

BROADRIDGE FINANCIAL SOLUTIONS, INC.

Form 10-Q

May 11, 2009

[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, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 001-33220

BROADRIDGE FINANCIAL SOLUTIONS, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

33-1151291
(I.R.S. Employer
Identification No.)

1981 Marcus Avenue

Lake Success, NY
(Address of principal executive offices)

11042
(Zip Code)

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 ☐ Smaller reporting company ☐
(Do not check if a 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, 2009 was 140,278,411.

Table of Contents

TABLE OF CONTENTS

ITEM		PAGE
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>	14
Item 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	25
Item 4.	<u>CONTROLS AND PROCEDURES</u>	25
PART II.	<u>OTHER INFORMATION</u>	26
Item 1.	<u>LEGAL PROCEEDINGS</u>	26
Item 1A.	<u>RISK FACTORS</u>	26
Item 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	27
Item 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	27
Item 4.	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	27
Item 5.	<u>OTHER INFORMATION</u>	27
Item 6.	<u>EXHIBITS</u>	28

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

	Three months ended March 31, 2009		Nine months ended March 31, 2009	
	2009	2008	2009	2008
Revenues:				
Services revenues	\$ 473.2	\$ 485.6	\$ 1,383.1	\$ 1,371.6
Other	8.4	19.4	35.1	67.8
Total revenues	481.6	505.0	1,418.2	1,439.4
Interest expense from securities operations	0.4	6.2	5.4	24.3
Net revenues	481.2	498.8	1,412.8	1,415.1
Cost of net revenues	372.7	383.1	1,081.5	1,063.0
Selling, general and administrative expenses	51.3	60.0	174.2	171.6
Other (income) expenses, net	3.2	7.3	(3.7)	25.7
Total expenses	427.2	450.4	1,252.0	1,260.3
Earnings before income taxes	54.0	48.4	160.8	154.8
Provision for income taxes	13.1	18.9	54.4	60.4
Net earnings	\$ 40.9	\$ 29.5	\$ 106.4	\$ 94.4
Earnings per share:				
Basic	\$ 0.29	\$ 0.21	\$ 0.76	\$ 0.68
Diluted	\$ 0.29	\$ 0.21	\$ 0.75	\$ 0.67
Weighted-average shares outstanding:				
Basic	139.5	139.9	140.0	139.7
Diluted	141.2	141.3	141.6	140.9
Dividends declared per common share	\$ 0.07	\$ 0.06	\$ 0.21	\$ 0.18

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, 2009	June 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 310.3	\$ 198.3
Cash and securities segregated for regulatory purposes and securities deposited with clearing organizations	149.7	33.7
Accounts receivable, net of allowance for doubtful accounts of \$2.6 and \$3.8, respectively	342.5	415.4
Securities clearing receivables, net of allowance for doubtful accounts of \$2.0 and \$2.0, respectively	802.4	1,369.9
Other current assets	125.2	61.9
Total current assets	1,730.1	2,079.2
Property, plant and equipment, net	68.9	82.6
Other non-current assets	145.7	157.4
Goodwill	470.6	484.3
Intangible assets, net	28.9	30.1
Total assets	\$ 2,444.2	\$ 2,833.6
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 73.8	\$ 89.9
Accrued expenses and other current liabilities	178.1	252.6
Securities clearing payables	882.1	1,157.4
Deferred revenues	83.0	25.5
Short-term borrowings	0.8	
Total current liabilities	1,217.8	1,525.4
Long-term debt	324.0	447.9
Other non-current liabilities	56.5	53.6
Deferred revenues	53.6	60.9
Total liabilities	1,651.9	2,087.8
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock: Authorized, 25.0 shares; issued and outstanding, none		
Common stock, \$0.01 par value: Authorized, 650.0 shares; issued, 141.6 shares and 140.5 shares, respectively; outstanding, 140.1 shares and 140.4 shares, respectively	1.4	1.4
Additional paid-in capital	494.8	469.5
Retained earnings	325.1	248.2
Treasury stock at cost, 1.5 shares and 0.1 shares, respectively	(19.9)	(2.0)
Accumulated other comprehensive (loss) income	(9.1)	28.7
Total stockholders' equity	792.3	745.8

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

Total liabilities and stockholders' equity	\$ 2,444.2	\$ 2,833.6
--	------------	------------

See Notes to Condensed Consolidated Financial Statements.

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

	Nine months ended March 31,	
	2009	2008
Cash Flows From Operating Activities		
Net earnings	\$ 106.4	\$ 94.4
Adjustments to reconcile Net earnings to net cash flows provided by (used in) operating activities:		
Depreciation and amortization	30.8	30.5
Amortization of other assets	11.2	7.1
Deferred income taxes	(0.3)	(15.4)
Stock-based compensation expense	22.4	24.1
Excess tax benefits from the issuance of stock-based compensation awards	(0.1)	
Gain on purchase of senior notes	(8.4)	
Other	(5.2)	4.9
Changes in operating assets and liabilities:		
Current assets and liabilities:		
Decrease in Accounts receivable	67.5	122.3
Increase in Other current assets	(63.8)	(65.7)
(Decrease) increase in Accounts payable	(13.6)	19.3
Decrease in Accrued expenses and other current liabilities	(65.3)	(94.4)
Increase in Deferred revenues	58.0	84.3
(Increase) decrease in Cash and securities segregated for regulatory purposes and securities deposited with clearing organizations	(116.0)	63.9
Decrease (increase) in Securities clearing receivables	567.5	(454.7)
(Decrease) increase in Securities clearing payables	(275.3)	641.6
Non-current assets and liabilities:		
Increase in Other non-current assets	(9.0)	(37.3)
Increase in Other non-current liabilities	4.3	34.6
Net cash flows provided by operating activities	311.1	459.5
Cash Flows From Investing Activities		
Capital expenditures	(13.4)	(28.2)
Purchases of intangibles	(2.0)	(3.6)
Acquisitions	(14.9)	(6.1)
Net cash flows used in investing activities	(30.3)	(37.9)
Cash Flows From Financing Activities		
Net payments from Short-term borrowings	(8.2)	(94.2)
Payments on Long-term debt	(114.4)	(135.0)
Dividends paid	(28.1)	(25.2)
Proceeds from exercise of stock options	3.5	13.8
Purchases of Treasury stock	(17.9)	(1.9)
Excess tax benefits from the issuance of stock-based compensation awards	0.1	0.3
Net cash flows used in financing activities	(165.0)	(242.2)

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

Effect of exchange rate changes on Cash and cash equivalents	(3.8)	1.8
Net change in Cash and cash equivalents	112.0	181.2
Cash and cash equivalents, beginning of period	198.3	88.6
Cash and cash equivalents, end of period	\$ 310.3	\$ 269.8
Supplemental disclosure of cash flow information:		
Cash payments made for interest	\$ 14.2	\$ 30.5
Cash payments made for income taxes	\$ 107.6	\$ 141.3
Non-cash investing activities:		
Increase in liabilities for property, plant and equipment	\$	\$
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) is a leading global provider of investor communication, securities processing, and clearing and outsourcing solutions to the financial services industry. The Company classifies its operations into the following three reportable segments:

Investor Communication Solutions provides solutions for the processing and distribution of proxy materials to investors, including vote processing, and for the distribution of regulatory reports and corporate action/reorganization event information, as well as tax reporting solutions. Investor Communication Solutions also 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, and imaging, archival and workflow solutions.

Securities Processing Solutions provides advanced, computerized real-time transaction processing services that automate the securities transaction cycle. Securities Processing Solutions products and services include desktop productivity tools and portfolio management, order capture and execution, trade confirmation, settlement and accounting services.

Clearing and Outsourcing Solutions provides securities clearing services, which include the process of matching, recording, and processing transaction instructions and then exchanging payments between counterparties. The Company's securities clearing solutions also enable clients to finance inventory. The Company's operations outsourcing solutions allow broker-dealers to outsource certain administrative functions relating to clearing and settlement to the Company, from order entry to trade matching and settlement, while maintaining their ability to finance and capitalize their business.

B. Basis of Presentation. The Condensed Consolidated Financial Statements (the Financial Statements) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S.). The Financial Statements present the consolidated position of the Company and 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 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. The 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, 2008 (the 2008 Annual Report), filed with the Securities and Exchange Commission (the SEC) on August 14, 2008.

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

D. Other Revenues and Interest Expense from Securities Operations. Other revenues includes \$5.8 million and \$6.8 million for the three months ended March 31, 2009 and 2008, respectively, and \$18.5 million and \$21.0 million for the nine months ended March 31, 2009 and 2008, respectively, for software maintenance and license fees related to the Securities Processing Solutions segment.

Other revenues also includes interest income from securities operations related to the Clearing and Outsourcing Solutions segment resulting from customer margin financing and securities-borrowed transactions that is recognized on a settlement date basis. Interest income included in

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

Other revenues totaled \$2.6 million and \$12.6 million for the three months ended March 31, 2009 and 2008, respectively, and \$16.6 million and \$46.8 million for the nine months ended March 31, 2009 and 2008, respectively.

