DST SYSTEMS INC
Form 10-Q
August 08, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

or

o 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 1-14036

DST SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**43-1581814** (I.R.S. Employer Identification No.)
333 West 11th Street, Kansas City, Missouri (Address of principal executive offices)	**64105** (Zip Code)

(816) 435-1000

(Registrant s telephone number, including area code)

No Changes

(Former name, former address and former fiscal year, if changed since last report)

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 o

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 (§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 o

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 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 o
Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o

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

Number of shares outstanding of the Company s common stock as of July 31, 2011:

Common Stock $0.01 par value 46,535,755

Table of Contents

DST Systems, Inc.

Form 10-Q

June 30, 2011

Table of Contents

The brand, service or product names or marks referred to in this Report are trademarks or service marks, registered or otherwise, of DST Systems, Inc. or its subsidiaries or affiliates or of vendors to the Company.

Table of Contents

DST Systems, Inc.

Form 10-Q

June 30, 2011

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Introductory Comments

The Condensed Consolidated Financial Statements of DST Systems, Inc. (DST or the Company) included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to enable a reasonable understanding of the information presented. These Condensed Consolidated Financial Statements should be read in conjunction with the Company s audited financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

The results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results to be expected for the full year 2011.

Table of Contents

DST Systems, Inc.

Condensed Consolidated Balance Sheet

(in millions, except per share amounts)

(unaudited)

	June 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 91.3	$ 139.8
Funds held on behalf of clients	316.2	406.6
Client funding receivable	40.3	68.1
Accounts receivable	301.7	308.0
Deferred income taxes	10.5	12.1
Other assets	68.2	62.6
	828.2	997.2
Investments	1,147.2	1,139.1
Unconsolidated affiliates	371.2	355.5
Properties	524.5	516.8
Intangible assets	54.9	49.5
Goodwill	273.8	230.2
Other assets	50.3	51.1
Total assets	$ 3,250.1	$ 3,339.4
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of debt	$ 292.3	$ 286.1
Client funds obligations	356.5	474.7
Accounts payable	72.3	65.1
Accrued compensation and benefits	100.2	121.7
Deferred revenues and gains	57.9	58.9
Other liabilities	107.2	98.4
	986.4	1,104.9
Long-term debt	871.8	923.3
Income taxes payable	55.2	53.3
Deferred income taxes	326.2	336.5
Other liabilities	78.2	75.8
Total liabilities	2,317.8	2,493.8
Commitments and contingencies (Note 11)		
Equity		
DST Systems, Inc. stockholders equity		
Preferred stock, $0.01 par; 10 million shares authorized and unissued		
Common stock, $0.01 par; 400 million shares authorized, 95.3 million shares issued	1.0	1.0
Additional paid-in capital	243.5	247.7
Retained earnings	3,132.2	3,039.8
Treasury stock (48.8 million and 49.1 million shares, respectively), at cost	(2,795.5)	(2,815.4)
Accumulated other comprehensive income	331.0	351.3
Total DST Systems, Inc. stockholders equity	912.2	824.4
Non-controlling interest	20.1	21.2

Total equity		932.3		845.6
Total liabilities and equity	$	3,250.1	$	3,339.4

The accompanying notes are an integral part of these financial statements.

Table of Contents

DST Systems, Inc.

Condensed Consolidated Statement of Income

(in millions, except per share amounts)

(unaudited)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Operating revenues	$ 424.1	$ 465.6	$ 853.6	$ 875.0
Out-of-pocket reimbursements	158.1	148.3	320.3	305.6
Total revenues	582.2	613.9	1,173.9	1,180.6
Costs and expenses	477.6	436.0	969.9	904.1
Depreciation and amortization	31.3	35.6	61.4	65.9
Income from operations	73.3	142.3	142.6	210.6
Interest expense	(12.0)	(11.7)	(23.7)	(21.6)
Other income, net	14.6	4.0	31.8	58.4
Equity in earnings of unconsolidated affiliates	7.2	9.8	15.6	18.1
Income before income taxes and non-controlling interest	83.1	144.4	166.3	265.5
Income taxes	28.7	50.4	58.8	94.6
Net income	54.4	94.0	107.5	170.9
Net loss attributable to non-controlling interest	0.8		1.1	
Net income attributable to DST Systems, Inc.	$ 55.2	$ 94.0	$ 108.6	$ 170.9
Average common shares outstanding	46.5	46.7	46.4	47.5
Average diluted shares outstanding	47.2	47.0	47.1	47.8
Basic earnings per share	$ 1.19	$ 2.01	$ 2.34	$ 3.60
Diluted earnings per share	$ 1.17	$ 2.00	$ 2.31	$ 3.57
Cash dividends per share of common stock	$	$	$ 0.35	$ 0.30

The accompanying notes are an integral part of these financial statements.

