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JAMES OCCHIOGROSSO, KEN KLEINER, MICHELLE FERINO, AND ROBERT MARTUCCI

Wall Street's Tech Powerhouse

Charlie Marchesani • Broadridge Financial Solutions, Inc.

The disarray on Wall Street is shedding new light on the growing complexity of the global financial system. The shakeout is continuing for now, but as the dust begins to settle, the new mantra for executives will be the need to create lean, mean financial institutions. One factor that will be central to the next phase in the financial services evolution? Technology. Breakthroughs in technology have changed and will continue changing the way the world's financial systems work. And one company that is a market leader in the securities processing market in the U.S. is Broadridge Financial Solutions, Inc. (NYSE:BR), which had \$2.2 billion in revenues in fiscal year 2008.

Begun as a securities processing firm in 1962 and spun off from Automatic Data Processing in 2007, Broadridge has built on its base of technology solutions to become the largest processor and distributor of proxy materials for U.S. equity and mutual fund investors. It processed approximately 70% of the outstanding shares in the U.S. last year. It handles over 90% of the distribution of investor communications for all securities held of record by banks and brokers in the United States, from proxy statements to annual reports. On the securities processing side of the business, Broadridge clears and settles an average of approximately \$3 trillion a day in fixed-income trades with the Federal Reserve Bank on behalf of more than 60% of the primary fixed-income dealers in the U.S. and more than 2.5 million equity trades a day as well.

Broadridge is also well-positioned in the global arena. The powerhouse counts eight of the largest 10 U.S. broker-dealers as clients. By providing a straight through processing solution, the company is able to work with a diverse client base that includes full-service retail, institutional and discount brokerage firms, global banks, correspondent clearing firms, investment companies, publicly-owned corporations and institutional investors.

So how do you go about being a leader in the U.S. market and a major player in securities processing throughout the world? And more to the point in these volatile times perhaps, how do you hold that position during one of the greatest financial services shakeouts in history? Charlie Marchesani, President of the U.S. Securities Processing Solutions division of Broadridge, says the company's market leadership comes from providing "true, full-service economic efficiencies"—the kind that are in high demand as the need for critical new operating efficiencies and bottom-line strength grow, especially in the face of major consolidations in the financial industry.

"Obviously last year has seen some sobering market changes," Marchesani says, "but we believe that there will be some very significant opportunities and potential as we go forward. Economic efficiencies will have an increased importance as businesses move ahead. So the focus will be on the bottom-line and achieving bottom-line efficiencies. Companies are asking, 'Where can I get the greatest efficiencies I need at the most attractive price point?' When you think about that, you think about having access to a world-class product service model that gives you broad scope of functionality and allows you to shift your focus to the priority of growing

your core businesses rather than focusing on non-differentiating back-office operations processing."

"In the days ahead," Marchesani continues, "we believe the emphasis will be on finding a product service model that allows companies to grow, gain true efficiencies and preserve capital. In the best of all worlds someone else will make the capital investments on your behalf but still allow you to support your desired levels of service. Efficient investments and retention of capital is a very significant goal at this point for firms," Marchesani says. "That's where we come in. We are a true service bureau provider. We build functionalities and solutions once and have the ability to deploy to many. This provides huge economies of scale to our clients. Instead of having 50 different firms creating their own non-differentiating solutions, we invest and build it once. They get tremendous economic efficiencies and leverage the scope of functionality and our scale," Marchesani says.

These significant efficiencies are a core component of what makes Broadridge Wall Street's powerhouse today. "We are in the wheelhouse of what you seek when you talk about an outsourcing value proposition," says Marchesani. "Because of our size and commitment to creating the greatest functionality available, we deliver not only superior product and service, but greater economic efficiency and scale than any one bank or broker-dealer can create themselves." That creates value and the type of economic strength that firm executives can no longer afford to ignore as they seek more bottom-line profitability. "In light of recent market conditions, more than ever firms are focusing on the core of their business and ways in which they can reduce costs and improve revenue while still maintain-

ing required regulatory, risk management and compliance oversight,” Marchesani says. “We help our clients perform necessary, but non-differentiating business functions cost-efficiently, reducing the need for them to invest in their operations infrastructure as they pursue new revenue opportunities.”

With increased regulatory scrutiny, companies are also finding that Broadridge’s integrated solutions provide greater transparency and standardization than possible from multiple disparate processing applications. This is a driver for firms to seek out solutions that give them greater regulatory compliance abilities and transparency—one of the many fundamental benefits of Broadridge’s well-engineered solutions.

As with other high-tech fields, Broadridge became a market leader because it was first to the game and it has held on to that position because of its superior product and service lines. But the company is not one to take its leading role for granted. As business increasingly moves global, so has Broadridge, providing securities processing solutions to the top eight U.S. broker-dealers and a growing number of firms worldwide. “That’s how pervasive the use of our services has become,” Marchesani says. “When I think about our marketplace position, we may compete with individual firms in any one marketplace, but we are truly the only global solutions provider. To provide some view of that breadth and scope, using our multi-asset and multi-currency capabilities, Broadridge provides our clients the ability to settle in 50 different markets across the globe.”

Not surprisingly, the company that can trade and support clearing and settling on a worldwide basis, is bullish about the world economy and increased globalization. “When you have events such as the New York Stock Exchange merging with Euronext, you would logically forecast and predict that there will be a trend toward global trading. For example, one of our current customers is giving retail



investors the opportunity to trade in six different foreign marketplaces and we believe this will be a continuing trend,” Marchesani says.

“We’re in a great business. Financial services is obviously a cyclical business,” Marchesani adds, “but the historical

long-term growth trends for the financial services industry are positive. It may not feel that way at the moment given current conditions, but given the historical long term growth trends of the financial services industry and the increasing globalization of the marketplace—we believe our future is very positive.”

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By Sophia Hill

Charlie Marchesani
Broadridge Financial Solutions, Inc.
1981 Marcus Avenue
Lake Success, NY 11042
Tel: 888-237-1900

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