contents**

### **Other Commercial Agreements**

The Company's Fiscal 2012 Revolving Credit Facility has an available capacity of \$500.0 million. This revolving credit facility had zero outstanding at September 30, 2012.

In addition, certain of the Company's foreign subsidiaries established unsecured, uncommitted lines of credit with banks. These lines of credit bear interest at LIBOR plus 250 basis points. There were no outstanding borrowings under these lines of credit at September 30, 2012.

### **Off-balance Sheet Arrangements**

It is not the Company's business practice to enter into off-balance sheet arrangements. However, the Company is exposed to market risk from changes in foreign currency exchange rates that could impact its financial position, results of operations and cash flows. The Company manages its exposure to these market risks through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company uses derivative financial instruments as risk management tools and not for trading purposes. The Company was not a party to any derivative financial instruments at September 30, 2012 or at June 30, 2012. In the normal course of business, the Company also enters into contracts in which it makes representations and warranties that relate to the performance of the Company's products and services. The Company does not expect any material losses related to such representations and warranties or collateral arrangements.

### **Recently-issued Accounting Pronouncements**

Please refer to Note 2. New Accounting Pronouncements to our Financial Statements under Item 1. of Part I of this Quarterly Report on Form 10-Q for a discussion on the impact of new accounting pronouncements.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company provides guarantees to securities clearinghouses and exchanges. Under the standard membership agreement, members are required to guarantee the performance of the other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearinghouse, the other members would be required to meet any shortfalls. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried on the Condensed Consolidated Balance Sheets for these transactions.

Certain of the Company's processing services are performed by a registered broker-dealer. As a registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. (FINRA), it is subject to regulations concerning many aspects of its business, including trade practices, capital requirements, record retention, money laundering prevention, the protection of customer funds and customer securities, and the supervision of the conduct of directors, officers and employees. A failure to comply with any of these laws, rules or regulations could result in censure, fine, the issuance of cease-and-desist orders, or the suspension or revocation of SEC or FINRA authorization granted to allow the operation of its business or disqualification of its directors, officers or employees. In addition, as a registered broker-dealer, it is required to participate in the Securities Investor Protection Corporation (SIPC) for the benefit of customers. In addition, MG Trust Company, LLC (MG Trust), a subsidiary of Matrix, is a Colorado State non-depository trust company whose primary business is to provide cash agent, custodial and directed or non-discretionary trust services to institutional customers. MG Trust operates pursuant to the rules and regulations of the Colorado Division of Banking.

As of September 30, 2012, \$400.0 million of our total \$524.4 million in debt outstanding is based on floating interest rates. Our Fiscal 2012 Term Loan had a balance outstanding of \$400.0 million as of September 30, 2012. The interest rate is based on LIBOR plus 125 basis points. The weighted-average interest rate was 1.49% during the three months ended September 30, 2012. Our Fiscal 2012 Revolving Credit Facility had a balance outstanding of zero as of September 30, 2012. The interest rate is based on LIBOR plus 125 basis points.

### **Item 4. CONTROLS AND PROCEDURES**

#### **Management's Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2012. The Chief Executive Officer and Chief Financial Officer concluded that our disclosure

## Edgar Filing: BROADRIDGE FINANCIAL SOLUTIONS, INC. - Form 10-Q

controls and procedures as of September 30, 2012 were effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934, as amended (the Exchange Act ) is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

**Table of Contents**

***Changes in Internal Control over Financial Reporting***

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****PART II. OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

In the normal course of business, the Company is subject to claims and litigation. While the outcome of any claim or litigation is inherently unpredictable, the Company believes that the ultimate resolution of these matters will not, individually or in the aggregate, result in a material impact on its financial condition, results of operations, or cash flows.

