BROADRIDGE FINANCIAL SOLUTIONS, INC.
Form 10-Q
February 06, 2014
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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 December 31, 2013

OR

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

For the transition period from __________ to __________

Commission File Number 001-33220

BROADRIDGE FINANCIAL SOLUTIONS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**33-1151291**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
1981 Marcus Avenue Lake Success, NY	**11042**
(Address of principal executive offices)	**(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 x 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 x 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 x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The number of shares outstanding of the registrant s common stock, $0.01 par value, as of January 31, 2014 was 119,444,309.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Broadridge Financial Solutions, Inc.

Condensed Consolidated Statements of Earnings

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Revenues	$ 520.6	$ 493.2	$ 1,065.8	$ 989.0
Cost of revenues	385.1	387.6	782.6	777.6
Selling, general and administrative expenses	86.0	77.2	159.5	150.1
Other expenses, net	6.8	3.7	11.7	8.0
Total expenses	477.9	468.5	953.8	935.7
Earnings before income taxes	42.7	24.7	112.0	53.3
Provision for income taxes	15.1	8.9	40.0	19.2
Net earnings	$ 27.6	$ 15.8	$ 72.0	$ 34.1
Basic earnings per share	$ 0.23	$ 0.13	$ 0.60	$ 0.28
Diluted earnings per share	$ 0.22	$ 0.13	$ 0.58	$ 0.27
Weighted-average shares outstanding:				
Basic	119.2	122.0	119.1	123.0
Diluted	124.1	125.5	123.6	126.3
Dividends declared per common share	$ 0.21	$ 0.18	$ 0.42	$ 0.36

See Notes to Condensed Consolidated Financial Statements.

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Broadridge Financial Solutions, Inc.

Condensed Consolidated Statements of Comprehensive Income

(In millions)

(Unaudited)

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Six Months Ended December 31, 2013	Six Months Ended December 31, 2012
Net earnings	$ 27.6	$ 15.8	$ 72.0	$ 34.1
Other comprehensive income, net:				
Foreign currency translation adjustments	5.0	0.8	3.3	5.9
Net unrealized gains on available-for-sale securities, net of taxes of ($0.4) and ($0.1) for the three months ended December 31, 2013 and 2012, respectively; and ($0.4) and ($0.3) for the six months ended December 31, 2013 and 2012, respectively	0.6	0.1	0.5	0.4
Pension and post-retirement liability adjustment, net of taxes of ($0.1) and zero for the three months ended December 31, 2013 and 2012, respectively; and ($0.1) and $0.4 for the six months ended December 31, 2013 and 2012, respectively			0.1	(0.6)
Total other comprehensive income, net	5.6	0.9	3.9	5.7
Comprehensive income	$ 33.2	$ 16.7	$ 75.9	$ 39.8

See Notes to Condensed Consolidated Financial Statements.

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Broadridge Financial Solutions, Inc.

Condensed Consolidated Balance Sheets

(In millions, except per share amounts)

(Unaudited)

	December 31, 2013	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 240.3	$ 266.0
Accounts receivable, net of allowance for doubtful accounts of $2.2 and $3.7, respectively	336.0	442.4
Other current assets	110.9	98.6
Total current assets	687.2	807.0
Property, plant and equipment, net	87.0	80.9
Goodwill	812.9	778.4
Intangible assets, net	120.9	120.6
Other non-current assets	231.0	231.3
Total assets	$ 1,939.0	$ 2,018.2
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 96.6	$ 143.1
Accrued expenses and other current liabilities	192.2	277.2
Deferred revenues	55.1	49.2
Total current liabilities	343.9	469.5
Long-term debt	524.1	524.5
Deferred taxes	64.4	71.2
Deferred revenues	53.0	40.2
Other non-current liabilities	96.1	96.8
Total liabilities	1,081.5	1,202.2
Commitments and contingencies (Note 12)		
Stockholders equity:		
Preferred stock: Authorized, 25.0 shares; issued and outstanding, none		
Common stock, $0.01 par value: Authorized, 650.0 shares; issued, 154.5 and 154.5 shares, respectively; outstanding, 119.2 and 119.0 shares, respectively	1.6	1.6
Additional paid-in capital	798.8	783.0
Retained earnings	833.2	811.3

Treasury stock: at cost, 35.3 and 35.5 shares, respectively		(784.2)	(784.1)
Accumulated other comprehensive income		8.1	4.2
Total stockholders equity		857.5	816.0
Total liabilities and stockholders equity	$	1,939.0	$ 2,018.2

See Notes to Condensed Consolidated Financial Statements.