Interest expense from securities operations includes interest incurred on securities loaned transactions and customer credit balances.

Table of Contents

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

In April 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS No. 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3). This pronouncement amends FASB Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets (SFAS No. 142), regarding the factors that should be considered in developing the useful lives for intangible assets with renewal or extension provisions. FSP FAS 142-3 requires an entity to consider its own historical experience in renewing or extending similar arrangements, regardless of whether those arrangements have explicit renewal or extension provisions, when determining the useful life of an intangible asset. In the absence of such experience, an entity shall consider the assumptions that market participants would use about renewal or extension, adjusted for entity-specific factors. FSP FAS 142-3 also requires an entity to disclose information regarding the extent to which the expected future cash flows associated with an intangible asset are affected by the entity's intent and/or ability to renew or extend the arrangement. FSP FAS 142-3 will be effective for qualifying intangible assets acquired by the Company on or after July 1, 2009. The application of FSP FAS 142-3 is not expected to have a material impact on the Company's results of operations, cash flows or financial positions; however, it could impact future transactions entered into by the Company.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS No. 161). SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. It requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS No. 161 did not have a material impact on the Company's results of operations, cash flows or financial condition.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141R), which replaces SFAS No. 141. SFAS No. 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R is to be applied prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008. The Company is currently evaluating the requirements of SFAS No. 141R.

In December 2007, FASB issued SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements an amendment to ARB No. 51 (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards that require the ownership interest in subsidiaries held by parties other than the parent be clearly identified and presented in the consolidated balance sheets within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of earnings; and changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. This statement is effective for fiscal years beginning on or after December 15, 2008. The Company is currently evaluating the requirements of SFAS No. 160.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115 (SFAS No. 159). This statement provides a fair value option election that allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities, with changes in fair value recognized in earnings as they occur. SFAS No. 159 permits the fair value option election on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. SFAS No. 159 became effective for the Company beginning on July 1, 2008. The Company has not applied the elective provisions of SFAS No. 159.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS No. 157). This statement clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007.

Table of Contents

In February 2008, the FASB issued FSP No. 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13, (FSP No. 157-1) and FSP No. 157-2, Effective Date of FASB Statement No. 157 (FSP No. 157-2). FSP No. 157-1 amends FASB Statement No. 157 to exclude FASB SFAS No. 13, Accounting for Leases, (SFAS No. 13) and other accounting pronouncements that address fair value measurements for purposes of lease classification and measurement under SFAS No. 13. This FSP is effective upon the initial adoption of SFAS 157. FSP No. 157-2 delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years for items within the scope of this FSP. The Company adopted SFAS No. 157 and FSP No. 157-1 effective July 1, 2008 and the adoption did not have a material impact on the Company's consolidated results of operations or financial condition. The Company expects to adopt FSP No. 157-2 on July 1, 2009 and the adoption is not expected to have a material effect on the Company's consolidated results of operations, cash flows or financial condition.

NOTE 3. EARNINGS PER SHARE

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

The computation of diluted EPS did not include 2.2 million and 4.4 million options to purchase Broadridge common stock for the three months ended March 31, 2009 and 2008, respectively, and 8.6 million and 6.4 million options to purchase Broadridge common stock for the nine months ended March 31, 2009 and 2008, 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:

	Three months ended March 31, 2009		Nine months ended March 31, 2008	
Weighted-average shares outstanding:				
Basic	139.5	139.9	140.0	139.7
Common stock equivalents	1.7	1.4	1.6	1.2
Diluted	141.2	141.3	141.6	140.9

NOTE 4. OTHER (INCOME) EXPENSES, NET

Other (income) expenses, net consisted of the following:

	Three months ended March 31, 2009		Nine months ended March 31, 2008	
Interest expense on borrowings	\$ 3.5	\$ 7.6	\$ 12.1	\$ 25.2
Interest income	(0.2)	(0.6)	(0.7)	(1.6)
Foreign currency exchange (gain) loss	(0.2)	0.1	(6.9)	1.6
Gain from purchase of senior notes			(8.4)	
Other, net	0.1	0.2	0.2	0.5
Other (income) expenses, net	\$ 3.2	\$ 7.3	\$ (3.7)	\$ 25.7

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.

Table of Contents

During fiscal year 2009, the Company acquired one business in the Securities Processing Solutions segment for \$13.7 million. In addition, the Company agreed to pay contingent consideration of up to an additional \$13.0 million, which is payable over the next two years, subject to the acquired business achievement of specified revenue targets. This acquisition resulted in approximately \$10.7 million of goodwill. Intangible assets acquired, which totaled approximately \$3.8 million, consist primarily of acquired technology and customer relationships that are being amortized over a five-year life and seven-year life, respectively. This acquisition was not material to the Company's operations, financial position, or cash flows.

During fiscal year 2008, the Company acquired one business in the Securities Processing Solutions segment for \$6.1 million. This acquisition resulted in approximately \$3.6 million of goodwill. Intangible assets acquired, which totaled approximately \$2.5 million, consist of acquired technology that is being amortized over a five-year life. This acquisition was not material to the Company's operations, financial position, or cash flows.

NOTE 6. SECURITIES CLEARING RECEIVABLES AND PAYABLES

Securities clearing receivables and payables consisted of the following:

	March 31, 2009	June 30, 2008
Receivables:		
Clearing customers	\$ 372.5	\$ 802.3
Securities borrowed	68.2	113.9
Broker-dealers and other	70.1	221.3
Clearing organizations	197.8	75.4
Securities failed to deliver	93.8	157.0
Total	\$ 802.4	\$ 1,369.9
Payables:		
Clearing customers	\$ 699.1	\$ 759.8
Securities loaned	2.9	133.1
Broker-dealers and other	128.6	127.6
Securities failed to receive	51.5	136.9
Total	\$ 882.1	\$ 1,157.4

As of March 31, 2009, the Company has received securities collateral, primarily in connection with customer margin loans, securities borrowed transactions, and correspondent accounts with a market value of approximately \$672.0 million, which it can sell or repledge. Of this amount, approximately \$170.2 million had been pledged or sold as of March 31, 2009 in connection with securities loaned, street-side settlement, deposits with clearing organizations and Federal and other regulations.

As a registered broker-dealer and member of the New York Stock Exchange (NYSE) and the Financial Industry Regulatory Authority (FINRA), Ridge Clearing & Outsourcing Solutions, Inc. (Ridge Clearing) is subject to the Uniform Net Capital Rule 15c3-1 of the Securities Exchange Act of 1934 (Rule 15c3-1). Ridge Clearing computes its net capital under the alternative method permitted by Rule 15c3-1, which requires Ridge Clearing to maintain minimum net capital equal to the greater of \$1.5 million or 2% of aggregate debit items arising from customer transactions. The NYSE and FINRA may require a member firm to reduce its business if its net capital is less than 4% of aggregate debit items, or may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital would be less than 5% of aggregate debit items. At March 31, 2009, Ridge Clearing had net capital of \$213.5 million, which was approximately 42% of aggregate debit items and exceeded the minimum requirements by \$203.3 million.

Table of Contents**NOTE 7. BORROWINGS**

The Company's outstanding borrowings consisted of the following:

	Expiration Date	March 31, 2009	June 30, 2008
Short-term			
Short-term borrowing facility	Demand	\$ 0.8	\$
Long-term			
Term loan facility	March 2012	200.0	200.0
6.125% Senior notes	June 2017	124.0	247.9
		\$ 324.0	\$ 447.9

In addition, the Company has a five-year revolving credit facility that expires in March 2012 that has an available capacity of \$500.0 million. No amounts were outstanding under this credit facility at March 31, 2009 or June 30, 2008.

At March 31, 2009 and June 30, 2008, the Company was not aware of any instances of non-compliance with the financial covenants of its borrowings obligations. Amounts are due on the monthly expiration dates listed above.

The fair value of the 6.125% senior notes at March 31, 2009 was \$100.0 million based on quoted market prices. The carrying value of the variable-rate term loan facility approximates fair value. During the three months ended September 30, 2008, the Company completed the purchase of \$125.0 million principal amount of its 6.125% senior notes due 2017 (including \$1.0 million unamortized bond discount) pursuant to the cash tender offer for such notes. The consideration paid for the senior notes accepted for payment was \$116.3 million. The completed purchase resulted in a one-time non-cash gain from early extinguishment of debt of \$8.4 million.

NOTE 8. STOCK-BASED COMPENSATION

The activity related to the Company's incentive equity awards for the three months ended March 31, 2009 consisted of the following:

	Stock Options		Time-based Restricted Stock		Performance-based Restricted Stock	
	Number of Options (a) (b)	Weighted-Average Price	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Balances at December 31, 2008	17,834,730	\$ 19.10	1,965,094	\$ 16.42	1,483,074	\$ 18.25
Granted	1,218,500	15.09	22,375	11.65		
Exercised	(62,199)	16.57				
Vesting of restricted shares			(16,750)	19.70	(943,410)	19.70
Expired/forfeited	(68,438)	19.13	(9,639)	15.92	(3,864)	17.82
Balances at March 31, 2009	18,922,593	\$ 18.85	1,961,080	\$ 16.34	535,800	\$ 15.70

(a) As of March 31, 2009, the Company had 9,375,886 in the money stock options using the March 31, 2009 closing share price of \$18.61.