On January 28, 2010, the Company filed a declaratory action in the U.S. District Court for the District of Delaware (the Delaware District Court) against Investshare, Inc. (the Defendant) seeking a declaration by the court that Broadridge does not infringe two U.S. patents owned by the Defendant that included claims related to the delivery and distribution of an electronic solicitation. The Company's complaint also alleged that the Defendant's patents are invalid and/or are unenforceable due to inequitable conduct. On March 22, 2010, the Defendant answered the Company's complaint and filed a counterclaim against the Company alleging that Broadridge uses a process that infringes one of the patents in the action. In its counterclaim, Defendant is seeking injunctive relief and unspecified damages. This lawsuit is in an early procedural stage, with the Delaware District Court issuing its claim construction ruling on April 11, 2012; however, due to the limited scope of this matter, the Company believes that the outcome of this litigation would not result in a material adverse impact on its consolidated financial condition, results of operations, or cash flows.

**Item 1A. RISK FACTORS**

In addition to the information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the Risk Factors disclosed under Item 1A. to Part I in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, filed on August 9, 2012. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There have been no material changes to the risk factors we have disclosed in the Risk Factors section of our 2012 Annual Report on Form 10-K.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table contains information about our purchases of our equity securities for each of the three months during our first fiscal quarter ended September 30, 2012:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans(2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans (2)
July 1, 2012 - July 31, 2012		\$		
August 1, 2012 - August 31, 2012	1,664,804	23.32	1,664,804	8,204,685
September 1, 2012 - September 30, 2012	1,551,985 <sup>(1)</sup>	23.97	1,548,865	6,655,820
Total	3,216,789	\$ 23.63	3,213,669	6,655,820

- (1) Total includes 3,120 shares purchased from employees to pay taxes related to the vesting of restricted stock units at an average price per share of \$23.79.
- (2) On August 11, 2010, the Board of Directors authorized a stock repurchase plan for the repurchase of up to 10,000,000 shares of the Company's common stock. At June 30, 2012, there were 5,869,489 shares remaining for repurchase under the August 11, 2010 stock repurchase plan.

On August 8, 2012, the Board of Directors authorized a stock repurchase plan for the repurchase of up to 4,000,000 shares of the Company's common stock.

During the fiscal quarter ended September 30, 2012, the Company repurchased 3,213,669 shares of common stock under these plans at an average price per share of \$23.61. At September 30, 2012, 2,655,820 shares remain available for repurchase under the August 11, 2010 stock repurchase plan, and 4,000,000 shares remain available for repurchase under the August 8, 2012 stock repurchase plan.

**Table of Contents**

**Item 3. DEFAULTS UPON SENIOR SECURITIES**  
None.

**Item 4. MINE SAFETY DISCLOSURES**  
None.

**Item 5. OTHER INFORMATION**  
None.



**Table of Contents**

**Item 6. EXHIBITS**

The following exhibits are being filed as part of this Quarterly Report on Form 10-Q:

- 31.1 Certification of the Chief Executive Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following financial statements from the Broadridge Financial Solutions, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, formatted in eXtensible Business Reporting Language (XBRL): (i) condensed consolidated statements of earnings for the three months ended September 30, 2012 and 2011, (ii) condensed consolidated statements of comprehensive income for the three months ended September 30, 2012 and 2011, (iii) condensed consolidated balance sheets as of September 30, 2012 and June 30, 2012, (iv) condensed consolidated statements of cash flows for the three months ended September 30, 2012 and 2011, and (v) the notes to the condensed consolidated financial statements.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned hereunto duly authorized.

**BROADRIDGE FINANCIAL SOLUTIONS, INC.**

Date: November 6, 2012

By: /s/ Dan Sheldon  
Dan Sheldon  
Vice President, Chief Financial Officer  
(Principal Financial and Accounting Officer)

**Table of Contents**

**INDEX TO EXHIBITS**

<b>Exhibit</b>	
<b>Number</b>	<b>Description of Exhibit</b>
31.1	Certification of the Chief Executive Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from the Broadridge Financial Solutions, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, formatted in eXtensible Business Reporting Language (XBRL): (i) condensed consolidated statements of earnings for the three months ended September 30, 2012 and 2011, (ii) condensed consolidated statements of comprehensive income for the three months ended September 30, 2012 and 2011, (iii) condensed consolidated balance sheets as of September 30, 2012 and June 30, 2012, (iv) condensed consolidated statements of cash flows for the three months ended September 30, 2012 and 2011, and (v) the notes to the condensed consolidated financial statements.