Table of Contents

DST Systems, Inc.

Condensed Consolidated Statement of Cash Flows

(in millions)

(unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows operating activities:		
Net income	$ 107.5	$ 170.9
Depreciation and amortization	61.4	65.9
Net gains on investments	(18.3)	(40.6)
Amortization of share based compensation	10.7	10.7
Equity in earnings of unconsolidated affiliates	(15.6)	(18.1)
Deferred income taxes	(1.3)	16.7
Changes in accounts receivable	11.7	(118.9)
Changes in accounts payable and accrued liabilities	16.8	(8.8)
Changes in accrued compensation and benefits	(23.3)	(4.9)
Changes in income taxes payable	7.6	32.8
Other, net	(1.3)	20.9
Total adjustments to net income	48.4	(44.3)
Net	155.9	126.6
Cash flows investing activities:		
Capital expenditures	(31.6)	(54.3)
Investments in securities	(262.8)	(117.5)
Proceeds from sales/maturities of investments	222.3	130.7
Net (increase) decrease in restricted cash and cash equivalents held to satisfy client funds obligations	100.0	(46.7)
Acquisition of businesses, net of cash acquired	(65.5)	
Other, net	2.4	8.5
Net	(35.2)	(79.3)
Cash flows financing activities:		
Proceeds from issuance of common stock	42.9	9.8
Principal payments on debt	(14.9)	(7.7)
Repurchases of senior convertible debentures	(8.8)	(155.0)
Net proceeds from accounts receivable securitization program		125.0
Net borrowings (payments) on revolving credit facilities	(37.7)	29.2
Payment of debt issuance costs	(1.9)	(6.6)
Net increase (decrease) in client funds obligations	(90.4)	53.2
Common stock repurchased	(43.5)	(108.7)
Payment of cash dividends	(16.2)	(14.3)
Excess tax benefits from share based compensation	1.3	0.3
Net	(169.2)	(74.8)
Net decrease in cash and cash equivalents	(48.5)	(27.5)
Cash and cash equivalents, beginning of period	139.8	106.2
Cash and cash equivalents, end of period	$ 91.3	$ 78.7

The accompanying notes are an integral part of these financial statements.

6

Table of Contents

DST Systems, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Summary of Accounting Policies

The Condensed Consolidated Financial Statements of DST Systems, Inc. (DST or the Company) included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to enable a reasonable understanding of the information presented. The Condensed Consolidated Balance Sheet as of December 31, 2010 has been derived from the audited Consolidated Balance Sheet at that date, but does not include all of the information and notes required by GAAP for complete financial statements. These Condensed Consolidated Financial Statements should be read in conjunction with the Company s audited financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company and its subsidiaries at June 30, 2011, and the results of operations for the three and six months ended June 30, 2011 and 2010 and cash flows for the six months ended June 30, 2011 and 2010.

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

The results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results to be expected for the full year 2011.

Revenue recognition

On January 1, 2011, the Company adopted new authoritative accounting guidance related to revenue recognition for multiple element arrangements. The guidance eliminates the use of the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The Company adopted this guidance on a prospective basis and applied it to relevant revenue arrangements originating or materially modified on or after January 1, 2011. The adoption of this new authoritative accounting guidance did not have a significant impact to the Company s results during the three and six months ended June 30, 2011.

Revenue arrangements entered into prior to January 1, 2011 will continue to follow the former revenue recognition policy for multiple element arrangements. Specifically, in cases where there is objective and reliable evidence of the fair value of the undelivered item(s) in an arrangement but no such evidence for the delivered item(s), the residual method is used to allocate the arrangement consideration. For units of accounting which include more than one deliverable, the Company generally defers all revenue for the unit of accounting until the period over which the last undelivered item is delivered.

