

BROADRIDGE FINANCIAL SOLUTIONS, INC.  
Form 10-Q  
November 05, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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)

Delaware 33-1151291  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

5 Dakota Drive 11042  
Lake Success, NY (Zip Code)  
(Address of principal executive offices)  
Registrant's telephone number, including area code (516) 472-5400

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

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 October 30, 2015, was 118,586,135 shares.



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## PART I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

Broadridge Financial Solutions, Inc.

Condensed Consolidated Statements of Earnings

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended September 30,	
	2015	2014
Revenues	\$594.7	\$555.8
Operating expenses:		
Cost of revenues	438.6	406.5
Selling, general and administrative expenses	97.1	92.2
Total operating expenses	535.7	498.7
Operating income	59.1	57.1
Non-operating expenses, net	7.4	7.1
Earnings before income taxes	51.7	50.0
Provision for income taxes	18.1	17.5
Net earnings	\$33.5	\$32.5
Basic earnings per share	\$0.28	\$0.27
Diluted earnings per share	\$0.28	\$0.26
Weighted-average shares outstanding:		
Basic	118.3	119.8
Diluted	121.7	123.9
Dividends declared per common share	\$0.30	\$0.27

Amounts may not sum due to rounding.

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,	
	2015	2014
Net earnings	\$33.5	\$32.5
Other comprehensive income (loss), net:		
Foreign currency translation adjustments	(11.5	) (4.5
Net unrealized losses on available-for-sale securities, net of taxes of \$0.2 and \$0.0 for the three months ended September 30, 2015 and 2014, respectively	(0.6	) (0.1
Pension and post-retirement liability adjustment, net of taxes of \$(0.1) and \$(0.1) for the three months ended September 30, 2015 and 2014, respectively	0.1	—
Total other comprehensive loss, net	(12.0	) (4.6
Comprehensive income	\$21.5	\$27.9

Amounts may not sum due to rounding.

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2015	June 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$286.3	\$324.1
Accounts receivable, net of allowance for doubtful accounts of \$3.6 and \$3.8, respectively	410.8	444.5
Other current assets	98.4	92.8
Total current assets	795.5	861.4
Property, plant and equipment, net	100.4	97.3
Goodwill	969.6	970.5
Intangible assets, net	188.5	195.7
Other non-current assets	245.6	243.2
Total assets	\$2,299.5	\$2,368.1
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$111.7	\$115.9
Accrued expenses and other current liabilities	223.8	320.4
Deferred revenues	77.5	72.6
Total current liabilities	413.0	508.9
Long-term debt	734.4	689.4
Deferred taxes	52.7	61.7
Deferred revenues	76.1	75.2
Other non-current liabilities	99.1	105.1
Total liabilities	1,375.3	1,440.3
Commitments and contingencies (Note 11)		
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, 118.3 and 118.2 shares, respectively	1.6	1.6
Additional paid-in capital	866.0	855.5
Retained earnings	1,130.1	1,132.0
Treasury stock, at cost: 36.2 and 36.3 shares, respectively	(1,040.5)	(1,040.4)
Accumulated other comprehensive loss	(32.9)	(20.9)
Total stockholders' equity	924.2	927.8
Total liabilities and stockholders' equity	\$2,299.5	\$2,368.1

Amounts may not sum due to rounding.

