BROADRIDGE FINANCIAL SOLUTIONS, INC.
Form 10-Q
February 04, 2016

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, 2015

OR

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

For the transition period from to

Commission File Number 001-33220

BROADRIDGE FINANCIAL SOLUTIONS, INC.
(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| Delaware<br>(State or Other Jurisdiction of Incorporation or Organization) | 33-1151291<br>(I.R.S. Employer Identification No.) |
| 5 Dakota Drive<br>Lake Success, NY<br>(Address of principal executive offices) | 11042<br>(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 29, 2016 was 118,833,877.

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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, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | $638.9 | $574.6 | $1,233.7 | $1,130.4 |
| Operating expenses: | | | | |
| Cost of revenues | 464.5 | 414.0 | 903.1 | 820.5 |
| Selling, general and administrative expenses | 104.2 | 101.5 | 201.3 | 193.7 |
| Total operating expenses | 568.7 | 515.5 | 1,104.4 | 1,014.2 |
| Operating income | 70.2 | 59.1 | 129.3 | 116.2 |
| Non-operating expenses, net | 8.9 | 7.5 | 16.3 | 14.6 |
| Earnings before income taxes | 61.3 | 51.6 | 113.0 | 101.6 |
| Provision for income taxes | 21.1 | 16.9 | 39.2 | 34.4 |
| Net earnings | $40.2 | $34.7 | $73.8 | $67.2 |
| Basic earnings per share | $0.34 | $0.29 | $0.62 | $0.56 |
| Diluted earnings per share | $0.33 | $0.28 | $0.61 | $0.54 |
| Weighted-average shares outstanding: | | | | |
| Basic | 118.5 | 120.2 | 118.4 | 120.0 |
| Diluted | 122.0 | 124.4 | 121.9 | 124.2 |
| Dividends declared per common share | $0.30 | $0.27 | $0.60 | $0.54 |

Amounts may not sum due to rounding.

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net earnings | $40.2 | $34.7 | $73.8 | $67.2 |
| Other comprehensive income (loss), net: | | | | |
| Foreign currency translation adjustments | (5.4) | (11.4) | (17.0) | (15.9) |
| Net unrealized gains on available-for-sale securities, net of taxes of $(0.2) and $0.0 for the three months ended December 31, 2015 and 2014, respectively; and $0.2 and $0.0 for the six months ended December 31, 2015 and 2014, respectively | 0.3 | 0.1 | (0.3) | — |
| Pension and post-retirement liability adjustment, net of taxes of ($0.1) and $0.0 for the three months ended December 31, 2015 and 2014, respectively; and $(0.1) and $(0.1) for the six months ended December 31, 2015 and 2014, respectively | 0.1 | 0.1 | 0.2 | 0.1 |
| Total other comprehensive loss, net | (5.1) | (11.2) | (17.1) | (15.8) |
| Comprehensive income | $35.2 | $23.5 | $56.7 | $51.4 |

Amounts may not sum due to rounding.

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

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 305.1 | $ 324.1 |
| Accounts receivable, net of allowance for doubtful accounts of $4.2 and $3.8, respectively | 409.8 | 444.5 |
| Other current assets | 113.3 | 92.8 |
| Total current assets | 828.2 | 861.4 |
| Property, plant and equipment, net | 106.0 | 97.3 |
| Goodwill | 975.4 | 970.5 |
| Intangible assets, net | 191.2 | 195.7 |
| Other non-current assets | 252.7 | 243.2 |
| Total assets | $ 2,353.6 | $ 2,368.1 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | $ 113.0 | $ 115.9 |
| Accrued expenses and other current liabilities | 248.0 | 320.4 |
| Deferred revenues | 67.5 | 72.6 |
| Total current liabilities | 428.4 | 508.9 |
| Long-term debt | 754.5 | 689.4 |
| Deferred taxes | 47.6 | 61.7 |
| Deferred revenues | 80.4 | 75.2 |
| Other non-current liabilities | 101.1 | 105.1 |
| Total liabilities | 1,412.0 | 1,440.3 |
| 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, 118.5 and 118.2 shares, respectively | 1.6 | 1.6 |
| Additional paid-in capital | 884.0 | 855.5 |
| Retained earnings | 1,134.8 | 1,132.0 |
| Treasury stock, at cost: 35.9 and 36.3 shares, respectively | (1,040.8) | (1,040.4) |
| Accumulated other comprehensive loss | (38.0) | (20.9) |
| Total stockholders' equity | 941.5 | 927.8 |
| Total liabilities and stockholders' equity | $ 2,353.6 | $ 2,368.1 |

Amounts may not sum due to rounding.

See Notes to Condensed Consolidated Financial Statements.