Table of Contents

2. Business Combinations

DST has made a number of acquisitions as part of its strategy to increase its product capabilities and expand its presence in the markets it currently serves as well as to adjacent markets. During the three months ended June 30, 2011, DST announced the following:

Finix Business Strategies, LLC and Finix Converge, LLC

On April 29, 2011, DST acquired, through a newly formed subsidiary, DST Brokerage Solutions, LLC, the assets of Finix Business Strategies, LLC (Finix), a financial services consulting firm with extensive brokerage and technology expertise. DST Brokerage Solutions also acquired the assets of Finix Converge, LLC (Converge), a technology firm that develops and distributes an enterprise social networking and media platform to enable firms to connect and collaborate with their constituents more effectively online. By combining Finix Business Strategies extensive knowledge and brokerage expertise with DST s breadth and depth of technology and services, DST plans to address broker-dealers unique challenges through an expanded suite of products and solutions. DST Brokerage Solutions, LLC is part of the Financial Services Segment.

Subserveo Inc.

On June 20, 2011, DST acquired Subserveo Inc. (Subserveo), a provider of automated compliance and surveillance solutions to broker-dealers and investment advisors throughout the U.S. and Canada. Subserveo s solutions perform daily analysis of transactions, orders and account holdings and provide detailed compliance alerts and case management. Subserveo will be operated as part of DST Brokerage Solutions.

Finix, Converge and Subserveo along with DST TASS, the Company s subsidiary that provides full service subaccounting services, will be operated as a single business unit. This business unit will be DST s channel to provide products to the broker/dealer market and will manage the distribution of the Company s AWD, Vision Professional and print/mail products to that market.

Newkirk Products, Inc.

On May 2, 2011, DST acquired the outstanding stock of Newkirk Products, Inc. (Newkirk), an industry leader in the development and deployment of communications, education, and investment information for clients in the retirement planning, managed care, and wealth management industries. Newkirk will be operated as a unit of the Output Solutions Segment and its results will be reported in that segment from the date of acquisition. DST believes the acquisition of Newkirk broadens the solution set available to multiple DST business units. Newkirk s innovative on-demand publishing and marketing solutions complement DST Output s breadth of transactional and digital fulfillment solutions, making it easier for companies to craft effective customer communications across print, mobile, and electronic channels. It also enables clients of DST Retirement Solutions to access a more fully integrated offering that leverages Newkirk s capabilities geared to the needs of plan sponsors and participants, including communication and education materials, financial planning tools and plan documents. The acquisition of Newkirk also extends DST Output s capabilities in the healthcare industry enabling the Company to produce pre-enrollment communications, including information designed to help a participant personalize their health care plan.

The Company has not yet finalized its accounting for the acquired net assets of Finix, Converge, Newkirk and Subserveo; when finalized, it is possible that amounts appearing in the table below of net assets acquired will be adjusted. The Newkirk and Subserveo acquisitions are each subject to customary post-closing working capital adjustments, which could result in an adjustment to the respective purchase price. The Company does not believe that any of the above mentioned business combinations are material to DST s consolidated financial statements. Notwithstanding, the Company has provided aggregated disclosures of these transactions to assist users of the financial statements in understanding the impact to DST of the business combinations. The following table summarizes the consideration (the Financial Services Segment spent $38.1 million on acquisitions while Output Solutions Segment spent $30.0 million during the six months ended June 30, 2011) and the preliminary allocation

Table of Contents

of the fair values of the acquisitions during the six months ended June 30, 2011 to the fair values of the assets acquired and liabilities at the respective acquisition dates mentioned above (in millions):

Consideration		
Cash paid	$	68.1
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	$	2.6
Accounts receivable		6.0
Other current assets		1.2
Properties (includes $16.0 million of proprietary software)		26.5
Intangible assets		8.0
Goodwill		43.4
Other assets		0.7
Total assets		88.4
Other current liabilities		4.1
Deferred income tax liabilities		9.8
Other liabilities		6.4
Total liabilities		20.3
Net assets acquired	$	68.1

Assuming the acquisitions of Finix, Converge, Newkirk, Subserveo and dsicmm Group (as described in the Company s 2010 Annual Report on Form 10-K) had occurred January 1, 2010, the Company s total revenues would have been approximately $1,187.3 million and $1,283.1 million for the six months ended June 30, 2011 and 2010, respectively. Consolidated pro forma net income and diluted earnings per share would not have been materially different from the reported amounts for the six months ended June 30, 2011 and 2010. The unaudited pro forma amounts are not indicative of what actual consolidated results of operations might have been if the acquisitions had been effective at the beginning of 2010.