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Broadridge Financial Solutions, Inc.

Condensed Consolidated Statements of Cash Flows

(In millions)

(Unaudited)

	Six Months Ended December 31, 2013	Six Months Ended December 31, 2012
Cash Flows From Operating Activities		
Net earnings	$ 72.0	$ 34.1
Adjustments to reconcile Net earnings to Net cash flows provided by operating activities:		
Depreciation and amortization	22.2	26.0
Amortization of acquired intangibles	10.9	11.0
Amortization of other assets	13.3	11.3
Deferred income taxes	(3.2)	(8.5)
Stock-based compensation expense	14.7	12.9
Excess tax benefits from the issuance of stock-based compensation awards	(2.7)	(1.3)
Other	1.5	4.4
Changes in operating assets and liabilities:		
Current assets and liabilities:		
Decrease in Accounts receivable, net	109.5	66.8
(Increase) decrease in Other current assets	(8.7)	0.1
Decrease in Accounts payable	(46.4)	(4.5)
Decrease in Accrued expenses and other current liabilities	(96.1)	(63.9)
Increase in Deferred revenues	1.8	0.2
Non-current assets and liabilities:		
Increase in Other non-current assets	(16.4)	(24.4)
Increase in Other non-current liabilities	18.5	9.3
Net cash flows provided by operating activities	90.9	73.5
Cash Flows From Investing Activities		
Capital expenditures	(23.7)	(16.5)
Purchases of intangibles	(7.1)	(2.5)
Acquisitions, net of cash acquired	(37.7)	
Net cash flows used in investing activities	(68.5)	(19.0)
Cash Flows From Financing Activities		
Proceeds from issuance of bonds, net of discounts	399.5	
Payments on Long-term debt	(400.0)	
Dividends paid	(46.5)	(42.3)
Proceeds from exercise of stock options	11.7	17.6

Purchases of Treasury stock	(13.4)	(92.7)
Other financing transactions		(2.1)
Excess tax benefits from the issuance of stock-based compensation awards	2.7	1.3
Cost related to issuance of bonds	(4.3)	
Net cash flows used in financing activities	(50.3)	(118.2)
Effect of exchange rate changes on Cash and cash equivalents	2.2	2.3
Net change in Cash and cash equivalents	(25.7)	(61.4)
Cash and cash equivalents, beginning of period	266.0	320.5
Cash and cash equivalents, end of period	$ 240.3	$ 259.1
Supplemental disclosure of cash flow information:		
Cash payments made for interest	$ 4.9	$ 6.8
Cash payments made for income taxes	$ 92.4	$ 56.3
Non-cash investing and financing activities:		
Dividends payable	$ 3.6	$ 1.6
Property, plant and equipment	$ 0.1	$

See Notes to Condensed Consolidated Financial Statements.

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Broadridge Financial Solutions, Inc.

Notes to Condensed Consolidated Financial Statements

(Tabular dollars in millions, except per share amounts)

(Unaudited)

NOTE 1. BASIS OF PRESENTATION

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

Investor Communication Solutions Our Bank/Broker-Dealer Communications, Mutual Fund and Retirement Solutions and Corporate Issuer Solutions businesses operate within this segment. A large portion of Broadridge s Investor Communication Solutions business involves the processing and distribution of proxy materials to investors in equity securities and mutual funds, as well as the facilitation of related vote processing. ProxyEdge®, its innovative electronic proxy delivery and voting solution for institutional investors and financial advisors, helps ensure the participation of the largest stockholders of many companies. Broadridge also provides the distribution of regulatory reports and corporate action/reorganization event information, as well as tax reporting solutions that help its clients meet their regulatory compliance needs. In addition, Broadridge provides financial information distribution and transaction reporting services to both financial institutions and securities issuers. These services include the processing and distribution of account statements and trade confirmations, traditional and personalized document fulfillment and content management services, marketing communications, and imaging, archival and workflow solutions that enable and enhance its clients communications with investors. All of these communications are delivered through paper or electronic channels. In addition, Broadridge provides corporate issuers with registered proxy services as well as registrar, stock transfer and record-keeping services to corporate issuers.