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

| | Six Months Ended December 31, 2015 | 2014 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Net earnings | $73.8 | $67.2 |
| Adjustments to reconcile Net earnings to Net cash flows provided by operating activities: | | |
| Depreciation and amortization | 25.8 | 24.0 |
| Amortization of acquired intangibles | 16.2 | 11.5 |
| Amortization of other assets | 12.5 | 15.3 |
| Stock-based compensation expense | 22.2 | 19.6 |
| Deferred income taxes | (13.8) | (11.4) |
| Excess tax benefits from stock-based compensation awards | (5.5) | (10.6) |
| Other | 4.3 | 4.8 |
| Changes in operating assets and liabilities: | | |
| Current assets and liabilities: | | |
| Decrease in Accounts receivable, net | 36.7 | 60.1 |
| (Increase) decrease in Other current assets | (20.5) | 7.7 |
| Decrease in Accounts payable | (14.0) | (22.0) |
| Decrease in Accrued expenses and other current liabilities | (68.1) | (96.4) |
| Decrease in Deferred revenues | (6.3) | (3.8) |
| Non-current assets and liabilities: | | |
| Increase in Other non-current assets | (23.8) | (21.0) |
| Increase in Other non-current liabilities | 3.2 | 25.8 |
| Net cash flows provided by operating activities | 42.6 | 70.8 |
| Cash Flows From Investing Activities | | |
| Capital expenditures | (28.7) | (13.9) |
| Software purchases and capitalized internal use software | (8.2) | (1.9) |
| Equity method investment | (1.8) | (3.5) |
| Acquisitions, net of cash acquired | (13.3) | (31.6) |
| Net cash flows used in investing activities | (52.0) | (50.9) |
| Cash Flows From Financing Activities | | |
| Proceeds from Long-term debt | 105.0 | — |
| Repayments on Long-term debt | (40.0) | — |
| Excess tax benefits from stock-based compensation awards | 5.5 | 10.6 |
| Dividends paid | (67.4) | (57.6) |
| Purchases of Treasury stock | (10.6) | (25.1) |
| Proceeds from exercise of stock options | 11.0 | 29.6 |
| Payment of contingent consideration liabilities | (1.0) | — |
| Costs related to amendment of revolving credit facility | — | (1.9) |
| Net cash flows provided by (used in) financing activities | 2.5 | (44.4) |
| Effect of exchange rate changes on Cash and cash equivalents | (12.2) | (9.0) |
| Net change in Cash and cash equivalents | (19.0) | (33.5) |
| Cash and cash equivalents, beginning of period | 324.1 | 347.6 |
| Cash and cash equivalents, end of period | $305.1 | $314.1 |
| Supplemental disclosure of cash flow information: | | |

| | | |
|---|---|---|
| Cash payments made for interest | $13.0 | $11.7 |
| Cash payments made for income taxes, net of refunds | $78.6 | $42.0 |
| Non-cash investing and financing activities: | | |
| Dividends payable | $3.6 | $7.3 |
| Property, plant and equipment | $3.1 | $— |
| Acquisition related obligations | $2.2 | $— |

Amounts may not sum due to rounding.

See Notes to Condensed Consolidated Financial Statements.

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Broadridge Financial Solutions, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)
NOTE 1. BASIS OF PRESENTATION
A. Description of Business. Broadridge Financial Solutions, Inc. (“Broadridge” or the “Company”), a Delaware corporation, is a leading global provider of investor communications and technology-driven solutions to banks, broker-dealers, mutual funds and corporate issuers. Our services include investor communications, securities processing, and data and analytics solutions. The Company classifies its operations into the following two reportable segments:

- Investor Communication Solutions—Broadridge offers Bank/Broker-Dealer Investor Communication Solutions, Corporate Issuer Solutions, Advisor Solutions and Mutual Fund and Retirement Solutions in this segment. A large portion of Broadridge’s Investor Communication Solutions business involves the processing and distribution of proxy materials to investors in equity securities and mutual funds, as well as the facilitation of related vote processing. ProxyEdge®, Broadridge's innovative electronic proxy delivery and voting solution for institutional investors and financial advisors, helps ensure the participation of the largest stockholders of many companies. Broadridge also provides the distribution of regulatory reports and corporate action/reorganization event information, as well as tax reporting solutions that help its clients meet their regulatory compliance needs.

Broadridge provides financial information distribution and transaction reporting services to both financial institutions and securities issuers. These services include the processing and distribution of account statements and trade confirmations, traditional and personalized document fulfillment and content management services, marketing communications, and imaging, archival and workflow solutions that enable and enhance Broadridge's clients’ communications with investors. All of these communications are delivered through paper or electronic channels. In addition, Broadridge provides corporate issuers with registered proxy services as well as registrar, stock transfer and record-keeping services.

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

Broadridge’s mutual fund and retirement solutions are a full range of tools for mutual funds, exchange traded fund (“ETF”) providers, and asset management firms. They include data-driven technology solutions for data management, analytics, investment accounting, marketing and customer communications. In addition, Broadridge provides mutual fund trade processing services for retirement providers, third party administrators, financial advisors, banks and wealth management professionals through its subsidiary, Matrix Financial Solutions, Inc.
In November 2015, Broadridge acquired QED Financial Systems, Inc. ("QED"), a provider of investment accounting solutions that serves public sector institutional investors.