Subsequent to June 30, 2011, the Company announced the following business combinations:

IntelliSource Healthcare Solutions

On July 1, 2011, DST acquired, through its wholly-owned subsidiary, DST Health Solutions, LLC, the assets of IntelliSource Healthcare Solutions (IntelliSource), whose principal product is CareConnect which provides an automated care management system. The addition of the IntelliSource suite of solutions broadens DST Health Solutions product offering for integrated care management, providing DST Health Solutions health plan clients access to an array of valuable solutions including integrated care management, workflow and analytics that will enable them to collaboratively facilitate proactive care and optimize resources at all levels of the healthcare system. DST will integrate CareConnect into its proprietary claims offerings.

ALPS Holdings, Inc.

On July 19, 2011, DST entered into a definitive agreement to acquire ALPS Holdings, Inc. (ALPS), a provider of a comprehensive suite of asset servicing, asset management, and asset gathering solutions to open-end mutual funds, closed-end funds (CEFs), exchange-traded funds (ETFs) and alternative investment funds. The acquisition broadens the range of products and services DST will offer to the investment management and brokerage industries in the following areas: 1) ALPS comprehensive solution set allows DST to service market segments DST was previously unable to service; 2) ALPS positions DST to service hedge funds and ETFs; and 3) ALPS expands DST s offerings beyond transfer agency. The transaction, subject to regulatory approval and certain other customary closing conditions, is expected to close in fourth quarter 2011. On a pro-forma basis, the

Table of Contents

transaction is expected to be accretive to earnings. Upon completion of the transaction, ALPS s financial results will be consolidated with those of DST, and will be reported as part of DST s Financial Services Segment. At closing, DST will pay $250.0 million funded from cash and existing credit facilities, subject to customary pre and post closing adjustments.

Lateral Group Limited

On August 5, 2011, DST s Innovative Output Solutions (IOS) subsidiary acquired the outstanding stock of Lateral Group Limited (Lateral), a U.K. company engaged in integrated, data driven, multi-channel marketing. The acquisition of Lateral complements the existing IOS business in terms of services offered and business outlook. In addition, this acquisition allows IOS to extend and develop its service/product offerings by further integrating communications through print, data and e-solutions and by providing additional solutions such as data insight and online marketing to the IOS client base.

3. Client Funds/Obligations

The Company had $316.2 million and $406.6 million of funds held on behalf of clients at June 30, 2011 and December 31, 2010, respectively. Included in these amounts were $20.6 million and $11.3 million of fixed-income marketable securities at June 30, 2011 and December 31, 2010, respectively, which have been classified as available-for-sale investments. There were no significant unrealized gains or losses associated with these fixed-income securities at June 30, 2011 and December 31, 2010. During the six months ended June 30, 2011 and 2010, the Company received $59.3 million and $18.1 million, respectively, of proceeds from the sales/maturities of investments in available-for-sale securities held to satisfy client funds obligations. Gross realized gains and gross realized losses associated with the sales/maturities of these available-for-sale securities held to satisfy client funds obligations were not significant during both the three and six months ended June 30, 2011 and 2010.

