

BROADRIDGE FINANCIAL SOLUTIONS, INC.

Form 10-Q

May 09, 2014

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 March 31, 2014**

**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)**

<b>Delaware</b> <b>(State or Other Jurisdiction of</b>	<b>33-1151291</b> <b>(I.R.S. Employer</b>
<b>Incorporation or Organization)</b>	<b>Identification No.)</b>
<b>1981 Marcus Avenue</b>	
<b>Lake Success, NY</b> <b>(Address of principal executive offices)</b>	<b>11042</b> <b>(Zip Code)</b>
<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 (Section 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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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 April 30, 2014 was 120,670,338.

**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>	18
Item 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	32
Item 4.	<u>CONTROLS AND PROCEDURES</u>	32
PART II.	<u>OTHER INFORMATION</u>	33
Item 1.	<u>LEGAL PROCEEDINGS</u>	33
Item 1A.	<u>RISK FACTORS</u>	33
Item 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	34
Item 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	34
Item 4.	<u>MINE SAFETY DISCLOSURES</u>	34
Item 5.	<u>OTHER INFORMATION</u>	34
Item 6.	<u>EXHIBITS</u>	35

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 March 31,</b>		<b>Nine Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenues	\$ 606.3	\$ 576.7	\$ 1,672.1	\$ 1,565.7
Cost of revenues	427.6	426.2	1,210.2	1,203.8
Selling, general and administrative expenses	95.6	79.0	255.1	229.1
Other expenses, net	6.2	3.8	17.9	11.8
<b>Total expenses</b>	<b>529.4</b>	<b>509.0</b>	<b>1,483.2</b>	<b>1,444.7</b>
Earnings before income taxes	76.9	67.7	188.9	121.0
Provision for income taxes	26.1	24.3	66.1	43.5
Net earnings	\$ 50.8	\$ 43.4	\$ 122.8	\$ 77.5
Basic earnings per share	\$ 0.42	\$ 0.36	\$ 1.03	\$ 0.63
Diluted earnings per share	\$ 0.41	\$ 0.35	\$ 0.99	\$ 0.62
Weighted-average shares outstanding:				
Basic	119.7	121.2	119.3	122.4
Diluted	124.8	125.0	124.0	125.9
Dividends declared per common share	\$ 0.21	\$ 0.18	\$ 0.63	\$ 0.54

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 March 31,</b>		<b>Nine Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net earnings	\$ 50.8	\$ 43.4	\$ 122.8	\$ 77.5
Other comprehensive income (loss), net:				
Foreign currency translation adjustments	(0.5)	(6.6)	2.8	(0.7)
Net unrealized gains on available-for-sale securities, net of taxes of \$0.0 and (\$0.1) for the three months ended March 31, 2014 and 2013, respectively; and (\$0.4) and (\$0.4) for the nine months ended March 31, 2014 and 2013, respectively	0.1	0.1	0.6	0.5
Pension and post-retirement liability adjustment, net of taxes of (\$0.1) and (\$0.1) for the three months ended March 31, 2014 and 2013, respectively; and (\$0.2) and \$0.3 for the nine months ended March 31, 2014 and 2013, respectively	0.1	0.1	0.2	(0.5)
Total other comprehensive income (loss), net	(0.3)	(6.4)	3.6	(0.7)
Comprehensive income	\$ 50.5	\$ 37.0	\$ 126.4	\$ 76.8

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)

	March 31, 2014	June 30, 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 244.4	\$ 266.0
Accounts receivable, net of allowance for doubtful accounts of \$3.3 and \$3.7, respectively	426.3	442.4
Other current assets	143.5	98.6
<b>Total current assets</b>	<b>814.2</b>	<b>807.0</b>
Property, plant and equipment, net	87.2	80.9
Goodwill	854.7	778.4
Intangible assets, net	137.0	120.6
Other non-current assets	236.8	231.3
<b>Total assets</b>	<b>\$ 2,129.9</b>	<b>\$ 2,018.2</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 124.8	\$ 143.1
Accrued expenses and other current liabilities	220.6	277.2
Deferred revenues	148.3	49.2
<b>Total current liabilities</b>	<b>493.7</b>	<b>469.5</b>
Long-term debt	524.1	524.5
Deferred taxes	58.2	71.2
Deferred revenues	57.3	40.2
Other non-current liabilities	97.7	96.8
<b>Total liabilities</b>	<b>1,231.0</b>	<b>1,202.2</b>
Commitments and contingencies (Note 12)		
Stockholders equity:		
Preferred stock: Authorized, 25.0 shares; issued and outstanding, none		
Common stock, \$0.01 par value: Authorized, 650.0 shares; issued, 154.5 and 154.5 shares, respectively; outstanding, 119.9 and 119.0 shares, respectively	1.6	1.6
Additional paid-in capital	812.1	783.0
Retained earnings	858.9	811.3
Treasury stock, at cost: 34.6 and 35.5 shares, respectively	(781.5)	(784.1)

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

Accumulated other comprehensive income	7.8	4.2
Total stockholders' equity	898.9	816.0
Total liabilities and stockholders' equity	\$ 2,129.9	\$ 2,018.2

See Notes to Condensed Consolidated Financial Statements.



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

	<b>Nine Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash Flows From Operating Activities</b>		
Net earnings	\$ 122.8	\$ 77.5
Adjustments to reconcile Net earnings to Net cash flows provided by operating activities:		
Depreciation and amortization	34.7	36.9
Amortization of acquired intangibles	16.6	16.4
Amortization of other assets	20.5	17.6
Deferred income taxes	(15.3)	(1.3)
Stock-based compensation expense	25.0	21.1
Excess tax benefits from the issuance of stock-based compensation awards	(7.7)	(2.1)
Other	6.6	6.4
Changes in operating assets and liabilities:		
Current assets and liabilities:		
(Increase) decrease in Accounts receivable, net	18.8	(40.6)
Increase in Other current assets	(30.0)	(37.5)
Increase (decrease) in Accounts payable	(18.3)	28.2
Decrease in Accrued expenses and other current liabilities	(67.6)	(70.8)
Increase in Deferred revenues	91.7	79.4
Non-current assets and liabilities:		
Increase in Other non-current assets	(36.2)	(48.0)
Increase (decrease) in Other non-current liabilities	25.8	(10.9)
Net cash flows provided by operating activities	187.4	72.3
<b>Cash Flows From Investing Activities</b>		
Capital expenditures	(32.8)	(29.7)
Purchases of intangibles	(10.9)	(5.9)
Acquisitions, net of cash acquired	(97.1)	
Net cash flows used in investing activities	(140.8)	(35.6)
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of bonds, net of discounts	399.5	
Payments on Long-term debt	(400.0)	
Dividends paid	(71.5)	(64.2)

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

Proceeds from exercise of stock options	33.2	27.4
Purchases of Treasury stock	(34.0)	(138.7)
Other financing transactions		(2.3)
Excess tax benefits from the issuance of stock-based compensation awards	7.7	2.1
Cost related to issuance of bonds	(4.3)	
Net cash flows used in financing activities	(69.4)	(175.7)
Effect of exchange rate changes on Cash and cash equivalents	1.2	0.7
Net change in Cash and cash equivalents	(21.6)	(138.3)
Cash and cash equivalents, beginning of period	266.0	320.5
Cash and cash equivalents, end of period	\$ 244.4	\$ 182.2
<b>Supplemental disclosure of cash flow information:</b>		
Cash payments made for interest	\$ 13.3	\$ 8.3
Cash payments made for income taxes	\$ 101.5	\$ 97.9
Non-cash investing and financing activities:		
Dividends payable	\$ 3.7	\$ 1.3
Property, plant and equipment	\$ 1.6	\$

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 business process outsourcing services to the financial services industry. The Company classifies its operations into the following two reportable segments:

**Investor Communication Solutions** The Bank/Broker-Dealer Communications, Mutual Fund and Retirement Solutions and Corporate Issuer Solutions businesses operate within this segment. 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 and financial advisors, 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 through paper or electronic channels. In addition, Broadridge provides corporate issuers with registered proxy services as well as registrar, stock transfer and record-keeping services to corporate issuers.

In July 2013, Broadridge acquired Bonaire Software Solutions, LLC ( Bonaire ), a leading provider of fee calculation, billing, and revenue and expense management solutions for asset managers including institutional asset managers, wealth managers, mutual funds, bank trusts, hedge funds and capital markets firms.

In February 2014, Broadridge acquired Emerald Connect, LLC ( Emerald ), a leading provider of websites and related communications solutions for financial advisors.

**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 business process outsourcing services 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 of America ( 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, 2013 (the 2013 Annual Report ) filed on August 8, 2013 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 GAAP of the Company s financial position at March 31, 2014 and June 30, 2013, the results of its operations for the three and nine months ended March 31, 2014 and 2013 and its cash flows for the nine months ended March 31, 2014 and 2013.