- Global Technology and Operations—Broadridge offers a suite of advanced computerized real-time transaction processing services that automate the securities transaction lifecycle, from desktop productivity tools, data aggregation, performance reporting, and portfolio management to order capture and execution, trade confirmation, settlement, and accounting. Broadridge's services help financial institutions and investment managers efficiently and cost-effectively consolidate their books and records, gather and service assets under management, focus on their core businesses, and manage risk. Broadridge's multi-currency solutions support real-time global trading of equity, fixed income, mutual fund, foreign exchange and exchange traded derivative securities in established and emerging markets. In addition, Broadridge's Managed Services solution allows broker-dealers to outsource certain administrative functions relating to clearing and settlement and asset servicing, while maintaining their ability to finance and capitalize their businesses.

B. Consolidation and Basis of Presentation. The Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America (“U.S.”). These financial statements present the condensed consolidated position of the Company. These financial statements include the entities in which the Company directly or indirectly has a controlling financial interest and various entities in which the Company has investments recorded under both the cost and equity methods of accounting. Intercompany balances and transactions have been eliminated. Amounts presented may not sum due to rounding. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These Condensed Consolidated Financial Statements should be read in conjunction with the Company’s Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2015 (the “2015 Annual Report”) filed on August 7, 2015 with the Securities and Exchange Commission (the “SEC”). These Condensed Consolidated Financial Statements include all normal and recurring adjustments necessary for a fair presentation in accordance with GAAP of the Company’s financial position at December 31, 2015 and June 30, 2015, the results of its operations for the three and six months ended December 31, 2015 and 2014, and its cash flows for the six months ended December 31, 2015 and 2014.

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

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

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

E. Financial Instruments. Substantially all of the financial instruments of the Company other than Long-term debt are carried at fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. The carrying value of the Company’s long-term fixed-rate senior notes represents the face value of the long-term fixed-rate senior notes net of the unamortized discount. The fair value of the Company’s long-term fixed-rate senior notes is based on quoted market prices. See Note 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, 2015, through the date of issuance of the Condensed Consolidated Financial Statements. During this period, the Company did not have any subsequent events for disclosure.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

In January 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU No. 2016-01”), which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. This ASU will be effective for the Company beginning in our first quarter of fiscal year 2019. The pending adoption of this guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

In November 2015, the FASB issued ASU No. 2015-17, “Balance Sheet Classification of Deferred Taxes” (“ASU No. 2015-17”). The amendments in ASU No. 2015-17 require entities that present a classified balance sheet to classify all deferred tax liabilities and assets as a noncurrent amount. The amendments in ASU No. 2015-17 are effective for the Company in the first quarter of fiscal year 2018, applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The pending adoption of this guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

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

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU No. 2015-03”), to require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU No. 2015-03 is effective for the Company in the first quarter of fiscal year 2017. The pending adoption of this guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

In April 2015, the FASB issued ASU No. 2015-05, “Customer's Accounting for Fees Paid in a Cloud Computing Arrangement” (“ASU No. 2015-05”). ASU No. 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU No. 2015-05 does not change the accounting for a customer's accounting for service contracts. Following adoption of ASU No. 2015-05, all software licenses within its scope will be accounted for consistent with other licenses of intangible assets. ASU No. 2015-05 will be effective for the Company beginning in the first quarter of fiscal year 2017. The Company expects to adopt ASU No. 2015-05 prospectively to all arrangements entered into or materially modified after the effective date. The pending adoption of this guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

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

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NOTE 3. EARNINGS PER SHARE

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

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

The computation of diluted EPS did not include 0.1 million and 0.3 million options to purchase Broadridge common stock for the three months ended December 31, 2015, and 2014, respectively, and 0.5 million and 0.9 million options to purchase Broadridge common stock for the six months ended December 31, 2015, and 2014, respectively, as the effect of their inclusion would have been anti-dilutive.

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Weighted-average shares outstanding: | | | | |
| Basic | 118.5 | 120.2 | 118.4 | 120.0 |
| Common stock equivalents | 3.5 | 4.2 | 3.5 | 4.2 |
| Diluted | 122.0 | 124.4 | 121.9 | 124.2 |

NOTE 4. NON-OPERATING EXPENSES, NET

Non-operating expenses, net consisted of the following:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | ($ in millions) | | | |
| Interest expense on borrowings | $7.0 | $6.2 | $13.7 | $12.4 |
| Interest income | (0.5) | (0.8) | (1.0) | (1.4) |
| Foreign currency exchange gain (loss) | 0.3 | 0.2 | (0.1) | 0.2 |
| Losses from equity method investments | 2.1 | 1.9 | 3.7 | 3.4 |
| Non-Operating expenses, net | $8.9 | $7.5 | $16.3 | $14.6 |

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 date based upon the estimated fair values at such date. The results of operations of the business acquired by the Company were included in the Company's Condensed Consolidated Statements of Earnings since the respective date 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 second quarter of fiscal year 2016, the Company acquired one business in the Investor Communication Solutions segment:

QED

In November 2015, the Company acquired QED, a provider of investment accounting solutions that serves public sector institutional investors. The aggregate purchase price was $15.5 million, consisting of $13.3 million of cash payments, $1.5 million of cash held in escrow for acquisition related liabilities that will be settled in the future, as well as a contingent consideration liability with an acquisition date fair value of $0.7 million that is payable over the next three years upon the achievement by the acquired business of certain revenue and earnings targets. The contingent consideration liability has a maximum potential pay-out of $3.5 million upon the achievement in full of the defined financial targets by the acquired business. The fair value of the contingent consideration liability at December 31, 2015 is $0.7 million. Net liabilities assumed in the transaction were $0.3 million. This acquisition resulted in $8.3 million of Goodwill. Intangible assets acquired, which

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totaled $7.5 million, consist primarily of customer relationships, which are being amortized over a seven-year life. The results of QED'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 QED'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.

NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

The following tables set forth the Company's financial assets and liabilities at December 31, 2015 and June 30, 2015, respectively, that are measured at fair value on a recurring basis during the period, segregated by level within the fair value hierarchy:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | ($ in millions) | | | |
| Assets: | | | | |
| Cash and cash equivalents: | | | | |
| Money market funds (1) | $45.8 | $— | $— | $45.8 |
| Other current assets: | | | | |
| Available-for-sale securities | 0.1 | — | — | 0.1 |
| Other non-current assets: | | | | |
| Available-for-sale securities | 31.6 | — | 1.1 | 32.7 |
| Total assets as of December 31, 2015 | $77.5 | $— | $1.1 | $78.6 |
| Liabilities: | | | | |
| Contingent consideration obligations | — | — | 14.4 | 14.4 |
| Total liabilities as of December 31, 2015 | $— | $— | $14.4 | $14.4 |

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| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | ($ in millions) | | | |
| Assets: | | | | |
| Cash and cash equivalents: | | | | |
| Money market funds (1) | $65.5 | $— | $— | $65.5 |
| Other current assets: | | | | |
| Available-for-sale securities | 0.1 | — | — | 0.1 |
| Other non-current assets: | | | | |
| Available-for-sale securities | 24.5 | — | 1.1 | 25.6 |
| Total assets as of June 30, 2015 | $90.1 | $— | $1.1 | $91.2 |
| Liabilities: | | | | |
| Contingent consideration obligations | — | — | 15.7 | 15.7 |
| Total liabilities as of June 30, 2015 | $— | $— | $15.7 | $15.7 |

(1) Money market funds include money market deposit account balances of $24.8 million and $34.0 million as of December 31, 2015 and June 30, 2015, respectively.

The following table sets forth an analysis of changes during the six months ended December 31, 2015 and 2014, respectively, in Level 3 financial assets of the Company:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | ($ in millions) | |
| Beginning balance | $1.1 | $1.1 |
| Net realized/unrealized gains (losses) | — | — |
| Purchases | — | — |
| 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, 2015 and 2014, respectively.

The following table sets forth an analysis of changes during the six months ended December 31, 2015 and 2014, in Level 3 financial liabilities of the Company:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | ($ in millions) | |
| Beginning balance | $15.7 | $1.3 |
| Additional contingent consideration incurred | 0.7 | 1.1 |
| Decrease in contingent consideration liability | (1.0) | — |
| Payments | (1.0) | — |
| Ending balance | $14.4 | $2.4 |

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.

NOTE 7. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of the following:

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| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| | ($ in millions) | |
| Deferred client conversion and start-up costs | $139.4 | $137.1 |
| Deferred data center costs | 43.4 | 43.5 |
| Long-term investments | 38.5 | 33.3 |
| Long-term broker fees | 12.3 | 5.4 |
| Other | 19.1 | 23.9 |
| Total | $252.7 | $243.2 |

NOTE 8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| | ($ in millions) | |
| Employee compensation and benefits | $115.5 | $163.2 |
| Accrued broker fees | 36.9 | 63.4 |
| Accrued taxes | 20.8 | 28.5 |
| Accrued dividend payable | 35.0 | 31.4 |
| Other | 39.9 | 33.9 |
| Total | $248.0 | $320.4 |

NOTE 9. BORROWINGS

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

| | Expiration Date | December 31, 2015 | June 30, 2015 | Unused Available Capacity |
|---|---|---|---|---|
| | | ($ in millions) | | |
| Long-term debt | | | | |
| Fiscal 2015 Revolving Credit Facility | August 2019 | $230.0 | $165.0 | $520.0 |
| Fiscal 2007 Senior Notes | June 2017 | 124.8 | 124.8 | — |
| Fiscal 2014 Senior Notes | September 2020 | 399.6 | 399.6 | — |
| Total debt | | $754.5 | $689.4 | $520.0 |

Fiscal 2015 Revolving Credit Facility: On August 14, 2014, the Company entered into an amended and restated $750.0 million five-year revolving credit facility (the “Fiscal 2015 Revolving Credit Facility”), which replaced the $500.0 million five-year revolving credit facility entered into in September 2011 (the "Fiscal 2012 Revolving Credit Facility"). The Fiscal 2015 Revolving Credit Facility is comprised of a $670.0 million U.S. dollar tranche and an $80.0 million multicurrency tranche. At December 31, 2015, the Company had $230.0 million in outstanding borrowings and had unused available capacity of $520.0 million under the Fiscal 2015 Revolving Credit Facility. The weighted-average interest rate on the Fiscal 2015 Revolving

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Credit Facility was 1.19% and 1.18%, respectively, for the three and six months ended December 31, 2015. The fair value of the variable-rate Fiscal 2015 Revolving Credit Facility borrowings at December 31, 2015 approximates carrying value.