4. Investments

Investments are as follows (in millions):

	2011 Ownership Percentage	Carrying Value June 30, 2011	Carrying Value December 31, 2010
Available-for-sale securities:			
State Street Corporation	2%	$ 465.8	$ 478.7
Computershare Ltd.	3%	142.7	165.5
Euronet Worldwide	4%	29.0	32.9
Other available-for-sale securities		225.3	228.7
		862.8	905.8
Other:			
Trading securities		49.3	50.3
Held-to-maturity		15.9	11.3
Cost method, private equity and other investments		219.2	171.7

		284.4		233.3
Total investments	$	1,147.2	$	1,139.1

Certain information related to the Company s available-for-sale securities is as follows (in millions):

		June 30, 2011		**December 31, 2010**
Book cost basis	$	329.7	$	327.4
Gross unrealized gains		507.0		555.7
Gross unrealized losses		(2.6)		(0.6)
Unrealized gain - foreign currency exchange rates		28.7		23.3
Market value	$	862.8	$	905.8

During the six months ended June 30, 2011 and 2010, the Company received $153.7 million and $110.7 million, respectively, from the sale of investments in available-for-sale securities. Gross realized gains of $10.8 million and $3.9 million and gross realized losses of $0.5 million and $0.8 million were recorded during the three months ended June 30, 2011 and 2010, respectively, from available-for-sale securities. Gross realized gains of $19.1

Table of Contents

million and $41.7 million and gross realized losses of $0.7 million and $1.1 million were recorded during the six months ended June 30, 2011 and 2010, respectively, from available-for-sale securities. In addition, the Company recorded unrealized losses on available-for-sale securities of $0.1 million for both the three and six months ended June 30, 2011 compared to $0.3 million and $0.4 million for the three and six months ended June 30, 2010, respectively, related to other than temporary investment impairments. Included in the $110.7 million received from the sale of investments in available-for-sale securities for the six months ended June 30, 2010 is $52.4 million of proceeds resulting from the sale of 4.8 million shares of Computershare Ltd., which resulted in a gain of $28.8 million.

The following table summarizes the fair value and gross unrealized losses of the Company s investments by the length of time that the securities have been in a continuous loss position, at June 30, 2011 (in millions):

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Common stock	$ 29.8	$ 2.4	$ 1.9	$ 0.2	$ 31.7	$ 2.6

In addition to recording other than temporary investment impairments on available-for-sale securities, the Company records lower of cost or market valuation adjustments on private equity fund investments and other cost method investments when impairment conditions are present. During the six months ended June 30, 2011, the Company recorded $1.0 million of impairments on other investments compared to the three and six months ended June 30, 2010 when the Company recorded $0.4 million and $0.8 million, respectively. The impairments recorded related primarily to investments in the Financial Services Segment and the Investments and Other Segment. A decline in a security s net realizable value that is other than temporary is treated as a loss based on quoted or derived market value and is reflected in Other Income, net in the Condensed Consolidated Statement of Income.

Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment s current carrying value, thereby possibly requiring an impairment charge in the future. Such a charge could have a material effect on the Company s financial position.

The Company is a limited partner in various private equity funds. At June 30, 2011 and December 31, 2010, the Company s carrying value of these private equity fund investments was approximately $194.8 million and $148.9 million, respectively. At June 30, 2011, the Company had future capital commitments related to these private equity fund investments of approximately $63.5 million.

5. Unconsolidated Affiliates

Unconsolidated affiliates are as follows (in millions):

	2011 Ownership Percentage	Carrying Value June 30, 2011	Carrying Value December 31, 2010
Unconsolidated affiliates:			

Boston Financial Data Services, Inc.	50%	$	175.5	$	169.2
International Financial Data Services, U.K.	50%		88.5		78.8
International Financial Data Services, L.P.	50%		49.4		44.4
Unconsolidated real estate affiliates			40.0		50.4
Other unconsolidated affiliates			17.8		12.7
Total		$	371.2	$	355.5

Table of Contents

Equity in earnings (losses) of unconsolidated affiliates, net of income taxes provided by the unconsolidated affiliates follows (in millions):

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Boston Financial Data Services, Inc.	$ 3.1	$ 4.1	$ 6.3	$ 7.7
International Financial Data Services, U.K.	3.4	3.1	7.5	6.5
International Financial Data Services, L.P.	0.4	2.7	2.1	4.0
Other unconsolidated affiliates	0.3	(0.1)	(0.3)	(0.1)
	$ 7.2	$ 9.8	$ 15.6	$ 18.1

6. Fair Value Measurements

Authoritative accounting guidance on fair value measurements establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of June 30, 2011 and December 31, 2010, the Company held certain investment assets that are required to be measured at fair value on a recurring basis. These investments include the Company s available-for-sale equity securities and trading securities whereby fair value is determined using quoted prices in active markets. Accordingly, the fair value measurements of these investments have been classified as Level 1 in the table below. In addition, the Company has investments in available-for-sale fixed income securities, pooled funds and interest rate swaps that are required to be reported at fair value. Fair value for the available-for-sale fixed income securities and for the interest rate swaps was determined using inputs from quoted prices for similar assets and liabilities in active markets that are directly or indirectly observable. Fair value for investments in pooled funds is determined using net asset value. Accordingly, the Company s investments in available-for-sales fixed income securities, pooled funds and interest rate swaps have been classified as Level 2 in the table below.