## **Table of Contents**

**C. Use of Estimates.** The preparation of these financial statements in conformity with 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 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 9, 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 March 31, 2014, 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 July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU No. 2013-11) to provide guidance on the presentation of unrecognized tax benefits. ASU No. 2013-11 requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows: to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. ASU No. 2013-11 is effective for the Company in our first quarter of fiscal 2015 with earlier adoption permitted. ASU No. 2013-11 should be applied prospectively with retroactive application permitted. The adoption of ASU No. 2013-11 will not impact the Company's consolidated results of operations, cash flows or financial condition as it only requires a change in the Company's presentation of unrecognized tax benefits.

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU No. 2013-02). ASU No. 2013-02 requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts not required to be reclassified in their entirety to net income, entities are required to cross-reference to other disclosures under GAAP that provide additional detail about those amounts. ASU No. 2013-02 became effective for the Company in the first quarter of fiscal year 2014. The adoption of ASU No. 2013-02 did not have a material impact on the Company's consolidated results of operations, cash flows or financial condition. The disclosures required by this guidance are presented in Note 13, Changes in Accumulated Other Comprehensive Income by Component.

In July 2012, the FASB issued ASU No. 2012-02, Intangibles Goodwill and Other: Testing indefinite-lived intangible assets for impairment ( ASU No. 2012-02 ). The revised standard is intended to reduce the cost and complexity of testing indefinite-lived intangible assets other than goodwill for impairment by providing entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The approach is similar to the guidance in ASU No. 2011-08 for goodwill impairment testing. ASU No. 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. ASU No. 2012-02 became effective for the Company in the first quarter of fiscal 2014. The adoption of ASU No. 2012-02 did not have a material impact on the Company's consolidated results of operations, cash flows or financial condition.

**Table of Contents****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.

The computation of diluted EPS did not include 1.6 million and 3.1 million options to purchase Broadridge common stock for the three months ended March 31, 2014 and 2013, respectively, and 0.6 million and 2.6 million options to purchase Broadridge common stock for the nine months ended March 31, 2014 and 2013, 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 (in millions):

	<b>Three Months Ended March 31,</b>		<b>Nine Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Weighted-average shares outstanding:</b>				
Basic	119.7	121.2	119.3	122.4
Common stock equivalents	5.1	3.8	4.7	3.5
Diluted	124.8	125.0	124.0	125.9

**NOTE 4. OTHER EXPENSES, NET**

Other expenses, net consisted of the following:

	<b>Three Months Ended March 31,</b>		<b>Nine Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(\$ in millions)</b>			
Interest expense on borrowings	\$ 6.2	\$ 3.5	\$ 17.0	\$ 10.4
Interest income	(0.7)	(0.4)	(1.4)	(1.3)
Foreign currency exchange (gain) loss	0.1	0.3	(0.5)	1.1
Other, net	0.6	0.4	2.8	1.6
Other expenses, net	\$ 6.2	\$ 3.8	\$ 17.9	\$ 11.8

**NOTE 5. ACQUISITIONS**

Assets acquired and liabilities assumed in business combinations were recorded on the Company's Condensed 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 Condensed

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 first quarter of fiscal year 2014, the fair value of contingent consideration associated with one of the Company's acquisitions was reduced by approximately \$3.3 million. In addition, during the nine months ended March 31, 2014, the Company acquired two businesses in the Investor Communication Solutions segment:

**Bonaire**

In July 2013, the Company acquired Bonaire, a leading provider of fee calculation, billing, and revenue and expense management solutions for asset managers including institutional asset managers, wealth managers, mutual funds, bank trusts, hedge funds and capital markets firms. The purchase price was \$37.6 million, net of cash acquired. Net liabilities assumed in the transaction were \$1.6 million. In addition, the Company recorded a \$0.5 million liability for the fair value of potential additional cash payments, which are payable over the next three years contingent upon the achievement by the acquired business of certain revenue and earnings targets. This acquisition resulted in \$29.0 million of Goodwill. Intangible assets acquired, which totaled \$10.1 million, consist primarily of acquired software technology and customer relationships, which are being amortized over a seven-year life and ten-year life, respectively.



## **Table of Contents**

The results of Bonaire's operations were included in the Company's Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q from the date of acquisition. Pro forma supplemental financial information is not provided as the impact of the acquisition on the Company's operating results, financial position or cash flows was not material.

## **Emerald**

In February 2014, the Company acquired Emerald, a leading provider of websites and related communications solutions for financial advisors. The purchase price was \$60.0 million, net of cash acquired. Net liabilities assumed in the transaction were \$1.9 million. This acquisition resulted in \$40.4 million of Goodwill. Intangible assets acquired, which totaled \$21.5 million, consist primarily of customer relationships, which are being amortized over a seven-year life. The results of Emerald's operations were included in the Company's Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q from the date of acquisition. The allocation of the purchase price will be finalized upon completion of the analysis of the fair values of Emerald's assets and liabilities. Pro forma supplemental financial information is not provided as the impact of the acquisition on the Company's operating results, financial position or cash flows was not material.

During the nine months ended March 31, 2013, there were no acquisitions.

## **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 1 assets for the Company include money market deposit accounts ( MMDA accounts ).

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.

In June 2013, the Company purchased certain available-for-sale securities in a non-public entity for which the lowest level of significant inputs was unobservable. On a recurring basis, the Company uses pricing models and similar

techniques for which the determination of fair value requires significant judgment by management. Accordingly, the Company classifies the available-for-sale securities as Level 3 in the table below.

**Table of Contents**

The following tables set forth the Company's financial assets and liabilities at March 31, 2014 and June 30, 2013, respectively, 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)			
<b>Assets:</b>				
Cash and cash equivalents:				
Money market funds (1)	\$ 53.8	\$	\$	\$ 53.8
Other current assets:				
Available-for-sale equity securities	0.1			0.1
Other non-current assets:				
Available-for-sale equity securities	19.2		1.1	20.3
Total as of March 31, 2014	\$ 73.1	\$	\$ 1.1	\$ 74.2

	Level 1	Level 2	Level 3	Total
	(\$ in millions)			
<b>Assets:</b>				
Cash and cash equivalents:				
Money market funds (1)	\$ 122.1	\$	\$	\$ 122.1
Other current assets:				
Available-for-sale equity securities				
Other non-current assets:				
Available-for-sale equity securities	15.8		1.1	16.9
Total as of June 30, 2013	\$ 137.9	\$	\$ 1.1	\$ 139.0

(1) Money market funds include MMDA account balances of \$33.3 million and \$87.1 million as of March 31, 2014 and June 30, 2013, respectively.

The following table sets forth an analysis of changes during the nine months ended March 31, 2014 and 2013, respectively, in Level 3 financial assets of the Company:

	March 31, 2014	March 31, 2013
	(\$ in millions)	
Beginning balance	\$ 1.1	\$
Net realized/unrealized gains (losses)		
Purchases		
Transfers in (out) of Level 3		

Ending balance	\$ 1.1	\$
----------------	--------	----

The Company did not incur any Level 3 fair value asset impairments during the nine months ended March 31, 2014 and 2013, respectively. Changes in economic conditions or model based valuation techniques may require the transfer of financial instruments between levels. The Company's policy is to record transfers between levels if any, as of the beginning of the fiscal year. For the nine months ended March 31, 2014 and 2013, respectively, there were no transfers between levels.

**Table of Contents****NOTE 7. OTHER NON-CURRENT ASSETS**

Other non-current assets consisted of the following:

	<b>March 31, 2014</b>	<b>June 30, 2013</b>
	(\$ in millions)	
Deferred client conversion and start-up costs	\$ 135.1	\$ 133.3
Deferred data center costs	44.7	48.8
Long-term investments	23.8	20.9
Long-term broker fees	9.6	9.2
Other	23.6	19.1
<b>Total</b>	<b>\$ 236.8</b>	<b>\$ 231.3</b>

**NOTE 8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consisted of the following:

	<b>March 31, 2014</b>	<b>June 30, 2013</b>
	(\$ in millions)	
Employee compensation and benefits	\$ 124.9	\$ 143.1
Accrued broker fees	33.3	49.2
Accrued income tax liability	28.6	51.8
Accrued dividend payable	24.7	21.0
Other	9.1	12.1
<b>Total</b>	<b>\$ 220.6</b>	<b>\$ 277.2</b>

**NOTE 9. BORROWINGS**

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

	<b>Expiration Date</b>	<b>March 31, 2014</b>	<b>June 30, 2013</b>	<b>Unused Available Capacity</b>
		(\$ in millions)		
<b>Long-term debt</b>				
Fiscal 2012 Term loan facility	(a)	\$	\$ 400.0	\$
Fiscal 2012 Revolving credit facility	September 2016			500.0
Fiscal 2007 Senior notes	June 2017	124.6	124.5	

Fiscal 2014 Senior notes	September 2020	399.5		
Total debt		\$ 524.1	\$ 524.5	\$ 500.0

- (a) In September 2013, the Company repaid in full the outstanding \$400.0 million remaining on the Fiscal 2012 Term loan facility.