(b)

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

Options outstanding as of March 31, 2009 have a weighted-average remaining contractual life of 4.6 years and 14.7 million options are exercisable.

Table of Contents

The activity related to the Company's incentive equity awards for the nine months ended March 31, 2009 consisted of the following:

	Stock Options		Time-based Restricted Stock		Performance-based Restricted Stock	
	Number of Options (a) (b)	Weighted-Average Price	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Balances at June 30, 2008	17,423,889	\$ 19.00	1,118,705	\$ 18.59	976,329	\$ 19.41
Granted	1,971,700	17.30	960,157	14.07	519,502	16.12
Exercised	(178,758)	16.83				
Vesting of restricted shares			(90,740)	19.70	(943,410)	19.70
Expired/forfeited	(294,238)	18.57	(27,042)	17.54	(16,621)	19.70
Balances at March 31, 2009	18,922,593	\$ 18.85	1,961,080	\$ 16.34	535,800	\$ 15.70

The Company accounts for stock-based compensation in accordance with SFAS No. 123R, "Share-Based Payment" which requires the measurement of stock-based compensation expense to be recognized in net earnings based on the fair value of the award on the date of grant. Stock-based compensation expense of \$6.6 million and \$9.1 million was recognized in earnings for the three months ended March 31, 2009 and 2008, respectively, as well as related tax benefits of \$2.5 million and \$3.5 million, respectively. Stock-based compensation expense of \$22.4 million and \$24.1 million was recognized in earnings for the nine months ended March 31, 2009 and 2008, respectively, as well as related tax benefits of \$8.4 million and \$9.4 million, respectively.

As of March 31, 2009, the total remaining unrecognized compensation cost related to non-vested stock options and restricted stock awards amounted to \$10.9 million and \$23.8 million, respectively, which will be amortized over the weighted-average remaining requisite service periods of 3.0 years and 1.6 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.

The following table presents the assumptions used to determine the fair values of the stock option grants during the three and nine months ended March 31, 2009:

	Three months ended March 31, 2009	Nine months ended March 31, 2009
Risk-free interest rate	1.9% - 2.1%	1.9% - 2.6%
Dividend yield	2.3%	2.3% - 2.6%
Weighted average volatility factor	51.3%	51.3% - 52.8%
Weighted average expected life (in years)	6.2 - 6.9	4.9 - 6.9
Weighted average fair value (in dollars)	\$5.19	\$4.31

NOTE 9. INCOME TAXES

Our effective tax rates and provision for income taxes for the three and nine months ended March 31, 2009 were 24.3% and \$13.1 million, and 33.8% and \$54.4 million, respectively, compared to 39.0% and \$18.9 million, and 39.0% and \$60.4 million, for the three and nine months ended March 31, 2008, respectively. The decrease in our effective tax rate is primarily attributable to approved certification for a state tax credit program scheduled to expire in 2018 and lower enacted tax rates in certain U.S. state and international tax jurisdictions for the nine months ended March 31, 2009. The state tax credit program is retroactive to fiscal year 2008. The year-to-date benefit of \$7.3 million is comprised of \$4.0 million for fiscal year 2008, \$2.2 million for the six months ended December 31, 2008 and \$1.1 million for the three months ended

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

March 31, 2009. The effect of the retroactive adjustment attributable to the reporting period for the state tax credit program applicable to prior periods is a reduction in our effective tax rate and provision for income taxes of 11.4 percentage points and \$6.2 million for the three months ended March 31, 2009, and 2.5 percentage points and \$4.0 million, for the nine months ended March 31, 2009.

Table of Contents**NOTE 10. 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 adverse impact on its financial condition, results of operations or cash flows.

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, 2009 or at June 30, 2008. 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.

In the normal course of business, the securities activities of the Company's Clearing and Outsourcing Solutions business primarily involve executions, settlement, and financing of various securities transactions for a nationwide retail and institutional, customer and non-customer client base, introduced by its correspondent broker-dealers. These activities may expose the Company to risk in the event customers, other broker-dealers, banks, clearing organizations, or depositories are unable to fulfill contractual obligations.

For transactions in which the Company's Clearing and Outsourcing Solutions segment extends credit to customers and non-customers, the Company seeks to control the risk associated with these activities by requiring customers and non-customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requests the deposit of additional collateral or reduces securities positions, when necessary. In addition, the Company's correspondent broker-dealers may be required to maintain deposits relating to its securities clearance activities.

The Company's Clearing and Outsourcing Solutions segment records customers' securities transactions on a settlement date basis, which is generally three business days after trade date. The Company is therefore exposed to off-balance sheet risk of loss on unsettled transactions in the event customers and other counterparties are unable to fulfill contractual obligations.

The Company may be exposed to a risk of loss not reflected in the Condensed Consolidated Balance Sheets for securities sold, not yet purchased, should the value of such securities rise. In addition, the securities lending activities of the Company's Clearing and Outsourcing Solutions segment requires the Company to pledge securities as collateral. In the event a counterparty is unable to meet its contractual obligation, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices. The Company monitors the credit standing of counterparties with whom it conducts business. Risk is further controlled by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral level in the event of excess market exposure or instituting securities buy-in procedures when required.

The Company also 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.

NOTE 11. COMPREHENSIVE INCOME

Comprehensive income consisted of the following:

	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Net earnings	\$ 40.9	\$ 29.5	\$ 106.4	\$ 94.4
Foreign currency translation adjustments	(4.0)	(2.4)	(37.8)	5.2

Comprehensive income	\$ 36.9	\$ 27.1	\$ 68.6	\$ 99.6
----------------------	---------	---------	---------	---------

Table of Contents**NOTE 12. INTERIM FINANCIAL DATA BY SEGMENT**

Investor Communication Solutions, Securities Processing Solutions and Clearing and Outsourcing Solutions are the Company's reportable segments. 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 2009 budgeted foreign currency exchange rates.

Certain corporate expenses, as well as certain centrally managed expenses, are allocated based upon budgeted amounts. Because the Company compensates the management of its various businesses on, among other factors, segment earnings, the Company 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:

	Net Revenues			
	Three months ended		Nine months ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
Investor Communication Solutions	\$ 334.7	\$ 342.9	\$ 944.0	\$ 945.2
Securities Processing Solutions	130.2	129.0	402.8	381.0
Clearing and Outsourcing Solutions	23.6	22.9	75.5	72.3
Other	0.9	0.2	1.3	7.8
Foreign currency exchange	(8.2)	3.8	(10.8)	8.8
Total	\$ 481.2	\$ 498.8	\$ 1,412.8	\$ 1,415.1

	Earnings before Income Taxes			
	Three months ended		Nine months ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
Investor Communication Solutions	\$ 33.3	\$ 32.4	\$ 76.4	\$ 89.4
Securities Processing Solutions	34.1	36.0	111.6	109.8
Clearing and Outsourcing Solutions	(2.5)	(0.5)	(7.3)	(4.1)
Other	(8.7)	(20.9)	(17.9)	(43.9)
Foreign currency exchange	(2.2)	1.4	(2.0)	3.6
Total	\$ 54.0	\$ 48.4	\$ 160.8	\$ 154.8

* * * * *

Table of Contents

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

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like expects, assumes, projects, anticipates, estimates, we believe, could be and other words of similar meaning, are forward-looking statements. 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. These risks and uncertainties include those risk factors discussed in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended June 30, 2008 (the "2008 Annual Report"), as they may be updated in any future reports filed with the Securities and Exchange Commission (the "SEC"). Any forward-looking statements are qualified in their entirety by reference to the factors discussed in this Quarterly Report on Form 10-Q and our 2008 Annual Report. These risks 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;

the pricing of Broadridge's products and services;

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

changes in laws regulating registered securities clearing firms and broker-dealers;

declines in trading volume, market prices, or the liquidity of securities markets;

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

Broadridge's ability to continue to obtain data center services from its former parent company, Automatic Data Processing, Inc. ("ADP");

any significant slowdown or failure of Broadridge's systems;

changes in technology;

availability of skilled technical employees;

the impact of new acquisitions and divestitures;

competitive conditions;

overall market and economic conditions; and

any adverse consequences from Broadridge's spin-off from ADP.

Broadridge disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We are a leading global provider of technology-based outsourcing solutions to the financial services industry. Our systems and services include investor communication solutions, securities processing solutions, and securities clearing and operations outsourcing solutions. In short, we provide the infrastructure that helps make the financial services industry work. With more than 40 years of experience, we provide financial services firms with advanced, dependable, scalable and cost-effective integrated systems. Our systems help reduce the need for clients to make significant capital investments in operations infrastructure, thereby allowing them to increase their focus on core business activities.