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

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

matching and settlement, while maintaining their ability to finance and capitalize their businesses.
In September 2011, Broadridge acquired Paladyne Systems, Inc. (Paladyne®), a provider of buy-side technology solutions for the global investment management industry.

B. Basis of Presentation. The Condensed Consolidated Financial Statements have been prepared in accordance with United States of America (U.S.) generally accepted accounting principles (GAAP). These financial statements present the condensed consolidated position of the Company. These financial statements include the entities in which the Company directly or indirectly has a controlling financial interest and various entities in which the Company has investments recorded under both the cost and equity methods of accounting. Intercompany balances and transactions have been eliminated. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These Condensed Consolidated Financial Statements should be read in conjunction with the Company s Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2013 (the 2013 Annual Report) filed on August 8, 2013 with the Securities and Exchange Commission (the SEC). These Condensed Consolidated Financial Statements include all normal and recurring adjustments necessary for a fair presentation in accordance with GAAP of the Company s financial position at December 31, 2013 and June 30, 2013, the results of its operations for the three and six months ended December 31, 2013 and 2012 and its cash flows for the six months ended December 31, 2013 and 2012.

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

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

E. Financial Instruments. Substantially all of the financial instruments of the Company other than Long-term debt are carried at fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. The carrying value of the Company s long-term fixed-rate senior notes represents the face value of the long-term fixed-rate senior notes net of the unamortized discount. The fair value of the Company s long-term fixed-rate senior notes is based on quoted market prices. See Note 9, Borrowings, for a further discussion of the Company s long-term fixed-rate senior notes.

F. Subsequent Events. In preparing the accompanying Condensed Consolidated Financial Statements, in accordance with Accounting Standards Codification Topic (ASC) No. 855, Subsequent Events, the Company has reviewed events that have occurred after December 31, 2013, through the date of issuance of the Condensed Consolidated Financial Statements. During this period, the Company did not have any material subsequent events.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

NOTE 3. EARNINGS PER SHARE

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

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

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The computation of diluted EPS did not include 0.1 million and 1.9 million options to purchase Broadridge common stock for the three months ended December 31, 2013 and 2012, respectively, and 0.1 million and 2.3 million options to purchase Broadridge common stock for the six months ended December 31, 2013 and 2012, respectively, as the effect of their inclusion would have been anti-dilutive.

The following table sets forth the denominators of the basic and diluted EPS computations (in millions):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Weighted-average shares outstanding:				
Basic	119.2	122.0	119.1	123.0
Common stock equivalents	4.9	3.5	4.5	3.3
Diluted	124.1	125.5	123.6	126.3

NOTE 4. OTHER EXPENSES, NET

Other expenses, net consisted of the following:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
	($ in millions)			
Interest expense on borrowings	$ 6.2	$ 3.4	$ 10.8	$ 6.9
Interest income	(0.5)	(0.4)	(0.7)	(0.9)
Foreign currency exchange (gain) loss	0.6		(0.6)	0.8
Other, net	0.5	0.7	2.2	1.2
Other expenses, net	$ 6.8	$ 3.7	$ 11.7	$ 8.0

NOTE 5. ACQUISITIONS

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

During the first quarter of fiscal year 2014, the fair value of contingent consideration associated with one of the Company s acquisitions was reduced by approximately $3.3 million. In addition, during the six months ended December 31, 2013, the Company acquired one business in the Investor Communication Solutions segment:

Bonaire

In July 2013, the Company acquired Bonaire, a leading provider of fee calculation, billing, and revenue and expense management solutions for asset managers including institutional asset managers, wealth managers, mutual funds, bank trusts, hedge funds and capital markets firms. The purchase price was $37.7 million, net of cash acquired. Net liabilities assumed in the transaction were $1.6 million. In addition, the Company recorded a $0.5 million liability for the fair value of potential additional cash payments, which are payable over the next three years contingent upon the achievement by the acquired business of certain revenue and earnings targets. This acquisition resulted in $29.2 million of Goodwill. Intangible assets acquired, which totaled $10.1 million, consist primarily of acquired software technology and customer relationships, which are being amortized over a seven-year life and ten-year life, respectively. The results of Bonaire s operations were included in the Company s Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q from the date of acquisition. The allocation of the purchase price will be finalized upon completion of the analysis of the fair values of Bonaire s assets and liabilities. Pro forma supplemental financial information is not provided as the impact of the acquisition on the Company s operating results, financial position or cash flows was not material.

