Company Overview:

Broadridge Financial Solutions, Inc. processes and distributes investor communications for nearly every public company. Those are the proxies and other reports required of all U.S. securities issuers. Broadridge also counts shareholder votes and handles communications around annual meetings and proxy contests.

Name	Ticker	Yield	Growth	D + G
Broadridge Financial Solutions, Inc.	BR	1.75%	10.75%	12.50%

Recent Thoughts:

We do not believe that BR's revenues are directly related to the performance of investment markets, but that its business is tied to overall trends in the market around investor participation, especially the number of accounts, corporate event activity (mergers, IPOs, etc.) and trading volume. While there may be near-term volatility in the trend of market democratization, we believe that low or zero-cost commissions will continue to drive increases in the number of positions and hence volume for the ICS business. Increased corporate event activity should increase event-related revenue, while trading volumes can directly impact some portion of GTO revenue.

Bull Case:

- ***Solid GARP Name with an Enviable Track Record -*** Since FY14, BR has consistently delivered mid-to-high single-digit recurring (CC) revenue growth, with 50bps+ adj. operating margin expansion and double-digit adj. EPS growth. When coupled with a dividend CAGR of ~13% from FY15- FY23, BR has delivered total shareholder returns that have outperformed the market. Based on the opportunity set in front of the company and improving FCF dynamics, we believe its track record of consistent shareholder returns should continue.
- ***Large Moat as the de Facto Governance Communications Vendor -*** Within BR's Investor Communications segment (61% of recurring revenues) ~47% is derived from regulatory communications, which we believe represents a moat for BR given its scale, with an estimated 80% market share of the proxy market and the regulatory forces driving market demand for BR's services.
- ***FCF Conversion Expected to Improve as the Heavy Build of the UBS Platform is Behind BR*** - There have been two investor debates surrounding the UBS platform build including 1) the negative impact on FCF and thus FCF conversion during the build period; and 2) the expected payback on the $1.4B investment. Prior to the platform investment, BR was generating ~118% FCF conversion in FY18, which dropped to 48% in FY22, troughed at 41% in F1Q/23 and is back to 51% in FY 23. With the heaviest investments now behind BR, we estimate FCF conversion will improve to ~70% in FY23 and 85%+ in FY24. As for the payback, management has indicated that it expects to generate revenues beginning in mid-CY23, which based on the size and scope will help determine an appropriate payback period.

Bear Case:

- ***Major Development Process with UBS Could Create Execution Risk*** - Broadridge is developing significant new wealth management technology solutions under a contract with UBS. Given that UBS that is currently undergoing a merger with Credit Suisse, the implementation of these solutions could be delayed as UBS' priorities potentially shift. Additionally, we note that even if implemented, Broadridge may not be successful in selling these solutions to other clients.
- ***Clients are Subject to Complex Laws and Regulations*** - Broadridge provides technology solutions to financial services firms which are subject to extensive regulations in the US and abroad. The company's ICS segment would potentially experience negative impact if the applicable SEC or NYSE rules or regulations were to change, such as pricing mandates or the fund disclosure framework. In addition, new regulations governing Broadridge's clients could result in significant increases in expenditures, which could result in a reduction of the use of BR's services, customers renegotiating existing agreements, or cease operations, which we believe would be a negative impact to BR's business.
- ***Valuation*** – Broadridge's stock has performed well since it went public in 2007. Valuations are relatively expensive, though we believe are warranted as the management team's execution has been strong; however, the bar has been set high and strong continued execution is necessary to demand the higher-than-average multiple

Overall Thesis:

We believe BR represents a pair of steady hands in an uncertain market, given its consistent track record of shareholder returns, moat in its proxy business, expected improving FCF conversion, and emerging incremental opportunities within Wealth Management and Capital Markets. The company has calculated its market opportunity at ~$60B and reported $4.3B in total revenues in FY22, which, in our estimation, implies a significant opportunity to expand its ~7% market share, especially in the GTO segment. BR's ICS segment, in our opinion, benefits from significant scale and a competitive moat, while increased market participation from retail investors and increased digital communications provide growth opportunities. We see BR's GTO segment's revenue growth being driven by sell-side financial firms of all types looking to modernize, digitize and streamline their technology platforms, especially given increased digitization and investor participation. Finally, the combination of the two segments, along with a capital allocation policy focused on dividends and debt reduction (near-term), generates a stable growth at a reasonable price (GARP)investment, in our opinion, with mid-to high- single-digit organic revenue growth, annual margin expansion and high-single-to low-double- digit adjusted EPS growth.

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