We serve a large and diverse client base in the financial services industry, including retail and institutional brokerage firms, global banks, mutual funds, annuity companies, institutional investors, specialty trading firms, and clearing firms. We also provide services to corporate issuers.

We deliver a broad range of solutions that help our clients better serve their retail and institutional customers across the entire investment lifecycle, including pre-trade, trade, and post-trade processing. Our securities processing systems enable our clients to process transactions in more than 50 countries. In fiscal year 2008, we: (i) distributed over one billion investor communications, including proxy materials, investor account statements, trade confirmations, tax statements and prospectuses; (ii) provided components of our securities processing solutions to eight of the top 10 United States of America (U.S.) broker-dealers, as ranked

Table of Contents

by Securities Industry and Financial Markets Association (SIFMA); and (iii) served over 100 correspondents through our securities clearing services. Our operations are classified into three business segments:

Investor Communication Solutions

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

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 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, 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.

Clearing and Outsourcing Solutions

We provide securities clearing and operations outsourcing services through our subsidiary Ridge Clearing & Outsourcing Solutions, Inc. (Ridge Clearing). Securities clearing and settlement is the process of matching, recording, and processing transaction instructions and then exchanging payment between counterparties. Ridge Clearing also provides financing for client inventory through margin lending. Our operations outsourcing solutions allow broker-dealers to outsource to Ridge Clearing certain administrative functions relating to clearing and settlement, from order entry to trade matching and settlement, while maintaining their ability to finance and capitalize their business.

Basis of Presentation

The Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. The Financial Statements present the consolidated position of the Company and 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 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. The Financial Statements should be read in conjunction with the Company's financial statements for the fiscal year ended June 30, 2008 in the Company's 2008 Annual Report filed with the SEC on August 14, 2008.

Critical Accounting Policies

In presenting the Financial Statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Management continually evaluates the accounting policies and estimates used to prepare the Financial Statements. The estimates, by their nature, are based on judgment, available information, and historical experience and are believed to be reasonable. However, actual amounts and results could differ from these estimates made by management. In management's opinion, the 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 Item 7 of Part II of our 2008 Annual Report in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Recent Developments

The current economic slowdown and in particular, its impact on the financial services industry, has resulted in increased mergers or consolidations of our clients, and could reduce the number of our clients and potential clients. If our clients merge with or are acquired by other firms that are not our clients, or firms that use fewer of our services, they may discontinue or reduce the use of our services. In addition, it is possible that the larger financial institutions resulting from mergers or consolidations could decide to perform in-house some or all of the

services that we currently provide or could provide. One of the

Table of Contents

15 largest clients of our Securities Processing Solutions business has recently acquired a financial institution that performs in-house some of the securities processing services that we provide and, as a result, it has notified us that it intends to terminate these services. This client generated \$13.2 million and \$19.7 million of revenues during the nine months ended March 31, 2009 and in fiscal year 2008, respectively, from the services that are being terminated. We will, however, continue to provide this client with certain investor communications and securities processing services.

Also, the current economic conditions have caused increased pricing pressure, particularly with respect to our Securities Processing Solutions services. In connection with the recent renewal and extension of some contracts with our Securities Processing Solutions clients, the increased pricing pressure has resulted in a higher than historical average rate of price concessions. These contract renewal price concessions are estimated to be approximately 5% of our annual Securities Processing Solutions segment's revenues, compared with the historical average rate of 3% of the annual Securities Processing Solutions segment's revenues.

Results of Operations

The following discussions of Analysis of Condensed Consolidated Operations and Analysis of Reportable Segments refer to the three and nine months ended March 31, 2009 compared to the three and nine months ended March 31, 2008. The Analysis of Condensed Consolidated Operations should be read in conjunction with the Analysis of Reportable Segments, which provides more detailed discussions concerning certain components of the Condensed Consolidated Statements of Earnings.

Analysis of Condensed Consolidated Operations

	2009	Three months ended March 31, 2008 (\$ in millions)	Change \$	%
Total Net revenues	\$ 481.2	\$ 498.8	\$ (17.6)	(4)
Cost of net revenues	372.7	383.1	(10.4)	(3)
Selling, general and administrative expenses	51.3	60.0	(8.7)	(15)
Other (income) expenses, net	3.2	7.3	(4.1)	(56)
Total expenses	427.2	450.4	(23.2)	(5)
Earnings before income taxes	54.0	48.4	5.6	12
Margin	11.2%	9.7%		1.5 pts
Provision for income taxes	13.1	18.9	(5.8)	(31)
Effective tax rate	24.3%	39.0%		(14.7) pts
Net earnings	\$ 40.9	\$ 29.5	\$ 11.4	39
Basic Earnings per share	\$ 0.29	\$ 0.21	\$ 0.08	38
Diluted Earnings per share	\$ 0.29	\$ 0.21	\$ 0.08	38

Table of Contents

	2009	Nine months ended March 31, 2008 (\$ in millions)	Change \$	%
Total Net revenues	\$ 1,412.8	\$ 1,415.1	\$ (2.3)	
Cost of net revenues	1,081.5	1,063.0	18.5	2
Selling, general and administrative expenses	174.2	171.6	2.6	2
Other (income) expenses, net	(3.7)	25.7	(29.4)	(114)
Total expenses	1,252.0	1,260.3	(8.3)	(1)
Earnings before income taxes	160.8	154.8	6.0	4
Margin	11.4%	10.9%		0.5 pts
Provision for income taxes	54.4	60.4	(6.0)	(10)
Effective tax rate	33.8%	39.0%		(5.2) pts
Net earnings	\$ 106.4	\$ 94.4	\$ 12.0	13
Basic Earnings per share	\$ 0.76	\$ 0.68	\$ 0.08	12
Diluted Earnings per share	\$ 0.75	\$ 0.67	\$ 0.08	12

Three Months Ended March 31, 2009 versus Three Months Ended March 31, 2008

Total Net Revenues. Total Net revenues for the three months ended March 31, 2009 were \$481.2 million, a decrease of \$17.6 million or 4%, compared to \$498.8 million for the three months ended March 31, 2008. The decrease reflects lower Net revenues in our Investor Communication Solutions segment, partially offset by growth in our Securities Processing Solutions and Clearing and Outsourcing Solutions business segments. The decline in Net revenues also reflects the unfavorable impact of actual versus budgeted foreign currency exchange rates.

Investor Communication Solutions segment Net revenues decreased by \$8.2 million, or 2%. The decrease was a result of lower distribution revenues driven by less event-driven activity and higher adoption rates for notice and access, partially offset by increased fee revenues driven primarily by new sales less losses (Net New Business). Distribution revenues for the three months ended March 31, 2009 were \$173.4 million, a decrease of \$12.7 million, or 7%, compared to \$186.1 million for the three months ended March 31, 2008.

Securities Processing Solutions segment Net revenues increased by \$1.2 million, or 1%. Internal revenue growth was flat as the positive impact from higher non-transaction services revenues and higher trade volumes was offset by the impact of client contract renewal and extension price concessions. Net New Business was flat while an acquisition contributed 1% growth.

Clearing and Outsourcing Solutions segment Net revenues increased by \$0.7 million, or 3%. Revenues from new sales contributed \$6.9 million, consisting of both securities clearing and outsourcing services. These contributions were partially offset by \$4.1 million in lower interest income primarily related to the lower Federal Funds rate and lower average margin balances. The lower Federal Funds rate contributed \$2.0 million of the \$4.1 million lower interest income. Excluding the unfavorable impact of lower net interest income, Net revenues increased by \$4.8 million.

Total Net revenues were also unfavorably impacted by \$12.0 million due to fluctuations in actual versus budgeted foreign currency exchange rates.

Other segment Net revenues increased by \$0.7 million reflecting primarily one-time non-recurring termination fees during the three months ended March 31, 2009.

Nine Months Ended March 31, 2009 versus Nine Months Ended March 31, 2008

Total Net Revenues. Total Net revenues for the nine months ended March 31, 2009 were \$1,412.8 million, a decrease of \$2.3 million, compared to \$1,415.1 million for the nine months ended March 31, 2008. The decrease reflects lower Net revenues in our Investor Communication Solutions segment, partially offset by growth in our Securities Processing Solutions and Clearing and Outsourcing Solutions business segments. The decline in Net revenues also reflects the unfavorable impact of actual versus budgeted foreign currency exchange rates.

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

Investor Communication Solutions segment Net revenues decreased by \$1.2 million. The decrease was a result of lower distribution revenues driven by less event-driven activity and higher adoption rates of notice and access, partially offset by increased fee revenues driven by Net New Business and internal growth. Distribution revenues for the nine months ended March 31, 2009 were \$490.8 million, a decrease of \$8.6 million, or 2%, compared to \$499.4 million for the nine months ended March 31, 2008.

Securities Processing Solutions segment Net revenues increased by \$21.8 million, or 6%. The increase reflects primarily higher internal growth reflecting higher non-transaction services revenues and higher trade volume from existing clients and Net New Business growth.