During the six months ended December 31, 2012, there were no acquisitions.

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NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1 Inputs that are based upon unadjusted quoted prices for identical instruments traded in active markets. Level 1 assets for the Company include money market deposit accounts (MMDA accounts).

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

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

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

In June 2013, the Company purchased certain available-for-sale securities in a non-public entity for which the lowest level of significant inputs was unobservable. On a recurring basis, the Company uses pricing models and similar techniques for which the determination of fair value requires significant judgment by management. Accordingly, the Company classifies the available-for-sale securities as Level 3 in the table below.

The following tables set forth the Company s financial assets and liabilities at December 31, 2013 and June 30, 2013, respectively, that are measured at fair value on a recurring basis during the period, segregated by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
		($ in millions)		
Assets:				
Cash and cash equivalents:				
Money market funds (1)	$ 76.0	$	$	$ 76.0
Other current assets:				
Available-for-sale equity securities				
Other non-current assets:				
Available-for-sale equity securities	18.8		1.1	19.9

Total as of December 31, 2013	$ 94.8	$	$ 1.1	$ 95.9

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

(1) Money market funds include MMDA account balances of $53.5 million and $87.1 million as of December 31, 2013 and June 30, 2013, respectively.

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The following table sets forth an analysis of changes during the six months ended December 31, 2013 in Level 3 financial assets of the Company:

	December 31, 2013	June 30, 2013
	($ in millions)	
Beginning balance	$ 1.1	$
Net realized/unrealized gains (losses)		
Purchases		1.1
Transfers in (out) of Level 3		
Ending balance	$ 1.1	$ 1.1

The Company did not incur any Level 3 fair value asset impairments during the six months ended December 31, 2013 and 2012, respectively. Changes in economic conditions or model based valuation techniques may require the transfer of financial instruments between levels. The Company s policy is to record transfers between levels if any, as of the beginning of the fiscal year. For the six months ended December 31, 2013 and the fiscal year ended June 30, 2013 there were no transfers between levels.

NOTE 7. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of the following:

	December 31, 2013	June 30, 2013
	($ in millions)	
Deferred client conversion and start-up costs	$ 135.6	$ 133.3
Deferred data center costs	46.1	48.8
Long-term investments	23.4	20.9
Long-term broker fees	8.0	9.2
Other	17.9	19.1
Total	$ 231.0	$ 231.3

NOTE 8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	December 31, 2013	June 30, 2013
	($ in millions)	
Employee compensation and benefits	$ 108.9	$ 143.1

Accrued broker fees	25.8	49.2
Accrued income tax liability	13.0	51.8
Accrued dividend payable	24.6	21.0
Other	19.9	12.1
Total	$ 192.2	$ 277.2

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NOTE 9. BORROWINGS

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

	Expiration Date	December 31, 2013	June 30, 2013	Unused Available Capacity
			($ in millions)	
Long-term debt				
Fiscal 2012 Term loan facility	(a)	$	$ 400.0	$
Fiscal 2012 Revolving credit facility	September 2016			500.0
Fiscal 2007 Senior notes	June 2017	124.6	124.5	
Fiscal 2014 Senior notes	September 2020	399.5		
Total debt		$ 524.1	$ 524.5	$ 500.0