*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 Credit Facilities 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 and \$0.6 million for both the three and nine months ended March 31, 2014 and 2013, respectively. 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 were capitalized in Other non-current assets in the Condensed Consolidated Balance Sheets and are being amortized to Other expenses, net on a straight-line basis, which approximates the effective interest method, over the terms of these facilities. During the quarter ended September 30, 2013, the Company repaid the Fiscal 2012 Term Loan and expensed the remaining issuance costs associated with this debt, which was approximately \$0.9 million.

---

**Table of Contents**

As of March 31, 2014 and June 30, 2013, \$2.2 million and \$1.0 million, respectively, had been amortized or expensed related to the Fiscal 2012 Credit Facilities, with \$0.7 million remaining to be amortized related to the Fiscal 2012 Revolving Credit Facility.

The Fiscal 2012 Term Loan contained a repayment schedule that required the Company to make minimum principal repayments on the loan before the balance of the loan became due in September 2016, with no prepayment penalty. During the fiscal year ended June 30, 2012, the Company repaid \$90.0 million of the \$490.0 million of borrowings under the Fiscal 2012 Term Loan and had met the repayment requirements on the Fiscal 2012 Term Loan through September 30, 2014. During the quarter ended September 30, 2013, the Company repaid the remaining \$400.0 million outstanding on the Fiscal 2012 Term Loan. During the first quarter of the current fiscal year, the weighted-average interest rate on the Fiscal 2012 Term Loan was 1.44% before being repaid in August 2013. The weighted-average interest rate on the Fiscal 2012 Term Loan was 1.46% and 1.47% for the three and nine months ended March 31, 2013, respectively.

The Fiscal 2012 Revolving Credit Facility is subject to covenants, including financial covenants consisting of a leverage ratio and an interest coverage ratio. At March 31, 2014, the Company is not aware of any instances of any non-compliance with the financial covenants of the Fiscal 2012 Revolving Credit Facility.

*Fiscal 2007 Senior Notes:* In May 2007, the Company completed an offering of \$250.0 million in aggregate principal amount of senior notes (the Fiscal 2007 Senior Notes). The Fiscal 2007 Senior Notes will mature on June 1, 2017 and bear interest at a rate of 6.125% per annum. Interest on the Fiscal 2007 Senior Notes is payable semi-annually in arrears on June 1 and December 1 of each year. The Fiscal 2007 Senior Notes were issued at a price of 99.1% (effective yield to maturity of 6.251%). The indenture governing the Fiscal 2007 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 March 31, 2014, the Company is not aware of any instances of non-compliance with the covenants of the indenture governing the Fiscal 2007 Senior Notes. The indenture also contains covenants regarding the purchase of the Fiscal 2007 Senior Notes upon a change of control triggering event. The Fiscal 2007 Senior Notes are senior unsecured obligations of the Company and rank equally with the Company's other senior indebtedness. The Company may redeem the Fiscal 2007 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 Fiscal 2007 Senior Notes. These costs have been capitalized and are being amortized to Other expenses, net on a straight-line basis, which approximates the effective interest method, over the ten-year term. At March 31, 2014 and June 30, 2013, the accumulated amortization related to the Fiscal 2007 Senior Notes was \$1.2 million and \$1.1 million, respectively. During the fiscal year ended June 30, 2009, the Company purchased \$125.0 million principal amount of the Fiscal 2007 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 Fiscal 2007 Senior Notes at March 31, 2014 and June 30, 2013 was \$137.3 million and \$138.2 million, respectively, based on quoted market prices and has been classified as a Level 1 financial liability (as defined in Note 6, Fair Value of Financial Instruments).

*Fiscal 2014 Senior Notes:* In August 2013, the Company completed an offering of \$400.0 million in aggregate principal amount of senior notes (the Fiscal 2014 Senior Notes). The Fiscal 2014 Senior Notes will mature on September 1, 2020 and bear interest at a rate of 3.95% per annum. Interest on the Fiscal 2014 Senior Notes is payable semi-annually in arrears on March 1 and September 1 of each year. The Fiscal 2014 Senior Notes were issued at a price of 99.871% (effective yield to maturity of 3.971%). The indenture governing the Fiscal 2014 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 March 31, 2014, the Company is not aware of any instances of non-compliance with the covenants of the indenture governing the Fiscal 2014 Senior Notes. The indenture also contains covenants regarding the purchase of the Fiscal 2014 Senior Notes

upon a change of control triggering event. The Fiscal 2014 Senior Notes are senior unsecured obligations of the Company and rank equally with the Company's other senior indebtedness. The Company may redeem the Fiscal 2014 Senior Notes in whole or in part at any time before their maturity. The Company incurred \$4.3 million in debt issuance costs to establish the Fiscal 2014 Senior Notes. These costs have been capitalized and are being amortized to Other expenses, net on a straight-line basis, which approximates the effective interest method, over the seven-year term. At March 31, 2014, the accumulated amortization related to the Fiscal 2014 Senior Notes was \$0.4 million. The fair value of the fixed-rate Fiscal 2014 Senior Notes at March 31, 2014 was \$411.9 million based on quoted market prices and has been classified as a Level 1 financial liability (as defined in Note 6, Fair Value of Financial Instruments).

In addition, certain of the Company's foreign subsidiaries have unsecured, uncommitted lines of credit with banks. As of March 31, 2014 and June 30, 2013, there were no outstanding borrowings under these lines of credit.



**Table of Contents****NOTE 10. STOCK-BASED COMPENSATION**

The activity related to the Company's incentive equity awards for the three months ended March 31, 2014 consisted of the following:

	Stock Options		Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Options (c)	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Balances at January 1, 2014	10,304,129	\$ 20.71	2,867,445	\$ 22.80	805,705	\$ 22.75
Granted	1,576,320	36.97	14,423	35.25	26,775	35.09
Exercise of stock options (a)	(1,142,315)	19.74				
Vesting of restricted stock units			(58,166)	17.82	(2,747)	17.61
Expired/forfeited	(3,930)	18.00	(52,914)	16.55	(9,897)	28.81
Balances at March 31, 2014 (b)	10,734,204	\$ 23.20	2,770,788	\$ 23.09	819,836	\$ 23.10

- (a) Stock options exercised during the period of January 1, 2014 through March 31, 2014 had an intrinsic value of \$20.2 million.
- (b) As of March 31, 2014, the Company's outstanding in-the-money stock options using the March 31, 2014 closing stock price of \$37.14 (approximately 7.5 million shares) had an aggregate intrinsic value of \$125.9 million. As of March 31, 2014, time-based restricted stock units and performance-based restricted stock units expected to vest using the March 31, 2014 share price of \$37.14 (approximately 2.6 million and 0.8 million shares, respectively) had an aggregate intrinsic value of \$94.8 million and \$32.1 million, respectively.
- (c) Stock options outstanding as of March 31, 2014 have a weighted-average remaining contractual life of 5.8 years and 7.5 million stock options are exercisable.

The activity related to the Company's incentive equity awards for the nine months ended March 31, 2014 consisted of the following:

	Stock Options		Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Options	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, 2013	10,985,482	\$ 20.39	2,086,834	\$ 19.65	572,823	\$ 19.96

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

Granted	1,683,875	36.88	886,458	30.26	277,319	29.85
Exercise of stock options (a)	(1,809,127)	19.00				
Vesting of restricted stock units (b)			(58,166)	17.82	(7,957)	21.34
Expired/forfeited	(126,026)	21.04	(144,338)	19.48	(22,349)	27.10
Balances at March 31, 2014	10,734,204	\$ 23.20	2,770,788	\$ 23.09	819,836	\$ 23.10

(a) Stock options exercised during the period of July 1, 2013 through March 31, 2014 had an intrinsic value of \$30.2 million.

(b) Time-based and performance-based restricted stock units that vested during the period of July 1, 2013 through March 31, 2014 had a fair value of \$2.2 million and \$0.2 million, respectively.

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 \$10.3 million and \$8.2 million, respectively, as well as related tax benefits of \$3.9 million and \$3.0 million, respectively, was recognized for the three months ended March 31, 2014 and 2013, respectively. Stock-based compensation expense of \$25.0 million and \$21.1 million, respectively, as well as related tax benefits of \$9.4 million and \$7.9 million, respectively, was recognized for the nine months ended March 31, 2014 and 2013, respectively.