Clearing and Outsourcing Solutions segment Net revenues increased by \$3.2 million, or 4%. Revenues from new sales contributed \$17.8 million, consisting of both securities clearing and outsourcing services. These contributions were partially offset by

Table of Contents

\$10.9 million in lower interest income primarily related to the lower Federal Funds rate and lower average margin balances. The lower Federal Funds rate contributed \$6.7 million of the \$10.9 million lower interest income. Excluding the unfavorable impact of lower net interest income, Net revenues increased by \$14.1 million.

Total Net revenues were also unfavorably impacted by \$19.6 million due to fluctuations in actual versus budgeted foreign currency exchange rates.

Other segment Net revenues decreased by \$6.5 million reflecting primarily one-time non-recurring termination fees during the nine months ended March 31, 2008 that did not recur during the nine months ended March 31, 2009.

Three Months Ended March 31, 2009 versus Three Months Ended March 31, 2008

Total Expenses. Total expenses for the three months ended March 31, 2009 were \$427.2 million, a decrease of \$23.2 million, or 5%, compared to \$450.4 million for the three months ended March 31, 2008. The 5% decrease in Total expenses reflects \$10.4 million, or 3% decrease in Cost of net revenues, \$8.7 million, or 15% decrease in Selling, general and administrative expenses, and lower Other (income) expenses, net of \$4.1 million reflecting lower interest expense on our Long-term debt related to a lower outstanding balance because of the purchase of \$125.0 million principal amount of our 6.125% senior notes due 2017 (the "Senior Notes") during the nine months ended March 31, 2009, and the decline in the weighted-average interest rate on the five-year term loan facility.

Cost of net revenues for the three months ended March 31, 2009 were \$372.7 million, a decrease of \$10.4 million, or 3%, compared to \$383.1 million for the three months ended March 31, 2008. The decrease reflects lower Cost of net revenues in our Investor Communication Solutions segment of \$11.4 million, or 4%, driven by a decrease in distribution costs reflecting lower distribution revenues. Distribution cost of Net revenues for the three months ended March 31, 2009 were \$156.6 million, a decrease of \$11.2 million, or 7%, compared to \$167.8 million for the three months ended March 31, 2008. Securities Processing Solutions segment Cost of net revenues increased \$2.1 million, or 3%, reflecting higher investment spend related to new products, increased amortization of conversion costs and lower capitalization of conversion related resources. Clearing and Outsourcing Solutions segment Cost of net revenues increased \$1.7 million, or 9%, related to new business. Other segment Cost of net revenues increased \$3.3 million, reflecting increased investment spend of \$2.3 million. Fluctuations in foreign currency exchange rates decreased Cost of net revenues by \$6.1 million.

Selling, general and administrative expenses for the three months ended March 31, 2009 were \$51.3 million, a decrease of \$8.7 million, or 15%, compared to \$60.0 million for the three months ended March 31, 2008. The decrease reflects a \$1.6 million decline to stock-based compensation expense, of which \$2.8 million was related to special stock option grants to corporate officers, mainly due to a higher Company stock price and accelerated stock-based compensation expense recognition during the three months ended March 31, 2008, which was primarily offset by a \$1.2 million increase in stock-based compensation expense related to restricted stock due to additional restricted stock granted in fiscal year 2009. The \$8.7 million decrease in Selling, general and administrative expenses also reflects one-time transition costs of \$3.9 million for the three months ended March 31, 2008 that did not recur during the three months ended March 31, 2009.

Other (income) expenses, net decreased \$4.1 million reflecting lower interest expense on our Long-term debt related to a lower outstanding balance because of the purchase of \$125.0 million principal amount of the Senior Notes during the nine months ended March 31, 2009, and the decline in the weighted-average interest rate on the five-year term loan facility.

Nine Months Ended March 31, 2009 versus Nine Months Ended March 31, 2008

Total Expenses. Total expenses for the nine months ended March 31, 2009 were \$1,252.0 million, a decrease of \$8.3 million, or 1%, compared to \$1,260.3 million for the nine months ended March 31, 2008. The 1% increase in Total expenses reflects an increase of \$18.5 million or 2% in Cost of net revenues, an increase of \$2.6 million or 2% in Selling, general and administrative expenses, more than offset by lower Other (income) expenses, net of \$29.4 million reflecting an \$8.5 million foreign currency exchange gain, \$8.4 million gain from the purchase of our Senior Notes, and a decrease in interest expense of \$13.1 million reflecting lower interest expense on our Long-term debt related to a lower outstanding balance because of the purchase of \$125.0 million principal amount of the Senior Notes during the nine months ended March 31, 2009, and the decline in the weighted-average interest rate on the five-year term loan facility.

Cost of net revenues for the nine months ended March 31, 2009 were \$1,081.5 million, an increase of \$18.5 million, or 2%, compared to \$1,063.0 million for the nine months ended March 31, 2008. The increase reflects lower Cost of net revenues in our Investor Communication Solutions segment of \$1.3 million, driven by a decline in distribution costs reflecting decreased distribution revenues. Distribution cost of net revenues for the nine months ended March 31, 2009 were \$440.7 million, a decrease of \$5.8 million, or 1%, compared to \$446.5 million for the nine months ended March 31, 2008. Securities Processing Solutions segment Cost of net revenues increased \$15.8 million, or 7%, reflecting

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

higher investment spend related to new products, increased amortization of conversion costs and lower capitalization of conversion related resources. Clearing and Outsourcing Solutions segment Cost of net

Table of Contents

revenues increased \$5.1 million, or 9%, related to new business. Other segment Cost of net revenues increased \$8.7 million, reflecting increased investment spend of \$7.3 million. Fluctuations in foreign currency exchange rates decreased Cost of net revenues by \$9.8 million.

Selling, general and administrative expenses for the nine months ended March 31, 2009 were \$174.2 million, an increase of \$2.6 million, or 2%, compared to \$171.6 million for the nine months ended March 31, 2008. The increase reflects \$8.2 million in incremental public company expenses and \$2.6 million stock-based compensation expense. The \$2.6 million increase to stock-based compensation expense reflects a \$3.3 million increase to restricted stock-based compensation expense, due to additional restricted stock granted during the nine months ended March 31, 2009, partially offset by \$0.7 million lower stock-based compensation expense related to special stock option grants to corporate officers. The \$2.6 million increase in Selling, general and administrative expenses reflects an overall increase to selling expense and was partially offset by one-time transition costs of \$9.5 million for the nine months ended March 31, 2008 that did not recur during the nine months ended March 31, 2009.

Other (income) expenses, net decreased \$29.4 million reflecting an \$8.5 million foreign currency exchange gain, \$8.4 million gain from the purchase of our Senior Notes, and a decrease in interest expense of \$13.1 million reflecting lower interest expense on our Long-term debt related to a lower outstanding balance because of the purchase of \$125.0 million principal amount of the Senior Notes during the nine months ended March 31, 2009, and the decline in the weighted-average interest rate on the five-year term loan facility.

Earnings before Income Taxes. Earnings before income taxes for the three months ended March 31, 2009 were \$54.0 million, an increase of \$5.6 million, or 12%, compared to \$48.4 million for the three months ended March 31, 2008. The increase reflects a decline in Total Net revenues more than offset by the decline in Total expenses during the three months ended March 31, 2009 compared to the three months ended March 31, 2008 as discussed above. Overall margin increased from 9.7% to 11.2% for the three months ended March 31, 2008 compared to the three months ended March 31, 2009, respectively. Excluding one-time non-recurring transition costs of \$3.9 million for the three months ended March 31, 2008, overall margin increased from 10.5% to 11.2%.

Earnings before income taxes for the nine months ended March 31, 2009 were \$160.8 million, an increase of \$6.0 million, or 4%, compared to \$154.8 million for the nine months ended March 31, 2008. The increase reflects a decline in Total Net revenues more than offset by the decline in Total expenses during the nine months ended March 31, 2009 compared to the nine months ended March 31, 2008 as discussed above. Overall margin increased from 10.9% to 11.4% for the nine months ended March 31, 2008 compared to the nine months ended March 31, 2009, respectively. Excluding one-time non-recurring transition costs of \$9.5 million for the nine months ended March 31, 2008, overall margin decreased from 11.6% to 11.4%.

Provision for Income Taxes. Our effective tax rates and provision for income taxes for the three and nine months ended March 31, 2009 were 24.3% and \$13.1 million, and 33.8% and \$54.4 million, respectively, compared to 39.0% and \$18.9 million, and 39.0% and \$60.4 million, for the three and nine months ended March 31, 2008, respectively. The decrease in our effective tax rate is primarily attributable to approved certification for a state tax credit program scheduled to expire in 2018 and lower enacted tax rates in certain U.S. state and international tax jurisdictions for the nine months ended March 31, 2009. The state tax credit program is retroactive to fiscal year 2008. The year-to-date benefit of \$7.3 million is comprised of \$4.0 million for fiscal year 2008, \$2.2 million for the six months ended December 31, 2008 and \$1.1 million for the three months ended March 31, 2009. The effect of the retroactive adjustment attributable to the reporting period for the state tax credit program applicable to prior periods is a reduction in our effective tax rate and provision for income taxes of 11.4 percentage points and \$6.2 million for the three months ended March 31, 2009, and 2.5 percentage points and \$4.0 million, for the nine months ended March 31, 2009.