Borrowings under the Fiscal 2015 Revolving Credit Facility initially bear interest at LIBOR plus 100 basis points. In addition, the Fiscal 2015 Revolving Credit Facility has an annual facility fee equal to 12.5 basis points on the entire facility, which totaled $0.2 million and $0.5 million for the three and six months ended December 31, 2015, respectively, and $0.3 million and $0.4 million for the three and six months ended December 31, 2014, respectively. The Company incurred $1.9 million in debt issuance costs to establish the Fiscal 2015 Revolving Credit Facility. As of December 31, 2015, $1.7 million of debt issuance costs remain to be amortized (including $0.4 million of issuance costs from the Fiscal 2012 Revolving Credit Facility). Such costs are capitalized in Other non-current assets in the Condensed Consolidated Balance Sheets and are being amortized to Non-operating expenses, net on a straight-line basis, which approximates the effective interest method, over the term of this facility.

The Company may voluntarily prepay, in whole or in part and without premium or penalty, borrowings under the Fiscal 2015 Revolving Credit Facility at any time. The Fiscal 2015 Revolving Credit Facility is subject to covenants, including financial covenants consisting of a leverage ratio and an interest coverage ratio. At December 31, 2015, the Company is in compliance with the financial covenants of the Fiscal 2015 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 1st and December 1st 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, 2015, the Company is in 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 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 Non-operating expenses, net on a straight-line basis, which approximates the effective interest method, over the ten-year term. As of December 31, 2015, $0.2 million of debt issuance costs remain to be amortized. 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, 2015 and June 30, 2015 was $132.1 million and $135.8 million, respectively, based on quoted market prices, which represents a Level 1 financial liability (as defined in Note 6, “Fair Value of Financial Instruments”).

Fiscal 2014 Senior Notes: In August 2013, the Company completed an offering of $400.0 million in aggregate principal amount of senior notes (the “Fiscal 2014 Senior Notes”). The Fiscal 2014 Senior Notes will mature on September 1, 2020 and bear interest at a rate of 3.95% per annum. Interest on the Fiscal 2014 Senior Notes is payable semi-annually in arrears on March 1st and September 1st 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, 2015, the Company is in 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 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 Non-operating expenses, net on a straight-line basis, which approximates the effective interest method, over the seven-year term. As of December 31, 2015, $2.8 million of debt issuance costs remain to be amortized. The fair value of the fixed-rate Fiscal 2014 Senior Notes at December 31, 2015 and June 30, 2015 was $413.0 million and $417.8 million based on quoted market prices, which represents a Level 1 financial liability (as defined in Note 6, "Fair Value of Financial Instruments").

The Fiscal 2015 Revolving Credit Facility, Fiscal 2007 Senior Notes, and Fiscal 2014 Senior Notes are senior unsecured obligations of the Company and are ranked equally in right of payment.

In addition, certain of the Company's subsidiaries established unsecured, uncommitted lines of credit with banks. As of December 31, 2015 and June 30, 2015, there were no outstanding borrowings under these lines of credit.

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NOTE 10. STOCK-BASED COMPENSATION

The activity related to the Company's incentive equity awards for the three months ended December 31, 2015 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 October 1, 2015 | 7,471,570 | $29.16 | 1,498,289 | $34.75 | 473,645 | $35.69 |
| Granted | 86,455 | 56.37 | 532,239 | 52.19 | 210,370 | 51.14 |
| Exercise of stock options (a) | (370,001) | 21.13 | — | — | — | — |
| Vesting of restricted stock units | — | — | (549) | 40.03 | — | — |
| Expired/forfeited | (10,351) | 36.97 | (21,212) | 41.42 | — | — |
| Balances at December 31, 2015 (b)(c) | 7,177,673 | $29.89 | 2,008,767 | $39.30 | 684,015 | $40.44 |

(a) Stock options exercised during the period of October 1, 2015 through December 31, 2015 had an aggregate intrinsic value of $13.6 million.

(b) As of December 31, 2015, the Company's outstanding vested and currently exercisable stock options using the December 31, 2015 closing stock price of $53.73 (approximately 4.0 million shares) had an aggregate intrinsic value of $119.6 million with a weighted-average exercise price of $23.82 and a weighted-average remaining contractual life of 4.7 years. The total of all stock options outstanding as of December 31, 2015 have a weighted-average remaining contractual life of 6.2 years.

(c) As of December 31, 2015, time-based restricted stock units and performance-based restricted stock units expected to vest using the December 31, 2015 share price of $53.73 (approximately 1.9 million and 0.6 million shares, respectively) had an aggregate intrinsic value of $102.1 million and $34.7 million, respectively.