Table of Contents

The following tables present assets and liabilities measured at fair value on a recurring basis (in millions):

		Fair Value Measurements at Reporting Date Using		
	June 30, 2011	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 892.5	$ 892.5	$	$
Investments in pooled funds	47.0		47.0	
Fixed income securities	40.2		40.2	
Interest rate swap liability	(4.9)		(4.9)	
Total	$ 974.8	$ 892.5	$ 82.3	$

		Fair Value Measurements at Reporting Date Using		
	December 31, 2010	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 920.9	$ 920.9	$	$
Investments in pooled funds	16.9		16.9	
Fixed income securities	46.5		46.5	
Interest rate swap liability	(5.0)		(5.0)	
Total	$ 979.3	$ 920.9	$ 58.4	$

At June 30, 2011 and December 31, 2010, one of DST s unconsolidated affiliates had an interest rate swap with a fair market value liability of $52.3 million and $47.7 million, respectively. The unconsolidated affiliate used inputs from quoted prices for similar assets and liabilities in active markets that are directly or indirectly observable relating to the measurement of the interest rate swap. The fair value measurement of the interest rate swap has been classified as Level 2 by the unconsolidated affiliate. The above table presents only assets and liabilities measured at fair value for which the Company controls, and accordingly excludes items held by unconsolidated affiliates.

Table of Contents

7. Intangible Assets and Goodwill

Intangible Assets

The following table summarizes intangible assets (in millions):

	June 30, 2011				December 31, 2010			
	Carrying Amount		Accumulated Amortization		Carrying Amount		Accumulated Amortization	
Amortizable intangible assets:								
Customer relationships	$	70.4	$	18.6	$	63.6	$	16.4
Other		7.2		4.1		6.0		3.7
Total	$	77.6	$	22.7	$	69.6	$	20.1

Amortization of intangible assets for the three and six months ended June 30, 2011 was approximately $1.3 million and $2.6 million compared to $1.2 million and $2.5 million for the three and six months ended June 30, 2010. The Company estimates amortization expense for intangible assets recorded as of June 30, 2011 (which excludes the ALPS and IntelliSource acquisitions described in Note 2) will be $2.9 million for the remainder of 2011, $5.6 million for 2012, $5.3 million for 2013, $5.2 million for 2014, $4.9 million for 2015 and $31.0 million thereafter.

Goodwill

The following tables summarize the changes in the carrying amount of goodwill for the six months ended June 30, 2011, by Segment (in millions):

	December 31, 2010		Acquisitions		Disposals		Other		June 30, 2011
Financial Services	$	178.0	$	26.2	$		$		$	204.2
Output Solutions		52.2		17.2				0.2		69.6
Total	$	230.2	$	43.4	$		$	0.2	$	273.8

The business acquisitions described in Note 2 increased the Company s goodwill by $43.4 million during the six months ended June 30, 2011, of which approximately $11.2 million is expected to be deductible for income tax purposes.

Table of Contents

8. Debt

The Company is obligated under notes and other indebtedness as follows (in millions):

	June 30, 2011	December 31, 2010
Accounts receivable securitization program	$ 125.0	$ 125.0
Secured promissory notes	9.0	3.5
Equipment credit facilities	9.2	7.5
Real estate credit agreement	106.9	108.5
Series C convertible senior debentures	88.1	94.1
Revolving credit facilities	281.4	330.2
Senior notes	370.0	370.0
Related party credit agreements	132.8	120.0
Other indebtedness	41.7	50.6
	1,164.1	1,209.4
Less current portion of debt	292.3	286.1
Long-term debt	$ 871.8	$ 923.3

Accounts Receivable Securitization Program

DST securitizes certain of its domestic accounts receivable through an accounts receivable securitization program with a third-party, multi-seller, asset-backed commercial paper conduit administered by a bank. The maximum amount that can be outstanding under this program is $150 million. On May 19, 2011, the Company renewed its accounts receivable securitization program. In connection with the renewal, the maturity date became May 17, 2012, and the interest rate spreads were decreased to reflect current market conditions.