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

Fiscal 2012 Credit Facilities: On September 22, 2011, the Company entered into a $990.0 million senior unsecured credit facility, consisting of a $490.0 million five-year term loan facility (the Fiscal 2012 Term Loan) and a $500.0 million five-year revolving credit facility (the Fiscal 2012 Revolving Credit Facility) (collectively the Fiscal 2012 Credit Facilities). Borrowings under the Fiscal 2012 Credit Facilities bear interest at LIBOR plus 125 basis points. The Fiscal 2012 Revolving Credit Facility also has an annual facility fee equal to 15 basis points, on the unused portion of the facility, which totaled $0.2 million and $0.4 million for the three and six months ended December 31, 2013 and 2012, respectively. The Company incurred $3.0 million in debt issuance costs to establish the Fiscal 2012 Credit Facilities, of which $0.1 million of these costs were expensed as incurred and $2.9 million of these costs were capitalized in Other non-current assets in the Condensed Consolidated Balance Sheets and are being amortized to Other expenses, net on a straight-line basis, which approximates the effective interest method, over the terms of these facilities. During the quarter ended September 30, 2013, the Company repaid the Fiscal 2012 Term Loan and expensed the remaining issuance costs associated with this debt, which was approximately $0.9 million. As of December 31, 2013 and June 30, 2013, $2.1 million and $1.0 million, respectively, had been amortized or expensed related to the Fiscal 2012 Credit Facilities, with $0.8 million remaining to be amortized related to the Fiscal 2012 Revolving Credit Facility.

The Fiscal 2012 Term Loan contained a repayment schedule that required the Company to make minimum principal repayments on the loan. During the fiscal year ended June 30, 2012, the Company repaid $90.0 million of the $490.0 million of borrowings under the Fiscal 2012 Term Loan and had met the repayment requirements on the Fiscal 2012 Term Loan through September 30, 2014. During the quarter ended September 30, 2013, the Company repaid the remaining $400.0 million outstanding on the Fiscal 2012 Term Loan. The weighted-average interest rate on the Fiscal 2012 Term Loan was 1.44% and 1.49% for the three months ended September 30, 2013 and 2012, respectively. The weighted-average interest rate on the Fiscal 2012 Term Loan was 1.48% for the six months ended December 31, 2012.

The Fiscal 2012 Revolving Credit Facility is subject to covenants, including financial covenants consisting of a leverage ratio and an interest coverage ratio. At December 31, 2013, the Company is not aware of any instances of any non-compliance with the financial covenants of the Fiscal 2012 Revolving Credit Facility.

Fiscal 2007 Senior Notes: In May 2007, the Company completed an offering of $250.0 million in aggregate principal amount of senior notes (the Fiscal 2007 Senior Notes). The Fiscal 2007 Senior Notes will mature on June 1, 2017 and bear interest at a rate of 6.125% per annum. Interest on the Fiscal 2007 Senior Notes is payable semi-annually in arrears on June 1 and December 1 of each year. The Fiscal 2007 Senior Notes were issued at a price of 99.1% (effective yield to maturity of 6.251%). The indenture governing the Fiscal 2007 Senior Notes contains certain covenants including covenants restricting the Company s ability to create or incur liens securing indebtedness for borrowed money and to enter into certain sale-leaseback transactions. At December 31, 2013, the Company is not aware of any instances of non-compliance with the covenants of the indenture governing the Fiscal 2007 Senior Notes. The indenture also contains covenants regarding the purchase of the Fiscal 2007 Senior Notes upon a change of control triggering event. The Fiscal 2007 Senior Notes are senior unsecured obligations of the Company and rank equally with the Company s other senior indebtedness. The Company may redeem the Fiscal 2007 Senior Notes in whole or in part at any time before their maturity. The Company incurred $1.9 million in debt issuance costs to establish the Fiscal 2007 Senior Notes. These costs have been capitalized and are being amortized to Other expenses, net on a straight-line basis, which approximates the effective interest method, over the ten-year term. At December 31, 2013 and June 30, 2013, the accumulated amortization related to the Fiscal 2007 Senior Notes was $1.2 million and $1.1 million, respectively. During the fiscal year ended June 30, 2009, the Company purchased $125.0 million principal amount of the Fiscal 2007 Senior Notes (including $1.0 million unamortized bond discount) pursuant to a cash tender offer for such notes. The fair value of the fixed-rate Fiscal 2007 Senior Notes at December 31, 2013 and June 30, 2013 was $136.9 million and $138.2 million, respectively, based on quoted market prices and has been classified as a Level 1 financial liability (as defined in Note 6, Fair Value of Financial Instruments).