Net Earnings and Basic and Diluted Earnings per Share. Net earnings for the three months ended March 31, 2009 were \$40.9 million, an increase of \$11.4 million, or 39%, compared to \$29.5 million for the three months ended March 31, 2008. The increase in Net earnings reflects a decline in Total Net revenues, more than offset by a reduction in Total expenses and a lower effective tax rate during the three months ended March 31, 2009 compared to the three months ended March 31, 2008 as discussed above.

Net earnings for the nine months ended March 31, 2009 were \$106.4 million, an increase of \$12.0 million, or 13%, compared to \$94.4 million for the nine months ended March 31, 2008. The increase in Net earnings reflects a decline in Total Net revenues, more than offset by a reduction in Total expenses and a lower effective tax rate during the nine months ended March 31, 2009 compared to the nine months ended March 31, 2008 as discussed above.

Basic and diluted earnings per share for the three months ended March 31, 2009 were \$0.29, an increase of \$0.08, or 38%, compared to \$0.21 for the three months ended March 31, 2008. For the nine months ended March 31, 2009 basic and diluted earnings per share of \$0.76 and \$0.75, respectively, an increase of \$0.08, or 12%, compared to \$0.68 and \$0.67 for the nine months ended March 31, 2008.

Analysis of Reportable Segments

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

Investor Communication Solutions, Securities Processing Solutions and Clearing and Outsourcing Solutions are the Company's reportable segments. The primary components of "Other" are the elimination of intersegment revenues and profits and certain

Table of Contents

unallocated expenses. Foreign currency exchange is a reconciling item between the actual foreign currency exchange rates and the fiscal year 2009 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 consolidation rather than reflect such items in segment profit.

Net Revenues

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2009	2008 (\$ in millions)	Change \$	%	2009	2008 (\$ in millions)	Change \$	%
Investor Communication Solutions	\$ 334.7	\$ 342.9	\$ (8.2)	(2)	\$ 944.0	\$ 945.2	\$ (1.2)	
Securities Processing Solutions	130.2	129.0	1.2	1	402.8	381.0	21.8	6
Clearing and Outsourcing Solutions	23.6	22.9	0.7	3	75.5	72.3	3.2	4
Other	0.9	0.2	0.7	NM*	1.3	7.8	(6.5)	(83)
Reconciling item:								
Foreign currency exchange	(8.2)	3.8	(12.0)	NM*	(10.8)	8.8	(19.6)	NM*
Total	\$ 481.2	\$ 498.8	\$ (17.6)	(4)	\$ 1,412.8	\$ 1,415.1	\$ (2.3)	

* Not Meaningful

Earnings (Loss) Before Income Taxes

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2009	2008 (\$ in millions)	Change \$	%	2009	2008 (\$ in millions)	Change \$	%
Investor Communication Solutions	\$ 33.3	\$ 32.4	\$ 0.9	3	\$ 76.4	\$ 89.4	\$ (13.0)	(15)
Securities Processing Solutions	34.1	36.0	(1.9)	(5)	111.6	109.8	1.8	2
Clearing and Outsourcing Solutions	(2.5)	(0.5)	(2.0)	NM*	(7.3)	(4.1)	(3.2)	(78)
Other	(8.7)	(20.9)	12.2	58	(17.9)	(43.9)	26.0	59
Reconciling item:								
Foreign currency exchange	(2.2)	1.4	(3.6)	NM*	(2.0)	3.6	(5.6)	(156)
Total	\$ 54.0	\$ 48.4	\$ 5.6	12	\$ 160.8	\$ 154.8	\$ 6.0	4

* Not Meaningful

Investor Communication Solutions

Net Revenues. Investor Communication Solutions segment Net revenues for the three months ended March 31, 2009 were \$334.7 million, a decrease of \$8.2 million, or 2%, compared to \$342.9 million for the three months ended March 31, 2008. Of the 2% decrease, distribution revenues contributed 3 percentage points, as a result of less event-driven activity and the impact of notice and access, partially offset by 1 percentage point contribution by net fee revenues. The increase in net fee revenues was driven by Net New Business led by transaction reporting

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

and fulfillment services. Net distribution revenues were \$173.4 million, a decrease of \$12.7 million, or 7%. Position growth, a key measure in the number of pieces processed, was a positive 2% for annual equity proxies and a positive 1% for mutual fund interim communications. The number of pieces processed increased 6% from 282.7 million pieces to 300.0 million pieces.

Table of Contents

For the nine months ended March 31, 2009, Net revenues were \$944.0 million, a decrease of \$1.2 million, compared to \$945.2 million for the nine months ended March 31, 2008. The decrease reflects lower net distribution revenues driven by less event-driven activity and the higher adoption rates for notice and access, partially offset by new business in transaction reporting and fulfillment services. Net distribution revenues were \$490.8 million, a decrease of \$8.6 million, or 2%. Position growth, a key measure in the number of pieces processed, was unchanged for annual equity proxies and a positive 4% for mutual fund interim communications. The number of pieces processed increased 3% from 753.1 million pieces to 774.1 million pieces.

Earnings before Income Taxes. Earnings before income taxes for the three months ended March 31, 2009 were \$33.3 million, an increase of \$0.9 million, or 3%, compared to \$32.4 million for the three months ended March 31, 2008. Margin increased by 0.5 percentage points to 9.9% primarily due to higher net fee revenues.

Earnings before income taxes for the nine months ended March 31, 2009 were \$76.4 million, a decrease of \$13.0 million, or 15%, compared to \$89.4 million for the nine months ended March 31, 2008. Margin decreased by 1.4 percentage points to 8.1% due to an unfavorable revenue mix and a \$2.1 million one-time resolution of dispute during the nine months ended March 31, 2008.

Securities Processing Solutions

Net Revenues. Securities Processing Solutions segment Net revenues for the three months ended March 31, 2009 were \$130.2 million, an increase of \$1.2 million, or 1%, compared to \$129.0 million for the three months ended March 31, 2008. Internal revenue growth was flat as the positive impact from higher non-transaction services revenues and higher trade volumes was offset by the impact of client contract renewal and extension price concessions. Net New Business was flat while an acquisition contributed 1% growth.

Securities Processing Solutions segment Net revenues for the nine months ended March 31, 2009 were \$402.8 million, an increase of \$21.8 million, or 6%, compared to \$381.0 million for the nine months ended March 31, 2008. The increase in Net revenues was driven by internal growth of 4% reflecting higher non-transaction services revenues (approximately 65% of internal growth) and higher trade volume from existing clients, Net New Business growth of 1%, and growth related to an acquisition of 1%.

Earnings before Income Taxes. Earnings before income taxes for the three months ended March 31, 2009 were \$34.1 million, a decrease of \$1.9 million, or 5%, compared to \$36.0 million for the three months ended March 31, 2008. Margin decreased by 1.7 percentage points to 26.2% for the three months ended March 31, 2009. The decrease reflects revenue growth, more than offset by higher investment spending related to new products, increased amortization of conversion costs, and lower capitalization of conversion related resources.

Earnings before income taxes for the nine months ended March 31, 2009 were \$111.6 million, an increase of \$1.8 million, or 2%, compared to \$109.8 million for the nine months ended March 31, 2008. Margin decreased by 1.1 percentage points to 27.7% for the nine months ended March 31, 2009. The decrease reflects revenue growth, more than offset by higher investment spending related to new products, increased amortization of conversion costs, and lower capitalization of conversion related resources.

Clearing and Outsourcing Solutions

Net Revenues. Clearing and Outsourcing Solutions segment Net revenues were \$23.6 million, an increase of \$0.7 million, or 3% for the three months ended March 31, 2009, compared to \$22.9 million for the three months ended March 31, 2008. Net New Business contributed 26% to the increase and consisted of both securities clearing and outsourcing services. The Net New Business contribution was partially offset by negative client internal growth of 23%, primarily driven by lower interest income due to the lower Federal Funds rate and lower average margin balances. Average margin balances for the three months ended March 31, 2009 were \$472.3 million compared to \$969.8 million for the three months ended March 31, 2008. The average number of trades cleared per day for the three months ended March 31, 2009 was 69,000, compared to 47,000 for the three months ended March 31, 2008. The increase in trades per day was offset by a higher ratio of lower-priced firm trades. Excluding the \$4.1 million unfavorable impact of net interest income including the \$2.0 million impact of the lower Federal Funds rate, Net revenues increased \$4.8 million, or 29% for the three months ended March 31, 2009, compared to the three months ended March 31, 2008.