---

**Table of Contents**

As of March 31, 2014, the total remaining unrecognized compensation cost related to non-vested stock options and restricted stock unit awards amounted to \$14.9 million and \$33.1 million, respectively, which will be amortized over the weighted-average remaining requisite service periods of 3.6 years and 1.7 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 11. INCOME TAXES**

The Provision for income taxes and effective tax rates for the three and nine months ended March 31, 2014 were \$26.1 million and 33.9%, and \$66.1 million and 35.0%, respectively, compared to \$24.3 million and 35.9%, and \$43.5 million and 36.0%, for the three and nine months ended March 31, 2013, respectively. The decrease in the effective tax rate for the three and nine months ended March 31, 2014 when compared to the comparable prior year period is primarily attributable to the release of various tax reserves relating to U.S. federal and state income taxes due to audit settlements and the expiration of certain audit periods in the nine month period ended March 31, 2014, coupled with a state income tax reserve accrual in the prior nine month period ended March 31, 2013, which negatively impacted the prior year nine month period tax rate. In addition, but to a lesser extent, the geographical mix of income also positively impacted the effective tax rate for the nine month period ended March 31, 2014 relative to the nine month period ended March 31, 2013. The rate benefit from the geographical mix of income was driven by both a higher increase in foreign earnings as a percentage of total earnings before income taxes and the enactment of lower corporate income tax rates in certain foreign tax jurisdictions in the nine month period ended March 31, 2014 compared to the nine month period ended March 31, 2013.

**NOTE 12. 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, 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.

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 has no further obligations 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 at March 31, 2014 are \$457.5 million through fiscal year 2022, the final year of the contract. In March 2014, the Company and IBM United Kingdom Limited ( IBM UK ) entered into an Information Technology Services Agreement (the EU IT Services Agreement ), under which IBM UK provides data center services supporting the Company s business process outsourcing services for certain clients in Europe and Asia. The EU IT Services Agreement expires in October 2023. The Company has the right to renew the initial term of the EU IT Services Agreement for up to one additional 12-month term or one additional 24-month term. Commitments remaining under this agreement at March 31, 2014 are \$52.3 million through fiscal year 2024, 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.

**Table of Contents**

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 March 31, 2014 and June 30, 2013, 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.

The Company's business process outsourcing and mutual fund processing services are performed by a registered broker-dealer. As a registered broker-dealer and member of 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 Company), 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 Company operates pursuant to the rules and regulations of the Colorado Division of Banking.

**NOTE 13. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME BY COMPONENT**

The following tables summarize the changes in the accumulated balances for each component of accumulated other comprehensive income for the three and nine months ended March 31, 2014, respectively:

	<b>Foreign Currency Translation</b>	<b>Available- for-Sale Securities</b>	<b>Pension and Post- Retirement Liabilities</b>	<b>Total</b>
	<b>(\$ in millions)</b>			
Balances at January 1, 2014	\$ 10.9	\$ 1.6	\$ (4.4)	\$ 8.1
Other comprehensive income before reclassifications	(0.5)	0.1		(0.4)
Amounts reclassified from accumulated other comprehensive income			0.1	0.1
Balances at March 31, 2014	\$ 10.4	\$ 1.7	\$ (4.3)	\$ 7.8

	<b>Foreign Currency Translation</b>	<b>Available- for-Sale Securities</b>	<b>Pension and Post- Retirement Liabilities</b>	<b>Total</b>
--	---	---	---	--------------

	(\$ in millions)			
Balances at July 1, 2013	\$ 7.6	\$ 1.1	\$ (4.5)	\$ 4.2
Other comprehensive income before reclassifications	2.8	0.6		3.4
Amounts reclassified from accumulated other comprehensive income			0.2	0.2
Balances at March 31, 2014	\$ 10.4	\$ 1.7	\$ (4.3)	\$ 7.8

**Table of Contents**

The following table summarizes the reclassifications out of accumulated other comprehensive income:

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
	(\$ in millions)			
Pension and Post-retirement liabilities:				
Amortization of loss reclassified into Selling, general and administrative expenses	\$ 0.2	\$ 0.2	\$ 0.4	\$ (0.4)
Tax income	(0.1)	(0.1)	(0.2)	0.2
Amortization of loss net of tax	\$ 0.1	\$ 0.1	\$ 0.2	\$ (0.2)

**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 2014 budgeted foreign currency exchange rates.

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 Other rather than reflect such items in segment profit.

Segment results:

	Revenues			
	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
	(\$ in millions)			
Investor Communication Solutions	\$ 430.3	\$ 404.2	\$ 1,152.4	\$ 1,070.5
Securities Processing Solutions	177.9	169.6	520.7	487.3
Other		0.1		0.1
Foreign currency exchange	(1.9)	2.8	(1.0)	7.8
Total	\$ 606.3	\$ 576.7	\$ 1,672.1	\$ 1,565.7

	<b>Earnings (Loss) before Income Taxes</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	(\$ in millions)			
Investor Communication Solutions	\$ 55.5	\$ 50.8	\$ 117.1	\$ 94.5
Securities Processing Solutions	37.8	28.7	104.1	58.1
Other	(20.0)	(15.9)	(45.3)	(42.9)
Foreign currency exchange	3.6	4.1	13.0	11.3
<b>Total</b>	<b>\$ 76.9</b>	<b>\$ 67.7</b>	<b>\$ 188.9</b>	<b>\$ 121.0</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 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 such as expects, assumes, projects, anticipates, estimates, we believe, could be and other 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 Broadridge's clients or the investor communication services provided by Broadridge;

declines in participation and activity in 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;

a disaster or other significant slowdown or failure of Broadridge's systems or error in the performance of Broadridge's services;

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

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.

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, 2013 (the 2013 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 2013 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 business process outsourcing services. In short, we provide the infrastructure that helps the financial services industry operate. With over 50 years of experience, we provide financial services firms with advanced, dependable, scalable and cost-effective integrated systems.

## **Table of Contents**

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.

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

Our Bank/Broker-Dealer Communications, Mutual Fund and Retirement Solutions and Corporate Issuer Solutions businesses operate within this segment. 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 and financial advisors, 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 through paper or electronic channels.

In addition, we provide corporate issuers with registered proxy services, as well as registrar, stock transfer and record-keeping services.

In fiscal year 2014, we acquired Bonaire Software Solutions, LLC ( Bonaire ), a leading provider of fee calculation, billing, and revenue and expense management solutions for asset managers including institutional asset managers, wealth managers, mutual funds, bank trusts, hedge funds and capital markets firms.

In fiscal year 2014, we acquired Emerald Connect, LLC ( Emerald ), a leading provider of websites and related communications solutions for financial advisors.

In fiscal year 2014, the Securities and Exchange Commission (the SEC ) approved the proxy distribution fee changes proposed by the New York Stock Exchange in May 2012. The fee changes went into effect for shareholder meetings that have record dates on or after January 1, 2014, and we have implemented the approved changes. We believe the net financial impact of the fee changes on Broadridge will be neutral to slightly positive.

### ***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 business process outsourcing services 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 fiscal year 2012, we 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 of America ( 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, 2013 in the 2013 Annual Report on Form 10-K filed with the SEC on August 8, 2013.

## **Table of Contents**

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.

### ***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 Condensed Consolidated 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 2013 Annual Report on Form 10-K.

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

The following discussions of Analysis of Condensed Consolidated Statements of Earnings and Analysis of Reportable Segments refer to the three and nine months ended March 31, 2014 compared to the three and nine months ended March 31, 2013. The Analysis of Condensed Consolidated Statements of Earnings should be read in conjunction with the Analysis of Reportable Segments, which provides a more detailed discussion concerning certain components of the Condensed Consolidated Statements of Earnings.

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

*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.

*Net New Business* refers to recurring revenue closed sales less client losses.

*Restructuring Charges* refers to severance costs, the impact of system development costs for Apex Clearing Holdings LLC ( *Apex Holdings* ) and the Canadian subsidiary of Penson Worldwide, Inc., and costs to restructure and outsource certain processing related to our desktop applications.

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.

**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.

**Table of Contents**

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. For the nine months ended March 31, 2014, mutual fund proxy fee revenues were 59% higher than the nine months ended March 31, 2013. During fiscal year 2013, mutual fund proxy fee revenues were 54% higher than the prior fiscal year while during fiscal years 2012 and 2011, mutual fund proxy revenues were 28% and 74% lower, respectively, than their 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.

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. Recurring revenue closed sales were adjusted by zero and \$0.1 million for the three and nine months ended March 31, 2014. Recurring revenue closed sales were adjusted by \$(0.7) million and \$(2.4) million for the three and nine months ended March 31, 2013.