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Fiscal 2014 Senior Notes: In August 2013, the Company completed an offering of $400.0 million in aggregate principal amount of senior notes (the Fiscal 2014 Senior Notes). The Fiscal 2014 Senior Notes will mature on September 1, 2020 and bear interest at a rate of 3.95% per annum. Interest on the Fiscal 2014 Senior Notes is payable semi-annually in arrears on March 1 and September 1 of each year. The Fiscal 2014 Senior Notes were issued at a price of 99.871% (effective yield to maturity of 3.971%). The indenture governing the Fiscal 2014 Senior Notes contains certain covenants including covenants restricting the Company s ability to create or incur liens securing indebtedness for borrowed money and to enter into certain sale-leaseback transactions. At December 31, 2013, the Company is not aware of any instances of non-compliance with the covenants of the indenture governing the Fiscal 2014 Senior Notes. The indenture also contains covenants regarding the purchase of the Fiscal 2014 Senior Notes upon a change of control triggering event. The Fiscal 2014 Senior Notes are senior unsecured obligations of the Company and rank equally with the Company s other senior indebtedness. The Company may redeem the Fiscal 2014 Senior Notes in whole or in part at any time before their maturity. The Company incurred $4.3 million in debt issuance costs to establish the Fiscal 2014 Senior Notes. These costs have been capitalized and are being amortized to Other expenses, net on a straight-line basis, which approximates the effective interest method, over the seven-year term. At December 31, 2013, the accumulated amortization related to the Fiscal 2014 Senior Notes was $0.3 million. The fair value of the fixed-rate Fiscal 2014 Senior Notes at December 31, 2013 was $403.5 million based on quoted market prices and has been classified as a Level 1 financial liability (as defined in Note 6, Fair Value of Financial Instruments).

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

NOTE 10. STOCK-BASED COMPENSATION

The activity related to the Company s incentive equity awards for the three months ended December 31, 2013 consisted of the following:

	Stock Options		Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Options (c)	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Balances at October 1, 2013	10,641,127	$ 20.47	2,045,007	$ 19.72	586,318	$ 20.22
Granted	92,149	36.35	859,888	30.17	231,839	29.32
Exercise of stock options (a)	(336,345)	17.56				
Vesting of restricted stock units						
Expired/forfeited	(92,802)	20.63	(37,450)	23.92	(12,452)	26.03
Balances at December 31, 2013 (b)	10,304,129	$ 20.71	2,867,445	$ 22.80	805,705	$ 22.75

(a)

Stock options exercised during the period of October 1, 2013 through December 31, 2013 had an intrinsic value of $6.0 million.

(b) As of December 31, 2013, the Company s outstanding in the money stock options using the December 31, 2013 closing stock price of $39.52 (approximately 8.0 million shares) had an aggregate intrinsic value of $156.3 million. As of December 31, 2013, time-based restricted stock units and performance-based restricted stock units expected to vest using the December 31, 2013 share price of $39.52 (approximately 2.5 million and 0.8 million shares, respectively) had an aggregate intrinsic value of $100.3 million and $33.2 million, respectively.

(c) Stock options outstanding as of December 31, 2013 have a weighted-average remaining contractual life of 5.2 years and 8.0 million stock options are exercisable.

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The activity related to the Company s incentive equity awards for the six months ended December 31, 2013 consisted of the following:

	Stock Options		Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Options	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Balances at July 1, 2013	10,985,482	$ 20.39	2,086,834	$ 19.65	572,823	$ 19.96
Granted	107,555	35.62	872,035	30.17	250,544	29.30
Exercise of stock options (a)	(666,812)	17.74				
Vesting of restricted stock units (b)					(5,210)	23.30
Expired/forfeited	(122,096)	21.15	(91,424)	21.07	(12,452)	26.03
Balances at December 31, 2013	10,304,129	$ 20.71	2,867,445	$ 22.80	805,705	$ 22.75

(a) Stock options exercised during the period of July 1, 2013 through December 31, 2013 had an intrinsic value of $10.0 million.