The activity related to the Company's incentive equity awards for the six months ended December 31, 2015 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, 2015 | 7,673,947 | $29.00 | 1,526,460 | $34.51 | 547,865 | $33.94 |
| Granted | 86,455 | 56.37 | 551,211 | 52.27 | 210,370 | 51.14 |
| Exercise of stock options (a) | (520,211) | 20.98 | — | — | — | — |
| Vesting of restricted stock units | — | — | (549) | 40.03 | — | — |
| Expired/forfeited | (62,518) | 31.60 | (68,355) | 36.93 | (74,220) | 22.75 |
| Balances at December 31, 2015 | 7,177,673 | $29.89 | 2,008,767 | $39.30 | 684,015 | $40.44 |

(a) Stock options exercised during the period of July 1, 2015 through December 31, 2015 had an aggregate intrinsic value of $18.7 million.

The Company has stock-based compensation plans under which the Company annually grants stock option and restricted stock unit awards. Stock options are granted to employees at exercise prices equal to the fair market value of the Company's common stock on the dates of grant, 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 $13.3 million and $11.2 million, as well as related tax benefits of $4.9 million and $4.2 million, was recognized for the three months ended December 31, 2015 and 2014, respectively. Stock-based compensation expense of $22.2 million and $19.6 million, as well as

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related tax benefits of $8.3 million and $7.4 million, was recognized for the six months ended December 31, 2015 and 2014, respectively.

As of December 31, 2015, the total remaining unrecognized compensation cost related to non-vested stock options and restricted stock unit awards amounted to $11.1 million and $50.2 million, respectively, which will be amortized over the weighted-average remaining requisite service periods of 2.6 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, 2015 were $21.1 million and 34.4%, and $39.2 million and 34.7%, compared to $16.9 million and 32.8%, and $34.4 million and 33.9% for the three and six months ended December 31, 2014, respectively. The increase in the effective tax rate for the three months ended December 31, 2015, when compared to the prior year period, is due to (i) lower discrete tax benefits recognized for the three months ended December 31, 2015, primarily lower U.S. federal R&D tax credits, and (ii) a decrease in the percentage of lower taxed non-U.S. earnings as a percentage of total earnings before income taxes primarily as a result of weaker foreign currencies versus the U.S. dollar and U.S. based acquisitions. The increase in the effective tax rate for the six months ended December 31, 2015, when compared to the prior year period, is due to a decrease in the percentage of lower taxed non-U.S. earnings as a percentage of total earnings before income taxes primarily as a result of weaker foreign currencies versus the U.S. dollar and U.S. based acquisitions.

## 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.

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. Under the IT Services Agreement, IBM provides a broad range of technology services to the Company including supporting its mainframe, midrange, open systems, 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 data center processing to IBM was completed in August 2012. The IT Services Agreement expires on June 30, 2024. The Company has the right to renew the term of the IT Services Agreement for up to one additional 12-month term. Commitments remaining under this agreement at December 31, 2015 are $481.1 million through fiscal year 2024, the final year of the contract.

In March 2014, the Company and IBM United Kingdom Limited (“IBM UK”) entered into an Information Technology Services Agreement (the “EU IT Services Agreement”), under which IBM UK provides data center services supporting the Company's technology outsourcing services for certain clients in Europe and Asia. The EU IT Services Agreement expires in October 2023. The Company has the right to renew the initial term of the EU IT Services Agreement for up to one additional 12-month term or one additional 24-month term. Commitments remaining under this agreement at December 31, 2015 are $37.3 million through fiscal year 2024, the final year of the contract.

In July 2014, the Company entered into an agreement providing for a capital commitment of $7.5 million to be made by the Company into an equity method investment. During fiscal year 2015, the Company contributed $7.5

million to this investment. In June 2015, the Company entered into an agreement to provide an additional capital commitment of $1.8 million

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to this investment through December 31, 2015. The Company contributed $1.8 million to this investment during the six months ended December 31, 2015, and has no remaining commitment at December 31, 2015.

In December 2015, the Company and Computer Associates, Inc. (“CA”) entered into a Mainframe Software License agreement extension (“the CA Software License Agreement”), under which CA provides software that the Company uses in support of its data center operations. The CA Software License Agreement expires in March 2021. Commitments remaining under this agreement at December 31, 2015 are $38.5 million through fiscal year 2021, 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 at December 31, 2015 or at June 30, 2015.

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.

Our business process outsourcing and mutual fund processing services are performed by Broadridge Business Process Outsourcing, LLC (“BBPO”), a wholly-owned indirect subsidiary, which is a broker-dealer registered with the Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). Although BBPO’s FINRA membership agreement allows it to engage in clearing and the retailing of corporate securities in addition to mutual fund retailing on a wire order basis, BBPO does not clear customer transactions or carry customer accounts. As a registered broker-dealer and member of FINRA, BBPO is subject to the Uniform Net Capital Rule 15c3-1 of the Securities Exchange Act of 1934, as amended (“Rule 15c3-1”), which requires BBPO to maintain a minimum net capital amount that is not material to the Company's financial position. At December 31, 2015, BBPO was in compliance with this capital requirement.