Clearing and Outsourcing Solutions segment Net revenues were \$75.5 million, an increase of \$3.2 million, or 4% for the nine months ended March 31, 2009, compared to \$72.3 million for the nine months ended March 31, 2008. Net New Business contributed 20% and consisted of both securities clearing and outsourcing services. The Net New Business contribution was partially offset by negative client internal growth of 16% primarily driven by lower interest income due to the lower Federal Funds rate and lower average margin balances. Average margin balances for the nine months ended March 31, 2009 were \$691.0 million compared to \$920.8 million for the nine months ended March 31, 2008. The average number of trades cleared per day for the nine months ended March 31, 2009 was 59,000, compared to 47,000 for the nine months ended March 31, 2008. The increase in trades per day was offset by a higher ratio of lower-priced firm trades. Excluding the \$10.9 million

unfavorable impact of net interest income including the

Table of Contents

\$6.7 million impact of the Federal Funds rate, Net revenues increased \$14.1 million, or 28% for the nine months ended March 31, 2009, compared to the nine months ended March 31, 2008.

Loss before Income Taxes. Loss before income taxes for the three months ended March 31, 2009 of \$2.5 million was \$2.0 million lower as compared to a loss of \$0.5 million for the three months ended March 31, 2008. The higher loss was due to lower interest income resulting from the lower Federal Funds rate and lower average margin balances. Excluding the unfavorable impact of lower net interest income resulting from the lower Federal Funds rate and lower average margin balances, earnings before income taxes increased \$2.1 million for the three months ended March 31, 2009, compared to the three months ended March 31, 2008.

Loss before income taxes for the nine months ended March 31, 2009 of \$7.3 million was \$3.2 million lower as compared to a loss of \$4.1 million for the nine months ended March 31, 2008. The higher loss was due to lower interest income resulting from the lower Federal Funds rate and lower average margin balances. Excluding the unfavorable impact of net interest income resulting from the lower Federal Funds rate and lower average margin balances, earnings before income taxes increased \$7.7 million for the nine months ended March 31, 2009, compared to the nine months ended March 31, 2008.

Other

Net Revenues. Other segment Net revenues were \$0.9 million, an increase of \$0.7 million for the three months ended March 31, 2009, compared to \$0.2 million for the three months ended March 31, 2008 reflecting primarily one-time non-recurring termination fees during the three months ended March 31, 2009.

Other segment Net revenues were \$1.3 million, a decrease of \$6.5 million for the nine months ended March 31, 2009, compared to \$7.8 million for the nine months ended March 31, 2008, reflecting primarily one-time non-recurring termination fees during the nine months ended March 31, 2008 that did not recur during the nine months ended March 31, 2009.

Loss before Income Taxes. The primary component of Other expenses are certain unallocated expenses. Loss before income taxes was \$8.7 million for the three months ended March 31, 2009, a decrease of \$12.2 million, compared to a \$20.9 million loss for the three months ended March 31, 2008. Interest expense on our Long-term debt declined by \$4.1 million due to a lower outstanding balance and the decline in the weighted-average interest rate on our five-year term loan facility. Unallocated stock-based compensation expense for the three months ended March 31, 2009 declined by \$3.8 million, including \$2.8 million related to special stock option grants to corporate officers, mainly due to higher Company stock price and accelerated expense recognition of stock-based compensation expense for the three months ending March 31, 2008. The \$12.2 million decrease in Other expenses also reflects one-time transition costs of \$3.9 million for the three months ended March 31, 2008 that did not recur during the three months ended March 31, 2009.

Loss before income taxes was \$17.9 million for the nine months ended March 31, 2009, a decrease of \$26.0 million, compared to a \$43.9 million loss for the nine months ended March 31, 2008. The decrease reflects an \$8.4 million gain from the purchase of \$125.0 million principal amount of the Senior Notes during the nine months ended March 31, 2009 and an increase in foreign currency exchange gain of \$8.5 million. Interest expense on our Long-term debt declined by \$13.1 million due to a lower outstanding balance and the decline in the weighted-average interest rate on our five-year term loan facility. One time transition costs of \$9.5 million during the nine months ended March 31, 2008 did not recur. The gains and expense reductions were partially offset by increased investment expenses of \$7.3 million during the nine months ended March 31, 2009 and \$7.0 million one-time non-recurring termination fees during the nine months ended March 31, 2008 that did not recur during the nine months ended March 31, 2009.

Financial Condition, Liquidity and Capital Resources

At March 31, 2009, Cash and cash equivalents were \$310.3 million and Total stockholders' equity was \$792.3 million. At March 31, 2009, working capital was \$512.3 million, compared to \$553.8 million at June 30, 2008.

At March 31, 2009, the Company had \$324.0 million outstanding Long-term debt, consisting of a \$200.0 million five-year term loan facility and \$124.0 million principal amount of the Senior Notes. During the nine months ended March 31, 2009, the Company purchased \$125.0 million principal amount of the Senior Notes. The aggregate consideration paid for the Senior Notes accepted for payment, including accrued interest, was \$116.3 million. The completed purchase resulted in a one-time non-cash gain from early extinguishment of debt of \$8.4 million. The Senior Notes are unsecured obligations of Broadridge and rank equal in right of payment with other unsecured and unsubordinated obligations of Broadridge. Interest is payable semiannually on June 1st and December 1st each year based on a fixed per annum rate equal to 6.125%.

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

Borrowings under the term loan facility bear interest at LIBOR plus 40 to 90 basis points based on debt ratings at the time of borrowing. The term loan facility was subject to interest at LIBOR plus 60 basis points during the three and nine months ended March 31, 2009. The weighted-average interest rate on the five-year term loan facility was 1.60% and 2.87% during the three and nine months ended March 31, 2009, respectively.

Table of Contents

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 used in financing activities in the following section for further discussion of the Company's financing activities.

Cash Flows

The cash flows from operating and financing activities for our Clearing and Outsourcing Solutions segment differ from that of our other businesses. Broker-dealer and customer margin activities and transactions require the Company to obtain financing from both internal and external sources. Additionally, regulations associated with the broker-dealer industry require cash or securities to be segregated for the exclusive benefit of customers in certain circumstances based on regulatory calculations driven by customers' balances. As a result, management analyzes the securities clearing activities cash flows of the Clearing and Outsourcing Solutions segment separately from all other businesses.

Within operating activities, increases and decreases in Securities clearing receivables and Cash and securities segregated for regulatory purposes and securities deposited with clearing organizations are respectively a use or a source of cash. This can be funded by an increase or applied as a decrease to Securities clearing payables (reflected within operating activities) or Short-term borrowings (reflected within financing activities).

Net cash flows provided by operating activities were as follows:

	Nine months ended March 31, 2009 2008 (\$ in millions)	
Net cash flows provided by operating activities, excluding securities clearing activities	\$ 134.9	\$ 208.7
(Increase) decrease in Cash and securities segregated for regulatory purposes and securities deposited with clearing organizations	(116.0)	63.9
Decrease (increase) in Securities clearing receivables	567.5	(454.7)
(Decrease) increase in Securities clearing payables	(275.3)	641.6
Net cash flows provided by securities clearing activities	176.2	250.8
Net cash flows provided by operating activities, as reported	\$ 311.1	\$ 459.5

Net cash flows provided by operating activities, excluding securities clearing activities, were \$134.9 million for the nine months ended March 31, 2009, a decrease of \$73.8 million, compared to \$208.7 million net cash flows provided during the nine months ended March 31, 2008. The decrease reflects improved collections of trade Accounts receivable during the prior year, which has been maintained; and a decrease in the Current liabilities for Deferred Revenues.

Net cash flows provided by securities clearing activities at our Clearing and Outsourcing Solutions segment were \$176.2 million for the nine months ended March 31, 2009, a decrease of \$74.6 million, compared to net cash flows provided by securities clearing activities at our Clearing and Outsourcing Solutions of \$250.8 million for the nine months ended March 31, 2008. The decrease is due to an increase in Cash and Securities segregated for regulatory purposes and securities deposited with clearing organizations, partially offset by a decline in net margin debit balances due to market conditions.

Net cash flows used in investing activities for the nine months ended March 31, 2009 were \$30.3 million, a decrease of \$7.6 million, compared to \$37.9 million net cash flows used during the nine months ended March 31, 2008. The decrease reflects higher spending of \$8.8 million on acquisitions during the nine months ended March 31, 2009, compared to the nine months ended March 31, 2008, more than offset by a decrease in capital expenditures of \$14.8 million.

Net cash flows used in financing activities for the nine months ended March 31, 2009 were \$165.0 million and includes the Company's purchase of \$125.0 million principal amount of the Senior Notes during the nine months ended March 31, 2009. This represents a decrease of \$77.2 million, compared to \$242.2 million in net cash flows used in financing activities during the nine months ended March 31, 2008. The decrease reflects \$20.6 million in lower payments on Long-term debt and \$86.0 million in lower payments on Short-term borrowings, offset by \$16.0

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

million in higher repurchases of the Company's common stock intended to offset dilution from the Company's equity compensation plans, \$10.3 million lower proceeds from exercise of stock options, and an increase of \$2.9 million in Dividends paid.