(b) Performance-based restricted stock units that vested during the period of July 1, 2013 through December 31, 2013 had a fair value of $0.1 million.

The Company has stock-based compensation plans under which the Company annually grants stock option and restricted stock unit awards. Exercise prices on options granted have been and continue to be set equal to the market price of the underlying shares on the date of the grant (except the special stock option grants, some of which have a premium exercise price), with the measurement of stock-based compensation expense recognized in Net earnings based on the fair value of the award on the date of grant. Stock-based compensation expense of $9.9 million and $8.4 million, respectively, as well as related tax benefits of $3.7 million and $3.2 million, respectively, was recognized for the three months ended December 31, 2013 and 2012, respectively. Stock-based compensation expense of $14.7 million and $12.9 million, respectively, as well as related tax benefits of $5.5 million and $4.9 million, respectively, was recognized for the six months ended December 31, 2013 and 2012, respectively.

As of December 31, 2013, the total remaining unrecognized compensation cost related to non-vested stock options and restricted stock unit awards amounted to $4.1 million and $40.0 million, respectively, which will be amortized over the weighted-average remaining requisite service periods of 3.0 years and 1.8 years, respectively.

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

NOTE 11. INCOME TAXES

The Provision for income taxes and effective tax rates for the three and six months ended December 31, 2013 were $15.1 million and 35.4%, and $40.0 million and 35.7%, respectively, compared to $8.9 million and 36.0%, and $19.2 million and 36.0%, for the three and six months ended December 31, 2012, respectively. The decrease in the effective tax rate for the three and six months ended December 31, 2013 when compared to the comparable prior year period is primarily attributable to the geographical mix of income and lower tax rates in certain non-U.S. tax jurisdictions.

NOTE 12. CONTRACTUAL COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

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

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

In March 2010, the Company and International Business Machines Corporation (IBM) entered into an Information Technology Services Agreement (the IT Services Agreement), under which IBM provides certain aspects of the Company s information technology infrastructure that were previously provided under the ADP Agreement. Under the IT Services Agreement, IBM provides a broad range of technology services to the Company including supporting its mainframe, midrange, server, network and data center operations, as well as providing disaster recovery services. The Company has the option of incorporating additional services into the agreement over time. The migration of the data center processing from ADP to IBM was completed in August 2012. The IT Services Agreement expires on June 30, 2022. The Company has the right to renew the initial term of the IT Services Agreement for up to one additional 12-month term. Commitments remaining under this agreement at December 31, 2013 are $469.8 million through fiscal year 2022, the final year of the contract.

It is not the Company s business practice to enter into off-balance sheet arrangements. However, the Company is exposed to market risk from changes in foreign currency exchange rates that could impact its financial position, results of operations, and cash flows. The Company manages its exposure to these market risks through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company may use derivative financial instruments as risk management tools and not for trading purposes. The Company was not a party to any derivative financial instruments as of December 31, 2013 and June 30, 2013, respectively. In the normal course of business, the Company also enters into contracts in which it makes representations and warranties that relate to the performance of the Company s products and services. The Company does not expect any material losses related to such representations and warranties, or collateral arrangements.

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

NOTE 13. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME BY COMPONENT

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income:

	Foreign Currency	Available-for-Sale	Pension and	Total

	Translation	**Securities**	**Post-Retirement Liabilities**	
	($ in millions)			
Balances at July 1, 2013	$ 7.6	$ 1.1	$ (4.5)	$ 4.2
Other comprehensive income before reclassifications	3.3	0.5		3.8
Amounts reclassified from accumulated other comprehensive income			0.1	0.1
Balances at December 31, 2013	$ 10.9	$ 1.6	$ (4.4)	$ 8.1

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	Foreign Currency Translation	Available-for-Sale Securities	Pension and Post-Retirement Liabilities	Total
	($ in millions)			
Balances at October 1, 2013	$ 5.9	$ 1.0	$ (4.4)	$ 2.5
Other comprehensive income before reclassifications	5.0	0.6		5.6
Amounts reclassified from accumulated other comprehensive income				
Balances at December 31, 2013	$ 10.9	$ 1.6	$ (4.4)	$ 8.1

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
	($ in millions)			
Pension and Post-retirement liabilities:				