**Table of Contents****Analysis of Condensed Consolidated Statements of Earnings****Three Months Ended March 31, 2014 versus Three Months Ended March 31, 2013**

The table below presents Condensed Consolidated Statements of Earnings data for the three months ended March 31, 2014 and 2013, and the dollar and percentage changes between periods:

	<b>Three Months Ended March 31,</b>		<b>Change</b>	
	<b>2014</b>	<b>2013</b>	<b>\$</b>	<b>%</b>
	<b>(\$ in millions, except per share amounts)</b>			
Revenues	\$ 606.3	\$ 576.7	\$ 29.6	5
Cost of revenues	427.6	426.2	1.4	
Selling, general and administrative expenses	95.6	79.0	16.6	21
Other expenses, net	6.2	3.8	2.4	63
<b>Total expenses</b>	<b>529.4</b>	<b>509.0</b>	<b>20.4</b>	<b>4</b>
Earnings before income taxes	76.9	67.7	9.2	14
Margin	12.7%	11.7%		1.0 pts
Provision for income taxes	26.1	24.3	1.8	7
Effective tax rate	33.9%	35.9%		(2.0) pts
Net earnings	\$ 50.8	\$ 43.4	\$ 7.4	17
Basic earnings per share	\$ 0.42	\$ 0.36	\$ 0.06	17
Diluted earnings per share	\$ 0.41	\$ 0.35	\$ 0.06	17

**Nine Months Ended March 31, 2014 versus Nine Months Ended March 31, 2013**

The table below presents Condensed Consolidated Statements of Earnings data for the nine months ended March 31, 2014 and 2013, and the dollar and percentage changes between periods:

	<b>Nine Months Ended March 31,</b>		<b>Change</b>	
	<b>2014</b>	<b>2013</b>	<b>\$</b>	<b>%</b>
	<b>(\$ in millions, except per share amounts)</b>			
Revenues	\$ 1,672.1	\$ 1,565.7	\$ 106.4	7
Cost of revenues	1,210.2	1,203.8	6.4	1
Selling, general and administrative expenses	255.1	229.1	26.0	11



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

Other expenses, net	17.9	11.8	6.1	52
Total expenses	1,483.2	1,444.7	38.5	3
Earnings before income taxes	188.9	121.0	67.9	56
Margin	11.3%	7.7%		3.6 pts
Provision for income taxes	66.1	43.5	22.6	52
Effective tax rate	35.0%	36.0%		(1.0) pts
Net earnings	\$ 122.8	\$ 77.5	\$ 45.3	58
Basic earnings per share	\$ 1.03	\$ 0.63	\$ 0.40	63
Diluted earnings per share	\$ 0.99	\$ 0.62	\$ 0.37	60

---

**Table of Contents*****Three Months Ended March 31, 2014 versus Three Months Ended March 31, 2013***

**Revenues.** Revenues for the three months ended March 31, 2014 were \$606.3 million, an increase of \$29.6 million, or 5%, compared to \$576.7 million for the three months ended March 31, 2013. The \$29.6 million increase was driven by higher recurring fee revenues of \$31.6 million, or 9% increase, and higher distribution revenues of \$2.2 million, or 1% increase. The positive contribution from recurring fee revenues reflected gains from Net New Business and internal growth. Event-driven fee revenues were \$38.2 million, a slight increase of \$0.5 million, compared to \$37.7 million for the three months ended March 31, 2013. Fluctuations in foreign currency exchange rates negatively impacted revenues by \$4.7 million.

Closed sales for the three months ended March 31, 2014 were \$41.4 million, an increase of \$8.6 million, or 26%, compared to \$32.8 million for the three months ended March 31, 2013. Recurring revenue closed sales for the three months ended March 31, 2014 were \$23.5 million, a decrease of \$0.8 million, or 3%, compared to \$24.3 million for the three months ended March 31, 2013. Event-driven revenue closed sales for the three months ended March 31, 2014 were \$17.9 million, an increase of \$9.4 million, or 111%, compared to \$8.5 million for the three months ended March 31, 2013.

***Nine Months Ended March 31, 2014 versus Nine Months Ended March 31, 2013***

**Revenues.** Revenues for the nine months ended March 31, 2014 were \$1,672.1 million, an increase of \$106.4 million, or 7%, compared to \$1,565.7 million for the nine months ended March 31, 2013. The \$106.4 million increase was driven by higher recurring fee revenues of \$91.9 million, higher distribution revenues of \$14.1 million, and higher event-driven fee revenues, which increased \$9.2 million to \$106.8 million, compared to \$97.6 million in the prior year period. The positive contribution from recurring fee revenues reflected higher Net New Business and internal growth. Fluctuations in foreign currency exchange rates negatively impacted revenues by \$8.8 million.

Closed sales for the nine months ended March 31, 2014 were \$95.9 million, an increase of \$12.9 million, or 16%, compared to \$83.0 million for the nine months ended March 31, 2013. Recurring revenue closed sales for the nine months ended March 31, 2014 were \$61.6 million, an increase of \$3.2 million, or 5%, compared to \$58.4 million for the nine months ended March 31, 2013. Event-driven revenue closed sales for the nine months ended March 31, 2014 were \$34.3 million, an increase of \$9.7 million, or 39%, compared to \$24.6 million for the nine months ended March 31, 2013.

***Three Months Ended March 31, 2014 versus Three Months Ended March 31, 2013***

**Total Expenses.** Total expenses for the three months ended March 31, 2014 were \$529.4 million, an increase of \$20.4 million, or 4%, compared to \$509.0 million for the three months ended March 31, 2013. Selling, general and administrative expenses were higher by \$16.6 million, or 21%. Other expenses, net increased \$2.4 million, or 63%, and Cost of revenues were higher by \$1.4 million.

Cost of revenues for the three months ended March 31, 2014 were \$427.6 million, an increase of \$1.4 million, compared to \$426.2 million for the three months ended March 31, 2013. The increase reflects higher variable expenses of \$7.2 million on higher fee revenues and higher costs of \$3.6 million related to acquisitions partially offset by a reduction in restructuring charges of \$3.8 million, lower investment spend of \$1.4 million and lower distribution cost of revenues of \$0.8 million. Distribution cost of revenues consists primarily of postage-related expenses. Fluctuations in foreign currency exchange rates decreased cost of fee revenues by \$3.3 million.

Selling, general and administrative expenses for the three months ended March 31, 2014 were \$95.6 million, an increase of \$16.6 million, or 21%, compared to \$79.0 million for the three months ended March 31, 2013. The increase was primarily due to costs related to higher selling and marketing expenses of \$7.5 million, higher performance based compensation expense of \$4.3 million, and \$2.0 million of additional expenses related to acquisitions.

Other expenses, net for the three months ended March 31, 2014 were \$6.2 million, an increase of \$2.4 million, or 63%, compared to \$3.8 million for the three months ended March 31, 2013, mainly reflecting higher interest expense of \$2.7 million related to our borrowings.

***Nine Months Ended March 31, 2014 versus Nine Months Ended March 31, 2013***

***Total Expenses.*** Total expenses for the nine months ended March 31, 2014 were \$1,483.2 million, an increase of \$38.5 million, or 3%, compared to \$1,444.7 million for the nine months ended March 31, 2013. The increase reflects higher Cost of revenues of \$6.4 million, or 1%, higher Selling, general and administrative expenses of \$26.0 million, or 11%, and a \$6.1 million, or 52% increase, in Other expenses, net.

---

**Table of Contents**

Cost of revenues for the nine months ended March 31, 2014 were \$1,210.2 million, an increase of \$6.4 million, or 1%, compared to \$1,203.8 million for the nine months ended March 31, 2013. The increase reflects higher variable expenses of \$24.8 million on higher fee revenues, higher distribution cost of revenues of \$4.8 million and higher costs related to acquisitions of \$7.4 million. These costs were offset by lower restructuring charges of \$8.1 million, lower investment spend of \$8.0 million coupled with savings related to the migration of the data center to IBM of \$6.3 million. Distribution cost of revenues consists primarily of postage-related expenses. Fluctuations in foreign currency exchange rates decreased cost of fee revenues by \$8.2 million.

Selling, general and administrative expenses for the nine months ended March 31, 2014 were \$255.1 million, an increase of \$26.0 million, or 11%, compared to \$229.1 million for the nine months ended March 31, 2013. The 11% increase was primarily due to higher sales and marketing expenses of \$17.1 million, higher performance based compensation expense of \$7.6 million and the impact of acquisitions of \$4.8 million partially offset by a \$3.3 million adjustment due to a decrease in the fair value of our obligations under contingent acquisition consideration arrangements. Fluctuations in foreign currency exchange rates decreased Selling, general and administrative expenses by \$0.7 million.

Other expenses, net for the nine months ended March 31, 2014 were \$17.9 million, an increase of \$6.1 million, or 52%, compared to \$11.8 million for the nine months ended March 31, 2013. The increased loss was primarily due to higher interest expense of \$6.6 million on our Long-term borrowings. Fluctuations in foreign currency exchange rates decreased Other expenses, net by \$1.6 million.