At June 30, 2011, the outstanding amount of undivided interests in the receivables held by the conduit was $125.0 million, unchanged from December 31, 2010. During the six months ended June 30, 2010, the Company s accounts receivable increased by $125.0 million resulting in a cash outflow being reported in the operating section of the cash flow statement and the current portion of debt associated with the accounts receivable securitization program increased by $125.0 million resulting in a cash inflow being reported in the financing section of the statement of cash flows. During the six months ended June 30, 2011 and 2010, total proceeds from the accounts receivable securitization program were approximately $433.4 million and $415.0 million and total repayments were approximately $433.4 million and $290.0 million, respectively, which comprises the net cash flow in the financing section of the statement of cash flows.

Revolving credit facilities

On June 30, 2011, DST amended its revolving syndicated bank facility. The amendment extended the maturity date to July 1, 2015 and lowered the interest rate spreads and facility fees to reflect current market conditions. In addition, the aggregate commitments under the facility were increased from $600 million to $630 million.

Related Party Credit Agreements

In 2011, DST s Innovative Output Solutions Limited (IOS) subsidiary entered into a loan agreement denominated in British Pounds with International Financial Data Services Limited (IFDS UK). The agreement provides for unsecured revolving borrowings by IOS and matures on December 31, 2015. IFDS UK may demand a prepayment of the loan by IOS at any time upon completion of a notice period. The interest rate applicable to the loan is based on the base rate of the Bank of England plus an applicable margin of 3.0% and is payable monthly. The amount outstanding under this loan at June 30, 2011 was $7.8 million.

Table of Contents

Other Indebtedness

Other indebtedness is comprised of debt obligations assumed by the Company in connection with prior business acquisitions, including the acquisition of dsicmm Group Limited in 2010. Certain of the dsicmm credit agreements contain provisions that require dsicmm to maintain certain interest, leverage and other financial ratios. In the event of non-compliance with the provisions of these credit agreements, an event of default may occur, which could result in the loan becoming immediately due and payable. At June 30, 2011, dsicmm had approximately $21.1 million of debt for which the Company is seeking a waiver from the lender.

Other indebtedness also includes a borrowing arrangement denominated in British Pounds between IOS and a bank that is secured by accounts receivable of IOS. The amount outstanding under this facility was $15.8 million and $16.2 million at June 30, 2011 and December 31, 2010, respectively. During the six months ended June 30, 2011, proceeds received from this loan were $96.6 million and total repayments were $97.4 million, which have been included in net payments on revolving credit facilities in the Condensed Consolidated Statement of Cash Flows.

9. Income Taxes

The Company records income tax expense during interim periods based on its best estimate of the full year s tax rate. Certain items are given discrete period treatment and, as a result, the tax effects of such items are reported in full in the relevant interim period. The Company s tax rate was 34.5% and 35.4% for the three and six months ended June 30, 2011, respectively, compared to 34.9% and 35.6% for the three and six months ended June 30, 2010. The Company s tax rate for the three and six months ended June 30, 2011 was different from the statutory federal income tax rate of 35% primarily because of state income taxes and valuation allowances against international operating losses, partially offset by benefits from dividends received deductions and foreign tax credits. The six months ended June 30, 2010 included a benefit from a dividend received deduction on approximately 50% of an $8.3 million cash dividend received from a private equity investment.

The full year 2011 tax rate can be affected as a result of variances among the estimates and amounts of full year sources of taxable income (e.g., domestic consolidated, joint venture and/or international), the realization of tax credits (e.g., historic rehabilitation, research and experimentation, foreign tax and state incentive), adjustments which may arise from the resolution of tax matters under review and the Company s assessment of its liability for uncertain tax positions.