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,	
	2015	2014
Cash Flows From Operating Activities		
Net earnings	\$33.5	\$32.5
Adjustments to reconcile Net earnings to Net cash flows provided by operating activities:		
Depreciation and amortization	12.4	12.0
Amortization of acquired intangibles	8.1	5.8
Amortization of other assets	6.5	7.5
Stock-based compensation expense	9.0	8.4
Deferred income taxes	(8.8)	(5.2)
Excess tax benefits from stock-based compensation awards	(1.4)	(5.2)
Other	(1.1)	0.8
Changes in operating assets and liabilities:		
Current assets and liabilities:		
Decrease in Accounts receivable, net	36.7	65.1
(Increase) decrease in Other current assets	(5.9)	23.3
Decrease in Accounts payable	(3.5)	(7.1)
Decrease in Accrued expenses and other current liabilities	(96.0)	(118.3)
Increase in Deferred revenues	2.2	3.0
Non-current assets and liabilities:		
Increase in Other non-current assets	(14.6)	(12.8)
Increase (decrease) in Other non-current liabilities	(1.7)	7.3
Net cash flows (used in) provided by operating activities	(24.6)	17.1
Cash Flows From Investing Activities		
Capital expenditures	(14.9)	(6.0)
Software purchases and capitalized internal use software	(2.9)	(1.4)
Equity method investment	(0.3)	(1.8)
Net cash flows used in investing activities	(18.1)	(9.2)
Cash Flows From Financing Activities		
Proceeds from Long-term debt	65.0	—
Repayments on Long-term debt	(20.0)	—
Excess tax benefits from stock-based compensation awards	1.4	5.2
Dividends paid	(32.0)	(25.2)
Purchases of Treasury stock	(3.0)	(15.1)
Proceeds from exercise of stock options	3.1	15.4
Payment of contingent consideration liabilities	(0.8)	—
Costs related to amendment of revolving credit facility	—	(1.9)
Net cash flows provided by (used in) financing activities	13.7	(21.6)
Effect of exchange rate changes on Cash and cash equivalents	(8.8)	(2.6)
Net change in Cash and cash equivalents	(37.8)	(16.3)
Cash and cash equivalents, beginning of period	324.1	347.6
Cash and cash equivalents, end of period	\$286.3	\$331.3
Supplemental disclosure of cash flow information:		



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Cash payments made for interest	\$8.5	\$7.9
Cash payments made for income taxes, net of refunds	\$30.0	\$6.1
Non-cash investing and financing activities:		
Dividends payable	\$3.5	\$7.2
Property, plant and equipment	\$—	\$0.3

Amounts may not sum due to rounding.

See Notes to Condensed Consolidated Financial Statements.

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Broadridge Financial Solutions, Inc.  
Notes to Condensed Consolidated Financial Statements  
(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 communications and technology-driven solutions to banks, broker-dealers, mutual funds and corporate issuers. Our services include investor communications, securities processing, and data and analytics solutions. The Company classifies its operations into the following two reportable segments:

Investor Communication Solutions—Broadridge offers Bank/Broker-Dealer Investor Communication Solutions, Corporate Issuer Solutions, Advisor Solutions and Mutual Fund and Retirement Solutions in 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®, Broadridge’s 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.

Broadridge’s advisor solutions enable financial and wealth advisors, and insurance agents to better support their customers through the creation of sales and educational content, including seminars and a library of financial planning topics as well as customer communications solutions such as customizable advisor websites, search engine marketing and electronic print newsletters. Broadridge’s advisor solutions also help advisors optimize their practice management through customer data aggregation, reporting and cloud-based marketing tools.

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 Broadridge’s 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.

Global Technology and Operations—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 and investment managers efficiently and cost-effectively consolidate their books and records, gather and service assets under management, focus on their core businesses, and manage risk. Broadridge’s multi-currency solutions support real-time global trading of equity, fixed income, mutual fund, foreign exchange and exchange traded derivative securities in established and emerging markets. In addition, Broadridge’s Managed Services solution allows broker-dealers to outsource certain administrative functions relating to clearing and settlement and asset servicing, while maintaining their ability to finance and capitalize their businesses.

B. Consolidation and Basis of Presentation. The Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America (“U.S.”). 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. Amounts presented may not sum due to rounding. 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, 2015 (the "2015 Annual Report") filed on August 7, 2015 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 September 30, 2015 and June 30, 2015, the results of its operations for the three months ended September 30, 2015 and 2014, and its cash flows for the three months ended September 30, 2015 and 2014.