***Earnings before Income Taxes.*** Earnings before income taxes for the three months ended March 31, 2014 were \$76.9 million, an increase of \$9.2 million, or 14%, compared to \$67.7 million for the three months ended March 31, 2013. The increase is mainly due to higher revenues and operating leverage coupled with the positive impact of improved productivity from strategic initiatives. Pre-tax margin increased to 12.7% for the three months ended March 31, 2014, compared to 11.7% for the three months ended March 31, 2013.

Earnings before income taxes for the nine months ended March 31, 2014 were \$188.9 million, an increase of \$67.9 million, or 56%, compared to \$121.0 million for the nine months ended March 31, 2013. The increase is mainly due to higher revenues and operating leverage coupled with the positive impact of improved productivity from strategic initiatives. Pre-tax margin increased to 11.3% for the nine months ended March 31, 2014, compared to 7.7% for the nine months ended March 31, 2013.

***Provision for Income Taxes.*** The Provision for income taxes and effective tax rates for the three and nine months ended March 31, 2014 were \$26.1 million and 33.9%, and \$66.1 million and 35.0%, respectively, compared to \$24.3 million and 35.9%, and \$43.5 million and 36.0%, for the three and nine months ended March 31, 2013, respectively. The decrease in the effective tax rate for the three and nine months ended March 31, 2014 when compared to the comparable prior year period is primarily attributable to the release of various tax reserves relating to U.S. federal and state income taxes due to audit settlements and the expiration of certain audit periods in the nine month period ended March 31, 2014, coupled with a state income tax reserve accrual in the prior nine month period ended March 31, 2013, which negatively impacted the prior year nine month period tax rate. In addition, but to a lesser extent, the geographical mix of income also positively impacted the effective tax rate for the nine month period ended March 31, 2014 relative to the nine month period ended March 31, 2013. The rate benefit from the geographical mix of income was driven by both a higher increase in foreign earnings as a percentage of total earnings before income taxes and the enactment of lower corporate income tax rates in certain foreign tax jurisdictions in the nine month period ended March 31, 2014, compared to the nine month period ended March 31, 2013.

**Net Earnings and Basic and Diluted Earnings per Share.** Net earnings for the three months ended March 31, 2014 were \$50.8 million, an increase of \$7.4 million, or 17%, compared to \$43.4 million for the three months ended March 31, 2013. The increase in Net earnings reflects higher revenues, increased pre-tax margins from higher margin revenue business and the positive impact of improved productivity from strategic initiatives.

Net earnings for the nine months ended March 31, 2014 were \$122.8 million, an increase of \$45.3 million, or 58%, compared to \$77.5 million for the nine months ended March 31, 2013. The increase in Net earnings reflects higher revenues, increased pre-tax margins from higher margin revenue business and the positive impact of improved productivity from strategic initiatives.

Basic and Diluted earnings per share for the three months ended March 31, 2014 were \$0.42 and \$0.41, an increase of \$0.06 and \$0.06, or 17% and 17% respectively, compared to \$0.36 and \$0.35 for the three months ended March 31, 2013, respectively.

Basic and Diluted earnings per share for the nine months ended March 31, 2014 were \$1.03 and \$0.99, an increase of \$0.40 and \$0.37, or 63% and 60% respectively, compared to \$0.63 and \$0.62 for the nine months ended March 31, 2013, respectively.

**Table of Contents****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 2014 budgeted foreign currency exchange rates reflected in the 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.

**Revenues**

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2014	2013	Change		2014	2013	Change	
	(\$ in millions)		\$	%	(\$ in millions)		\$	%
Investor Communication Solutions	\$ 430.3	\$ 404.2	\$ 26.1	6	\$ 1,152.4	\$ 1,070.5	\$ 81.9	8
Securities Processing Solutions	177.9	169.6	8.3	5	520.7	487.3	33.4	7
Other		0.1	(0.1)	(100)		0.1	(0.1)	(100)
Foreign currency exchange	(1.9)	2.8	(4.7)	(168)	(1.0)	7.8	(8.8)	(113)
<b>Total</b>	<b>\$ 606.3</b>	<b>\$ 576.7</b>	<b>\$ 29.6</b>	<b>5</b>	<b>\$ 1,672.1</b>	<b>\$ 1,565.7</b>	<b>\$ 106.4</b>	<b>7</b>

**Earnings (Loss) Before Income Taxes**

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2014	2013	Change		2014	2013	Change	
	(\$ in millions)		\$	%	(\$ in millions)		\$	%
Investor Communication Solutions	\$ 55.5	\$ 50.8	\$ 4.7	9	\$ 117.1	\$ 94.5	\$ 22.6	24
Securities Processing Solutions	37.8	28.7	9.1	32	104.1	58.1	46.0	79
Other	(20.0)	(15.9)	(4.1)	(26)	(45.3)	(42.9)	(2.4)	(6)
Foreign currency exchange	3.6	4.1	(0.5)	(12)	13.0	11.3	1.7	15
<b>Total</b>	<b>\$ 76.9</b>	<b>\$ 67.7</b>	<b>\$ 9.2</b>	<b>14</b>	<b>\$ 188.9</b>	<b>\$ 121.0</b>	<b>\$ 67.9</b>	<b>56</b>



**Table of Contents****Investor Communication Solutions**

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2014	2013	Change		2014	2013	Change	
	(\$ in millions)							
			\$	%			\$	%
Recurring fee revenues	\$ 209.3	\$ 185.9	\$ 23.4	13	\$ 554.6	\$ 496.0	\$ 58.6	12
Event-driven fee revenues	38.2	37.7	0.5	1	106.8	97.6	9.2	9
Distribution revenues	182.8	180.6	2.2	1	491.0	476.9	14.1	3
Total	\$ 430.3	\$ 404.2	\$ 26.1	6	\$ 1,152.4	\$ 1,070.5	\$ 81.9	8

**Revenues.** Investor Communication Solutions segment's Revenues for the three months ended March 31, 2014 were \$430.3 million, an increase of \$26.1 million, or 6%, compared to \$404.2 million for the three months ended March 31, 2013. Higher recurring fee revenues contributed \$23.4 million, and higher distribution revenues contributed \$2.2 million, to the \$26.1 million increase in revenues.

Higher recurring fee revenues were driven by Net New Business and higher internal growth from market-based activities. During the third fiscal quarter, position growth for mutual fund interim communications and annual equity proxy communications were positive 10% and 7%, respectively, as compared to the same period in the prior year. Distribution revenues for the three months ended March 31, 2014 were \$182.8 million, an increase of \$2.2 million, or 1%, compared to \$180.6 million for the three months ended March 31, 2013.

Investor Communication Solutions segment's Revenues for the nine months ended March 31, 2014 were \$1,152.4 million, an increase of \$81.9 million, or 8%, compared to \$1,070.5 million for the nine months ended March 31, 2013. The increase was attributable to higher recurring fee revenues, which contributed \$58.6 million, higher distribution revenues, which contributed \$14.1 million, and higher event-driven fee revenues, which contributed \$9.2 million to the \$81.9 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 nine months of fiscal year 2014, position growth for mutual fund interim communications and annual equity proxy communications were positive 12% and 3%, respectively, when compared to the same period in the prior year. Our internal growth reflects an increase in fulfillment related market activity and favorable position growth. Although these indicators were positive, the first nine months results are not necessarily indicative of our full-year results due to the seasonality of our business. Higher event-driven fee revenues were the result of increased mutual fund proxy activity. Distribution revenues for the nine months ended March 31, 2014 were \$491.0 million, an increase of \$14.1 million, or 3%, compared to \$476.9 million for the nine months ended March 31, 2013.

**Earnings before Income Taxes.**

Earnings before income taxes for the three months ended March 31, 2014 were \$55.5 million, an increase of \$4.7 million, or 9%, compared to \$50.8 million for the three months ended March 31, 2013. Pre-tax margin increased by 0.3 percentage points to 12.9% mainly as a result of higher recurring fee revenues.



Earnings before income taxes for the nine months ended March 31, 2014 were \$117.1 million, an increase of \$22.6 million, or 24%, compared to \$94.5 million for the nine months ended March 31, 2013. Pre-tax margin increased by 1.4 percentage points to 10.2% mainly as a result of higher recurring fee revenues, and event-driven fee revenues.

***Securities Processing Solutions***

***Revenues.*** Securities Processing Solutions segment's Revenues for the three months ended March 31, 2014 were \$177.9 million, an increase of \$8.3 million, or 5%, compared to \$169.6 million for the three months ended March 31, 2013. The increase was the result of higher Net New Business and internal growth as a result of an increase in equity trade volumes.

Securities Processing Solutions segment's Revenues for the nine months ended March 31, 2014 were \$520.7 million, an increase of \$33.4 million, or 7%, compared to \$487.3 million for the nine months ended March 31, 2013. The increase was the result of higher Net New Business and internal growth as a result of an increase in equity trade volumes.