The \$86.0 million in lower payments on Short-term borrowings within the change in Net cash flows used in financing activities is principally due to the aforementioned decrease of \$74.6 million in net cash flows provided by operating activities attributable to securities clearing activities.

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 used in financing activities in the preceding section for further discussion of the Company's financing activities.

Seasonality

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

Income Taxes

Our effective tax rates and provision for income taxes for the three and nine months ended March 31, 2009 were 24.3% and \$13.1 million, and 33.8% and \$54.4 million, respectively, compared to 39.0% and \$18.9 million, and 39.0% and \$60.4 million, for the three and nine months ended March 31, 2008, respectively. The decrease in our effective tax rate is primarily attributable to approved certification for a state tax credit program scheduled to expire in 2018 and lower enacted tax rates in certain U.S. state and international tax jurisdictions for the nine months ended March 31, 2009. The state tax credit program is retroactive to fiscal year 2008. The year-to-date benefit of \$7.3 million is comprised of \$4.0 million for fiscal year 2008, \$2.2 million for the six months ended December 31, 2008 and \$1.1 million for the three months ended March 31, 2009. The effect of the retroactive adjustment attributable to the reporting period for the state tax credit program applicable to prior periods is a reduction in our effective tax rate and provision for income taxes of 11.4 percentage points and \$6.2 million for the three months ended March 31, 2009, and 2.5 percentage points and \$4.0 million, for the nine months ended March 31, 2009.

Contractual Obligations

The Company entered into a data center outsourcing services agreement with ADP before our spin-off from ADP in March 2007 under which ADP provides the Company with data center services consistent with the services provided to the Company immediately before the spin-off, provided that the operation of the data center is the sole responsibility of ADP. Among the principal services provided by the data center are information technology services and service delivery network services. The agreement with ADP provides for increasing volumes and the addition of new services over the term. Under the agreement, ADP is responsible for hosting the mainframe, midrange, open systems, and networks. Additionally, systems engineering, network engineering, hardware engineering, network operations, data center operations, application change management, and data center disaster recovery services are managed by ADP. The agreement will expire on June 30, 2012. For the three months ended March 31, 2009 and 2008, the Company recorded \$25.8 million and \$27.3 million, respectively, of expenses in the Condensed Consolidated Statements of Earnings related to these services. For the nine months ended March 31, 2009 and 2008, the Company recorded \$77.1 million and \$79.8 million, respectively, of expenses in the Condensed Consolidated Statements of Earnings related to these services.

Other Commercial Agreements

The Company has a five-year revolving credit facility that expires in March 2012 that has an available capacity of \$500.0 million. No amounts were outstanding under this credit facility at March 31, 2009.

At March 31, 2009, Ridge Clearing had \$0.8 million outstanding Short-term borrowings.

In addition, immediately prior to the separation from ADP, certain of the Company's foreign subsidiaries established unsecured, uncommitted lines of credit with banks. There were no outstanding borrowings under these lines of credit at March 31, 2009.

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

Table of Contents

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, 2009 or at June 30, 2008. In the normal course of business, the Company also enters into contracts in which it makes representations and warranties that relate to the performance of the Company's products and services. The Company does not expect any material losses related to such representations and warranties or collateral arrangements.

Recently-issued Accounting Pronouncements

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

In the normal course of business, the securities activities of the Clearing and Outsourcing Solutions business primarily involve executions, settlement and financing of various securities transactions for a nationwide retail and institutional, customer and non-customer client base, introduced by its correspondent broker-dealers. These activities may expose the Company to financial risk in the event customers, other broker-dealers, banks, clearing organizations or depositories are unable to fulfill contractual obligations.

The Company may be exposed to a risk of loss not reflected in the Condensed Consolidated Balance Sheets for securities sold and not yet purchased, should the value of such securities rise. The securities lending activities of the Company's Clearing and Outsourcing Solutions segment require the Company to pledge securities as collateral. In the event a counterparty is unable to meet its contractual obligation, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices. The Company monitors the credit standing of counterparties with whom it conducts business. Financial risk is further controlled by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral level in the event of excess market exposure or instituting securities buy-in procedures when required.

At March 31, 2009, \$200.0 million of our total \$324.0 million outstanding Long-term debt is based on floating interest rates. Our term loan facility had \$200.0 million outstanding at March 31, 2009. The interest rate is based on LIBOR plus 40 to 90 basis points based on our debt rating at the time of borrowing. The term loan facility was subject to interest at LIBOR plus 60 basis points at March 31, 2009. The weighted-average interest rates were 1.60% and 2.87% during the three and nine months ended March 31, 2009, respectively.

Item 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2009. The Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of March 31, 2009 were effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

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, 2009 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 adverse 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 2008 Annual Report on Form 10-K filed on August 14, 2008. 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 results of operations. 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 2008 Annual Report on Form 10-K.

Consolidation in the financial services industry could adversely affect our revenues by eliminating some of our existing and potential clients and could make us increasingly dependent on a more limited number of clients.

There has been and continues to be merger, acquisition, and consolidation activity in the financial services industry. Mergers or consolidations of financial institutions could reduce the number of our clients and potential clients. If our clients merge with or are acquired by other firms that are not our clients, or firms that use fewer of our services, they may discontinue or reduce the use of our services. In addition, it is possible that the larger financial institutions resulting from mergers or consolidations could decide to perform in-house some or all of the services that we currently provide or could provide. Any of these developments could have a material adverse effect on our business and results of operations. The current economic slowdown and in particular, its impact on the financial services industry, has resulted in increased mergers or consolidations of our clients. Due to this recent consolidation activity, one of the 15 largest clients of our Securities Processing Solutions business has recently acquired a financial institution that performs in-house some of the securities processing services that we provide and, as a result, it has notified us that it intends to terminate these services. This client generated \$13.2 million and \$19.7 million of revenues during the nine months ended March 31, 2009 and in fiscal year 2008, respectively, from the services that are being terminated.

A large percentage of our revenues are derived from a small number of clients in the financial services industry.

In fiscal year 2008, we derived approximately 22% of our revenues from our five largest clients and approximately 65% of the revenues of our Securities Processing Solutions segment from the 15 largest clients in that segment. Our largest single client accounted for between 5-6% of our consolidated revenues. While these clients generally work with multiple business segments, the loss of business from any of these clients due to merger or consolidation or non-renewal of contracts would have an adverse effect on our revenues and results of operations, and the loss of any of these securities processing solutions clients could result in a material adverse effect on the revenues and results of operations of our Securities Processing Solutions segment. The current economic slowdown and in particular, its impact on the financial services industry, has resulted in increased mergers or consolidations of our clients. Due to this recent consolidation activity, one of the 15 largest clients of our Securities Processing Solutions business has recently acquired a financial institution that performs in-house some of the securities processing services that we provide and, as a result, it has notified us that it intends to terminate these services.

In addition, at the end of a contract term, clients have the opportunity to renegotiate their contracts with us and to consider whether to engage one of our competitors to provide services. If we are not successful in achieving high renewal rates with favorable terms, particularly with these clients, our revenues from such renewals and the associated earnings could be negatively impacted. The current economic slowdown and in particular, its impact on the financial services industry, has resulted in increased pricing pressure, particularly with respect to our Securities Processing Solutions services. In connection with the recent renewal and extension of some contracts with our Securities Processing Solutions clients, the increased pricing pressure has resulted in a higher than historical average rate of price concessions. These contract renewal price concessions are estimated to be approximately 5% of our annual Securities Processing Solutions segment's revenues, compared with the historical average rate of 3% of the annual Securities Processing Solutions segment's revenues.

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, 2009:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan(2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans(2)
January 1, 2009				
January 31, 2009	7,790	\$ 12.54		
February 1, 2009				
February 28, 2009				
March 1, 2009				
March 31, 2009	338,224	17.78		
Total	346,014			1,000,000

- (1) Represents shares purchased from employees to pay taxes related to the vesting of restricted shares.
- (2) On August 4, 2008, the Board of Directors authorized a stock repurchase plan for the repurchase of up to two million shares of the Company's common stock to offset share dilution created by the Company's equity compensation plans.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

None.

Table of Contents

Item 6. EXHIBITS

- 10.1 Broadridge Financial Solutions, Inc. 2007 Omnibus Award Plan (incorporated by reference to Exhibit 10.1 on Form 8-K filed on November 14, 2008 (File No. 001-33220)).
- 31.1 Certification of the Chief Executive Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 or Rule 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 or Rule 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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 11, 2009

By: /s/ Dan Sheldon
Dan Sheldon
Vice President, Chief Financial Officer

(Principal Financial and Accounting Officer)

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit
10.1	Broadridge Financial Solutions, Inc. 2007 Omnibus Award Plan (incorporated by reference to Exhibit 10.1 on Form 8-K filed on November 14, 2008 (File No. 001-33220)).
31.1	Certification of the Chief Executive Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.