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Effective in the first quarter of fiscal year 2016, we have revised our presentation in the Condensed Consolidated Statements of Earnings to separately present Operating expenses, Operating income, and Non-operating expenses, net. Previously, we reported Other expenses, net, as part of Total expenses and did not separately present Operating income in our Condensed Consolidated Statements of Earnings. All prior period information has been conformed to the current period presentation. See Note 4, "Non-Operating Expenses, Net," for details of the Company's Non-operating expenses, net.

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 due to their short term nature.

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 8, "Borrowings," for a further discussion of the Company's long-term fixed-rate senior notes.

F. Subsequent Events. In preparing the accompanying Condensed Consolidated Financial Statements, in accordance with Accounting Standards Codification Topic ("ASC") No. 855, "Subsequent Events," the Company has reviewed events that have occurred after September 30, 2015, through the date of issuance of the Condensed Consolidated Financial Statements. During this period, the Company did not have any subsequent events for disclosure.

**NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS**

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments" ("ASU No. 2015-16") to require that an acquirer in a business combination recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, including the cumulative effects of any income adjustments calculated as if the accounting had been completed at the acquisition date. The Company has elected to early adopt ASU No. 2015-16 effective as of the beginning of the first quarter of fiscal year 2016 on a prospective basis for any new measurement period adjustments that occur during or subsequent to our first quarter of adoption. The adoption of ASU No. 2015-16 did not have a material impact on the Company's consolidated results of operations, cash flows or financial condition.

In April 2015, the FASB issued ASU No. 2015-3, "Simplifying the Presentation of Debt Issuance Costs" ("ASU No. 2015-3") to require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU No. 2015-3 is effective for the Company in the first quarter of fiscal year 2017. The pending adoption of ASU No. 2015-3 is not expected to be material to the Company's Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU No. 2014-9"), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU No. 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers - Deferral of the Effective Date," which defers the effective date of ASU No. 2014-09 by one year, with an option that would permit companies to adopt the standard as early as the original effective date. As a result, ASU No. 2014-09 will be effective for the Company as of the first quarter of fiscal year 2019 using either of two methods: (i) retrospective to each prior reporting period presented with the option to

elect certain practical expedients as defined within ASU No. 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU No. 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU No. 2014-09. The Company is currently evaluating the impact of the pending adoption of ASU No. 2014-09 on its Consolidated Financial Statements.

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 0.9 million and 1.6 million options to purchase Broadridge common stock for the three months ended September 30, 2015, and 2014, 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):

	Three Months Ended September 30,	
	2015	2014
Weighted-average shares outstanding:		
Basic	118.3	119.8
Common stock equivalents	3.4	4.1
Diluted	121.7	123.9

**NOTE 4. NON-OPERATING EXPENSES, NET**

Non-operating expenses, net consisted of the following:

	Three Months Ended September 30,	
	2015	2014
	(\$ in millions)	
Interest expense on borrowings	\$6.8	\$6.2
Other (income)/expense, net	(0.9	) (0.6
Losses from equity method investments	1.6	1.5
Non-operating expenses, net	\$7.4	\$7.1

**NOTE 5. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

Level 1 Inputs that are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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

The Company holds certain available-for-sale securities in a non-public entity for which the lowest level of significant inputs is unobservable. On a recurring basis, the Company uses pricing models and similar techniques for which the

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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.

The fair value of the contingent consideration obligations are based on a probability weighted approach derived from the estimates of earn-out criteria and the probability assessment with respect to the likelihood of achieving those criteria. The measurement is based on significant inputs that are not observable in the market and therefore, the Company classifies this liability as Level 3 in the table below.

The following tables set forth the Company's financial assets and liabilities at September 30, 2015 and June 30, 2015, respectively, that are measured at fair value on a recurring basis during the period, segregated by level within the fair value hierarchy:

	Level 1 (\$ in millions)	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds (1)	\$38.5	\$—	\$—	\$38.5
Other current assets:				
Available-for-sale securities	0.1	—	—	0.1
Other non-current assets:				
Available-for-sale securities	30.4	—	1.1	31.5
Total assets as of September 30, 2015	\$69.0	\$—	\$1.1	\$70.1
Liabilities				