## **Table of Contents**

**Earnings before Income Taxes.** Earnings before income taxes for the three months ended March 31, 2014 were \$37.8 million, an increase of \$9.1 million, or 32%, compared to \$28.7 million for the three months ended March 31, 2013. Pre-tax margins increased by 4.3 percentage points to 21.2% as a result of operating leverage and improved productivity from strategic initiatives.

Earnings before income taxes for the nine months ended March 31, 2014 were \$104.1 million, an increase of \$46.0 million, or 79%, compared to \$58.1 million for the nine months ended March 31, 2013. Pre-tax margins increased by 8.1 percentage points to 20.0% as a result of operating leverage and improved productivity from strategic initiatives.

### ***Other***

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

**Loss before Income Taxes.** Loss before income taxes was \$20.0 million for the three months ended March 31, 2014, an increase of \$4.1 million, compared to a \$15.9 million for the three months ended March 31, 2013. The increased loss was mainly due to higher interest expense on our Long-term borrowings of \$2.7 million and \$0.8 million pertaining to an executive separation payment.

Loss before income taxes was \$45.3 million for the nine months ended March 31, 2014, an increase of \$2.4 million, compared to a \$42.9 million for the nine months ended March 31, 2013. The increased loss was primarily due to higher interest expense on our Long-term borrowings of \$6.6 million and \$0.8 million pertaining to an executive separation payment slightly offset by a \$3.3 million decrease in the fair value of our obligations under contingent acquisition consideration arrangements and a \$1.6 million decrease due to fluctuations in foreign currency exchange rates.

### **Explanation and Reconciliation of the Company's Use of Non-GAAP Financial Measures**

Our results in this Quarterly Report on Form 10-Q are presented in accordance with GAAP; however, in certain circumstances the Company may present results that are not generally accepted accounting principles measures ( Non-GAAP ). We use Non-GAAP financial measures, such as Adjusted net earnings and Free cash flows, for a number of reasons, including:

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

in communications with analysts and investors as they are commonly reported and widely used enterprise level performance measures; and

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

We provide our Net earnings and Diluted earnings per share information on an adjusted basis to exclude the impact of certain costs, expenses, gains and losses and other specified items that due to their significant nature are evaluated on an individual basis. These items are excluded from our GAAP results because we believe this information helps our investors understand the effect of these significant items on our reported results and, therefore, will provide a better representation of our performance. These Non-GAAP financial measures should be viewed in addition to, and not as a

substitute for, our reported results presented in accordance with GAAP. Our fiscal year 2014 Non-GAAP results exclude the impact of Acquisition Amortization and Other Costs, and our fiscal year 2013 Non-GAAP results exclude the impact of Acquisition Amortization and Other Costs and Restructuring Charges. The Company expects to incur certain restructuring and reorganization costs during fiscal year 2014 as part of its normal business operations and may adjust its GAAP earnings results to the extent such restructuring and reorganization costs are significant. During fiscal year 2014 to date, the Company has incurred \$1.2 million in such costs and deems these costs to be part of our normal business operations.

**Table of Contents**

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

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
	(\$ in millions)			
Adjusted net earnings (Non-GAAP)	\$ 55.1	\$ 49.5	\$ 134.4	\$ 93.6
Adjustments:				
Acquisition Amortization and Other Costs	(6.4)	(5.7)	(17.8)	(17.0)
Restructuring Charges		(3.8)		(8.1)
Tax impact of adjustments	2.1	3.4	6.2	9.0
Net earnings (GAAP)	\$ 50.8	\$ 43.4	\$ 122.8	\$ 77.5

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

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Adjusted diluted earnings per share (Non-GAAP)	\$ 0.44	\$ 0.39	\$ 1.08	\$ 0.74
Adjustments:				
Acquisition Amortization and Other Costs	(0.05)	(0.04)	(0.14)	(0.13)
Restructuring Charges		(0.03)		(0.06)
Tax impact of adjustments	0.02	0.03	0.05	0.07
Diluted earnings per share (GAAP)	\$ 0.41	\$ 0.35	\$ 0.99	\$ 0.62

We also provide information on our Free cash flows because we believe this information helps our investors understand the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments. The Company defines Free cash flows to exclude capital expenditures and software purchases from our GAAP Net operating activity cash flow results.

Set forth below is a reconciliation of Free cash flows (Non-GAAP) to the comparable GAAP measure:

	Nine Months Ended	
	March 31,	
	2014	2013
	(\$ in millions)	
Free cash flows provided by operating activities (Non-GAAP)	\$ 143.7	\$ 36.7
Adjustment:		
Capital expenditures and software purchases	43.7	35.6

Net cash flows provided by operating activities (GAAP)	\$ 187.4	\$ 72.3
--	----------	---------

### **Financial Condition, Liquidity and Capital Resources**

At March 31, 2014, Cash and cash equivalents were \$244.4 million and Total stockholders' equity was \$898.9 million. At March 31, 2014, working capital was \$320.5 million, compared to \$337.5 million at June 30, 2013. 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.

As of March 31, 2014, \$141.9 million of the \$244.4 million of Cash and cash equivalents was held by our foreign subsidiaries, and \$41.8 million of cash and cash equivalents was held by regulated entities. 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, as we consider these funds to be permanently reinvested outside the U.S.

---

**Table of Contents**

At March 31, 2014, the Company had \$524.1 million outstanding Long-term debt, consisting of senior notes of \$124.6 million principal amount due June 2017 and \$399.5 million principal amount senior notes due September 2020. These senior notes are senior unsecured obligations of the Company and rank equally with the Company's other senior indebtedness. Interest on the senior notes due 2017 is payable semiannually on June 1st and December 1st each year based on a fixed per annum rate equal to 6.125%. Interest on the senior notes due 2020 is payable semiannually on March 1st and September 1st each year based on a fixed per annum rate equal to 3.95%.

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 Credit Facilities 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 totals \$0.8 million in annual fees if the facility is completely unused.

The Fiscal 2012 Term Loan contained a repayment schedule that required the Company to make minimum principal repayments on the loan before the balance of the loan became due in September 2016, with no prepayment penalty. During the fiscal year ended June 30, 2012, the Company repaid \$90.0 million of the \$490.0 million of borrowings under the Fiscal 2012 Term Loan and had met the repayment requirements on the Fiscal 2012 Term Loan through September 30, 2014. During the quarter ended September 30, 2013, the Company repaid the remaining \$400.0 million outstanding on the Fiscal 2012 Term Loan. During the first quarter of the current fiscal year, the weighted-average interest rate on the Fiscal 2012 Term Loan was 1.44% before being repaid in August 2013. The weighted-average interest rate on the Fiscal 2012 Term Loan was 1.46% and 1.47% for the three and nine months ended March 31, 2013, respectively.

As of March 31, 2014, the Company had no outstanding borrowings on the Fiscal 2012 Revolving Credit Facility. For both the three and nine months ended March 31, 2014, and 2013, respectively, the Company incurred \$0.2 million and \$0.6 million, respectively, 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 more detail regarding the Company's financing activities.

**Cash Flows**

Net cash flows provided by operating activities were \$187.4 million for the nine months ended March 31, 2014 compared to \$72.3 million net cash flows provided by operating activities during the nine months ended March 31, 2013. The increase in cash provided by operating activities is primarily due to improved net earnings for the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013, and changes in working capital resulting from the timing of accounts receivable collections and vendor payments.

Free cash flows were \$143.7 million for the nine months ended March 31, 2014 compared to \$36.7 million in Free cash flows during the nine months ended March 31, 2013. The increase of \$107.0 million was driven by an increase in net cash flows provided by operating activities of \$115.1 million for the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013, partially offset by increased capital expenditures and software purchases of \$8.1 million for the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013.

Net cash flows used in investing activities for the nine months ended March 31, 2014 were \$140.8 million, an increase of \$105.2 million compared to \$35.6 million net cash flows used in investing activities for the nine months ended March 31, 2013. The increase reflects higher spending of \$97.1 million on acquisitions, higher capital expenditures of \$3.1 million and higher purchases of intangible assets of \$5.0 million during the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013.

Net cash flows used in financing activities for the nine months ended March 31, 2014 were \$69.4 million, a decrease of \$106.3 million compared to \$175.7 million net cash flows used in financing activities for the nine months ended March 31, 2013. The decreased use of cash in the nine months ended March 31, 2014 primarily reflects lower purchases of common stock of \$104.7 million in the current year nine month period versus the prior year, an increase of \$5.8 million of proceeds from exercise of stock options in the current year nine month period versus the prior year slightly offset by a \$7.3 million increase in dividend payments in the current year nine month period versus the prior year.