BBPO, as a “Managing Clearing Member” of the Options Clearing Corporation (the “OCC”), is also subject to OCC Rule 309(b) with respect to the business process outsourcing services that it provides to other OCC “Managed Clearing Member” broker-dealers. OCC Rule 309(b) requires that BBPO maintain a minimum net capital amount that is not material to the Company's financial position. At December 31, 2015, BBPO was in compliance with this capital requirement.

In addition, MG Trust Company, a wholly-owned indirect subsidiary, is a Colorado State non-depository trust company and National Securities Clearing Corporation trust member, whose primary business is to provide cash agent, custodial and directed or non-discretionary trust services to institutional customers. As a result, MG Trust Company is subject to various regulatory capital requirements administered by the Colorado Division of Banking and other state regulators where it does business, as well as the National Securities Clearing Corporation. Specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items, when applicable, must be met, which are not material to the Company's financial position. At December 31, 2015, MG Trust Company was in compliance with its capital requirements.

NOTE 13. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS) BY COMPONENT

The following tables summarize the changes in the accumulated balances for each component of accumulated other comprehensive income/(loss) for the three months ended December 31, 2015, and 2014, respectively:

| | Foreign Currency Translation | Available-for-Sale Securities | Pension and Post-Retirement Liabilities | Total |
|---|---|---|---|---|
| | ($ in millions) | | | |
| Balances at October 1, 2015 | $(28.0) | $1.4 | $(6.3) | $(32.9) |

| | | | | |
|---|---|---|---|---|
| Other comprehensive income/(loss) before reclassifications | (5.4 ) | 0.3 | — | (5.1 ) |
| Amounts reclassified from accumulated other comprehensive income | — | — | 0.1 | 0.1 |
| Balances at December 31, 2015 | $(33.5 ) | $1.7 | $(6.2 ) | $(38.0 ) |

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| | Foreign Currency Translation | Available-for-Sale Securities | Pension and Post-Retirement Liabilities | Total |
|---|---|---|---|---|
| | ($ in millions) | | | |
| Balances at October 1, 2014 | $9.1 | $1.8 | $(5.2) | $5.7 |
| Other comprehensive income/(loss) before reclassifications | (11.4) | 0.1 | — | (11.3) |
| Amounts reclassified from accumulated other comprehensive income | — | — | 0.1 | 0.1 |
| Balances at December 31, 2014 | $(2.3) | $1.9 | $(5.1) | $(5.5) |

The following tables summarize the changes in the accumulated balances for each component of accumulated other comprehensive income/(loss) for the six months ended December 31, 2015, and 2014, respectively:

| | Foreign Currency Translation | Available-for-Sale Securities | Pension and Post-Retirement Liabilities | Total |
|---|---|---|---|---|
| | ($ in millions) | | | |
| Balances at July 1, 2015 | $(16.6) | $2.0 | $(6.3) | $(20.9) |
| Other comprehensive loss before reclassifications | (17.0) | (0.3) | — | (17.3) |
| Amounts reclassified from accumulated other comprehensive income | — | — | 0.2 | 0.2 |
| Balances at December 31, 2015 | $(33.5) | $1.7 | $(6.2) | $(38.0) |

| | Foreign Currency Translation | Available-for-Sale Securities | Pension and Post-Retirement Liabilities | Total |
|---|---|---|---|---|
| | ($ in millions) | | | |
| Balances at July 1, 2014 | $13.6 | $1.9 | $(5.2) | $10.3 |
| Other comprehensive loss before reclassifications | (15.9) | — | — | (15.9) |
| Amounts reclassified from accumulated other comprehensive income | — | — | 0.1 | 0.1 |
| Balances at December 31, 2014 | $(2.3) | $1.9 | $(5.1) | $(5.5) |

The following table summarizes the reclassifications out of accumulated other comprehensive income/(loss):

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | ($ in millions) | | | |
| Pension and Post-retirement liabilities: | | | | |
| Amortization of loss reclassified into Selling, general and administrative expenses | $0.1 | $0.1 | $0.3 | $0.2 |
| Tax income | (0.1) | — | (0.1) | (0.1) |
| Amortization of loss net of tax | $0.1 | $0.1 | $0.2 | $0.1 |

NOTE 14. INTERIM FINANCIAL DATA BY SEGMENT

The Company classifies its operations into the following two reportable segments: Investor Communication Solutions and Global Technology and Operations.