## **Table of Contents**

### **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 more detail regarding 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 rates for the three and nine months ended March 31, 2014 were 33.9% and 35.0%, respectively, compared to 35.9% and 36.0%, respectively, for the three and nine months ended March 31, 2013. The decrease in our effective tax rate for the three and nine months ended March 31, 2014 when compared to the comparable prior year period is primarily attributable to the release of various tax reserves relating to U.S. federal and state income taxes due to audit settlements and the expiration of certain audit periods in the nine month period ended March 31, 2014, coupled with a state income tax reserve accrual in the prior nine month period ended March 31, 2013, which negatively impacted the prior year nine month period tax rate. In addition, but to a lesser extent, the geographical mix of income also positively impacted the effective tax rate for the nine month period ended March 31, 2014 relative to the nine month period ended March 31, 2013. The rate benefit from the geographical mix of income was driven by both a higher increase in foreign earnings as a percentage of total earnings before income taxes and the enactment of lower corporate income tax rates in certain foreign tax jurisdictions in the nine month period ended March 31, 2014 compared to the nine month period ended March 31, 2013.

### **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.

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 at March 31, 2014 are \$457.5 million through fiscal year 2022, the final year of the contract. In March 2014, the Company and IBM United Kingdom Limited ( IBM UK ) entered into an Information Technology Services Agreement (the EU IT Services Agreement ), under which IBM UK provides data center services supporting the Company s business process outsourcing services for certain clients in Europe and Asia. The EU IT Services Agreement expires in October 2023. The Company has the right to renew the initial term of the EU IT Services Agreement for up to one additional 12-month term or one additional 24-month term. Commitments remaining under this agreement at March 31, 2014 are \$52.3 million through fiscal year 2024, 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 March 31, 2014.

Certain of the Company's foreign subsidiaries have unsecured, uncommitted lines of credit with banks. There were no outstanding borrowings under these lines of credit at March 31, 2014.

**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 March 31, 2014 or at June 30, 2013. 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.

**Table of Contents**

**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 March 31, 2014, none of our total \$524.1 million in debt outstanding is based on floating interest rates. Our Fiscal 2012 Revolving Credit Facility had a balance outstanding of zero as of March 31, 2014, and 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 President and Chief Executive Officer, and Acting Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2014. The President and Chief Executive Officer and the Acting Principal Financial Officer concluded that our disclosure controls and procedures as of March 31, 2014 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 President and Chief Executive Officer and our Acting Principal Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

***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 March 31, 2014 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.

**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, 2013, filed on August 8, 2013. 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. Other than as set forth below, there have been no material changes to the risk factors we have disclosed in the Risk Factors section of our 2013 Annual Report on Form 10-K.

*The financial services industry has experienced increasing scrutiny by regulatory authorities in recent years and further changes in legislation or regulations may adversely affect our ability to conduct our business or may reduce our profitability.*

The legislative and regulatory environment of the financial services industry has recently undergone significant change and may undergo further change in the future. The SEC, FINRA, various stock exchanges, and other U.S. and foreign governmental or regulatory authorities continuously review legislative and regulatory initiatives and may adopt new or revised laws and regulations. These legislative and regulatory initiatives may adversely affect the way in which we conduct our business and may make our business less profitable. Also, changes in the interpretation or enforcement of existing laws and regulations by those entities may adversely affect our business.

Our Investor Communication Solutions and Securities Processing Solutions businesses are generally not directly subject to federal, state, or foreign laws and regulations that are specifically applicable to financial institutions. However, as a provider of services to financial institutions and issuers of securities, our services are particularly sensitive to changes in laws and regulations governing our clients and the securities markets. In 2010, the SEC issued the Concept Release focused on a wide range of topics related to the U.S. proxy system. The SEC may, but is not necessarily required to, engage in rulemaking with respect to the topics addressed by the Concept Release. In September 2010, the NYSE formed the Proxy Fee Advisory Committee made up of issuers, broker-dealers and investors to review the NYSE proxy distribution fees. In May 2012, the Proxy Fee Advisory Committee issued its recommendations on the fees paid by issuers for the distribution of proxy materials to beneficial shareholders. In fiscal year 2014, the SEC approved the NYSE's proposed changes in fees and they went into effect for meetings with record dates beginning on or after January 1, 2014. We will monitor any future actions taken by the SEC, self-regulatory organizations, or other participants in the proxy process with respect to the Concept Release.

Certain of our securities processing operations are periodically reviewed by the U.S. Federal Financial Institutions Examination Council ( FFIEC ) under its authority to examine financial institutions' technology service providers. Examinations by the FFIEC cover areas such as data integrity and data security. A sufficiently unfavorable review from the FFIEC could result in our clients not being allowed to use our services.

In addition, our business process outsourcing, mutual fund processing and transfer agency solutions as well as the entities providing those services are subject to regulatory oversight. Our provision of these services must comply with applicable rules and regulations of the SEC, FINRA, and various stock exchanges, state securities commissions, and other regulatory bodies charged with safeguarding the integrity of the securities markets and other financial markets and protecting the interests of investors participating in these markets. If we fail to comply with any applicable regulations in performing those services, we could lose our clients, be subject to suits for breach of contract or to governmental proceedings, censures and fines, our reputation could be harmed and we could be limited in our ability to obtain new clients. Our ability to comply with these regulations depends largely upon the maintenance of an effective compliance system which can be time consuming and costly, as well as our ability to attract and retain qualified compliance personnel.

There has been increased public attention regarding the corporate use of personal information, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer privacy. The law in these areas is not consistent or settled. While we believe that Broadridge is compliant with its regulatory responsibilities, the legal, political and business environments in these areas are rapidly changing, and subsequent legislation, regulation, litigation, court rulings or other events could expose Broadridge to increased program costs, liability, and possible damage to our reputation.

**Table of Contents****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 third fiscal quarter ended March 31, 2014:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans(1)</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans (1)</b>
January 1, 2014 - January 31, 2014		\$		
February 1, 2014 - February 28, 2014	131,000	37.79	131,000	6,086,820
March 1, 2014 - March 31, 2014	406,086	38.32	406,086	5,680,734
<b>Total</b>	<b>537,086</b>	<b>\$ 38.19</b>	<b>537,086</b>	<b>5,680,734</b>

(1) On August 8, 2012, the Board of Directors authorized the repurchase of up to 4,000,000 shares of the Company's common stock.

On April 30, 2013, the Board of Directors authorized the repurchase of up to 6,000,000 shares of the Company's common stock.

At March 31, 2014, there were 5,680,734 shares remaining for repurchase under these authorizations. During the fiscal quarter ended March 31, 2014, the Company repurchased 217,820 shares of common stock under the August 8, 2012 stock repurchase authorization at an average price per share of \$38.00, and 319,266 shares of common stock under the April 30, 2013 stock repurchase authorization at an average price per share of \$38.32. At March 31, 2014, 5,680,734 shares remain available for repurchase under the April 30, 2013 stock repurchase authorization.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**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:

- 10.1 Special Officer Separation Agreement, dated as of February 5, 2014, between Broadridge Financial Solutions, Inc. and Dan Sheldon (incorporated by reference to Exhibit 10.1 to Form 8-K filed on February 5, 2014).
- 31.1 Certification of the President and 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 Acting Principal 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 President and 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 Acting Principal 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 March 31, 2014, formatted in eXtensible Business Reporting Language (XBRL): (i) condensed consolidated statements of earnings for the three and nine months ended March 31, 2014 and 2013, (ii) condensed consolidated statements of comprehensive income for the three and nine months ended March 31, 2014 and 2013, (iii) condensed consolidated balance sheets as of March 31, 2014 and June 30, 2013, (iv) condensed consolidated statements of cash flows for the nine months ended March 31, 2014 and 2013, 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: May 9, 2014

By: /s/ Richard J. Daly  
Richard J. Daly  
President and Chief Executive Officer

**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: May 9, 2014

By: /s/ David J. Lisa  
David J. Lisa  
Corporate Controller

(Acting Principal Accounting Officer)

**Table of Contents**

**INDEX TO EXHIBITS**

<b>Exhibit</b>	
<b>Number</b>	<b>Description of Exhibit</b>
10.1	Special Officer Separation Agreement, dated as of February 5, 2014, between Broadridge Financial Solutions, Inc. and Dan Sheldon (incorporated by reference to Exhibit 10.1 to Form 8-K filed on February 5, 2014).
31.1	Certification of the President and 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 Acting Principal 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 President and 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 Acting Principal 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 March 31, 2014, formatted in eXtensible Business Reporting Language (XBRL): (i) condensed consolidated statements of earnings for the three and nine months ended March 31, 2014 and 2013, (ii) condensed consolidated statements of comprehensive income for the three and nine months ended March 31, 2014 and 2013, (iii) condensed consolidated balance sheets as of March 31, 2014 and June 30, 2013, (iv) condensed consolidated statements of cash flows for the nine months ended March 31, 2014 and 2013, and (v) the notes to the condensed consolidated financial statements.