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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 the constant foreign currency exchange rates used for internal management reporting.
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 in Other rather than reflect such items in segment profit.
Segment results:

| | Revenues | | | |
|---|---|---|---|---|
| | Three Months Ended December 31, | | Six Months Ended December 31, | |
| | 2015 | 2014 | 2015 | 2014 |
| | ($ in millions) | | | |
| Investor Communication Solutions | $471.7 | $403.9 | $901.4 | $798.3 |
| Global Technology and Operations | 180.3 | 174.3 | 357.0 | 336.9 |
| Foreign currency exchange | (13.0) | (3.6) | (24.7) | (4.8) |
| Total | $638.9 | $574.6 | $1,233.7 | $1,130.4 |

| | Earnings (Loss) before Income Taxes | | | |
|---|---|---|---|---|
| | Three Months Ended December 31, | | Six Months Ended December 31, | |
| | 2015 | 2014 | 2015 | 2014 |
| | ($ in millions) | | | |
| Investor Communication Solutions | $46.1 | $34.7 | $80.0 | Unregistered Sales of Equity Securities and Use of Proceeds |

The following table summarizes the repurchase of our common stock through June 30, 2008:

| **Period** | | **Total Number of Shares Purchased** | **Average Price Paid Per Share(1)** | **Total Number of Shares Purchased as Part of Publicly Announced Program** | **Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Program(2)** (millions) |
|---|---|---|---|---|---|
| March 17, 2008 | March 31, 2008 | 56,000 | $ 17.75 | 56,000 | $ 99.0 |

| | | | | | |
|---|---|---|---|---|---|
| April 1, 2008 | April 30, 2008 | 109,300 | 18.27 | 165,300 | 97.0 |
| May 1, 2008 | May 31, 2008 | 105,000 | 18.85 | 270,300 | 95.0 |
| June 1, 2008 | June 30, 2008 | 105,000 | 19.29 | 375,300 | 93.0 |
| Total 2008 Repurchase | | 375,300 | | | |

(1) Includes fees and commissions paid on stock repurchases.

(2) On February 21, 2008, the Board of Directors authorized a stock repurchase program of up to $100.0 million of our common stock through June 30, 2009. The shares may be repurchased from time to time at prevailing market prices in open market or private transactions. The repurchases may be commenced or suspended from time to time without prior notice. There can be no assurance that we will continue to undertake any repurchase of our common stock pursuant to the program.

**Item 3. Defaults Upon Senior Securities**

None.

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## Item 4. Submission of Matters to a Vote of Security Holders

The 2008 annual meeting of stockholders of EHI was held on May 29, 2008. Three matters were presented to a vote of our stockholders at the meeting.

Proposal One was the election of three Class II Directors to serve until the 2011 Annual Meeting of Stockholders. The tabulation of votes for the nominees, all of whom were elected, was as follows:

| | Total Votes for Each Director | Total Votes Withheld from Each Director |
|---|---|---|
| Robert J. Kolesar | 34,512,599 | 594,332 |
| Douglas D. Dirks | 34,526,333 | 580,598 |
| Richard W. Blakey | 34,510,353 | 596,578 |

Proposal Two was the approval of amendments to the Employers Holdings, Inc. Equity and Incentive Plan. The tabulation of votes was as follows:

| | |
|---|---|
| Total Votes for | 27,538,785 |
| Total Votes against | 2,217,329 |
| Total Abstentions | 495,324 |
| Broker Non-Votes | 4,855,493 |

Proposal Three was ratification of the appointment of Ernst & Young LLP as EHI s independent registered public accounting firm for the fiscal year ending December 31, 2008. The tabulation of votes was as follows:

| | |
|---|---|
| Total Votes for | 34,645,731 |
| Total Votes against | 120,170 |
| Total Abstentions | 341,030 |
| Broker Non-Votes | 0 |

## Item 5. Other Information

None.

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**Item 6. Exhibits**

**Exhibits:**

| Exhibit No. | Description of Exhibit | Included Herewith | Incorporated by Reference Herein Form | Exhibit | Filing Date |
|---|---|---|---|---|---|
| *10.1 | Employers Holdings, Inc. Amended and Restated Equity Incentive Plan | | DEF14A | Appendix B | April 14, 2008 |
| 10.2 | Credit Agreement, dated May 23, 2008, between Employers Holdings, Inc. and Wells Fargo Bank, National Association | | 8-K | 10.1 | May 27, 2008 |
| 10.3 | Revolving Line of Credit Note, dated May 23, 2008, between Employers Holdings, Inc. and Wells Fargo Bank, National Association. | | 8-K | 10.2 | May 27, 2008 |
| *10.4 | Form of Restricted Stock Unit Agreement | | 8-K | 10.1 | June 2, 2008 |
| 31.1 | Certification of Douglas D. Dirks Pursuant to Section 302 | X | | | |
| 31.2 | Certification of William E. Yocke Pursuant to Section 302 | X | | | |
| 32.1 | Certification of Douglas D. Dirks Pursuant to Section 906 | X | | | |
| 32.2 | Certification of William E. Yocke Pursuant to Section 906 | X | | | |

* Asterisks identify management contracts and compensatory plans or arrangements.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EMPLOYERS HOLDINGS, INC.

| | | | |
|---|---|---|---|
| Date: | August 8, 2008 | By: | /s/ Douglas D. Dirks<br>Name: Douglas D. Dirks<br>Title: President and Chief Executive Officer (Principal Executive Officer) |
| Date: | August 8, 2008 | By: | /s/ William E. Yocke<br>Name: William E. Yocke<br>Title: Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) |

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