Table of Contents

10. Equity

Earnings per share

The computation of basic and diluted earnings per share is as follows (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income attributable to DST Systems, Inc.	$ 55.2	$ 94.0	$ 108.6	$ 170.9
Average common shares outstanding	46.5	46.7	46.4	47.5
Incremental shares from restricted stock units and assumed conversions of stock options and debentures	0.7	0.3	0.7	0.3
Average diluted shares outstanding	47.2	47.0	47.1	47.8
Basic earnings per share	$ 1.19	$ 2.01	$ 2.34	$ 3.60
Diluted earnings per share	$ 1.17	$ 2.00	$ 2.31	$ 3.57

The Company had approximately 46.5 million and 46.7 million shares outstanding at June 30, 2011 and 2010, respectively. Shares from options to purchase common stock, excluded from the diluted earnings per share calculation because they were anti-dilutive, totaled 0.8 million and 0.9 million for the three and six months ended June 30, 2011, respectively, compared to 3.9 million and 4.1 million for the three and six months ended June 30, 2010. The Company s convertible senior debentures would have a potentially dilutive effect on the Company s stock if converted in the future. At June 30, 2011, outstanding Series C debentures would be convertible into 1.8 million shares of common stock, subject to adjustment. The Company intends to settle any conversions with cash for the principal amount of the bonds and accrued and unpaid interest and issue common stock for any conversion value amount over the principal and accrued and unpaid interest amount. Related to the debentures, the calculation of diluted earnings per share includes an incremental amount of shares assumed to be issued for the conversion spread when the Company s average daily stock price exceeds the average accreted bond price per share. For the three and six months ended June 30, 2011, there was an insignificant amount of dilution related to the Company s average share price exceeding the average accreted bond price per share. For the three and six months ended June 30, 2010, there was no additional dilution because the Company s average share price was less than the average accreted bond price per share.

Share Based Compensation

The Company has a share based compensation plan covering its employees. During the six months ended June 30, 2011, the Company issued approximately 0.4 million restricted stock units (RSU s). A portion of these RSU grants contain performance features and are expected to vest over a three to five year period. At June 30, 2011, the Company had outstanding 0.8 million unvested RSU s, 0.1 million unvested restricted shares and 3.6 million stock options (of which 0.9 million are not yet exercisable).

Grants of RSU s are valued at the date of grant based on the value of DST s common stock. The grant date fair value of the RSU s granted during the six months ended June 30, 2011 was approximately $18.5 million. Certain of these RSU s contain separate service and performance vesting requirements, while other grants contain performance vesting requirements with service required through the date of certification of performance. The grant date fair value of the awards is generally being amortized over three to five year periods based on the estimated achievement of the required performance features of the awards. The Company will continue to monitor and evaluate its assumptions pertaining to the achievement of the performance features over the performance period. Unvested RSU s may be forfeited upon termination of employment with the Company depending on the circumstances of the termination. Holders of RSU s participate in cash dividends, if any, (paid

Table of Contents

in the form of additional RSU s and subject to the same vesting terms as the underlying RSU s), but do not have full stockholders rights, including voting rights, prior to vesting.

At June 30, 2011, the Company had $33.4 million of total unrecognized compensation expense (included in Additional paid-in-capital on the Condensed Consolidated Balance Sheet) related to its share based compensation arrangements, net of estimated forfeitures. The Company estimates that the amortized compensation expense attributable to the stock option, restricted stock and restricted stock unit grants will be approximately $8.8 million for the remainder of 2011, $11.7 million for 2012, $4.9 million for 2013, $1.8 million for 2014 and $0.7 million for 2015, based on awards currently outstanding. Future amortization is not projected on approximately $5.5 million of unrecognized compensation expense as the related awards are not currently expected to achieve their required performance conditions and therefore are not expected to vest.

Other comprehensive income (loss)

Components of other comprehensive income (loss) consist of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Net income attributable to DST Systems, Inc.	$ 55.2	$ 94.0	$ 108.6	$ 170.9
Other comprehensive income (loss):				
Unrealized gains (losses) on investments:				
Unrealized holding losses arising during the period	(7.1)	(181.6)	(32.5)	(135.2)
Proportional share of unconsolidated affiliate interest rate swap		2.1	2.0	2.4
Unrealized gain (loss) on interest rate swaps	(0.7)	(1.9)	0.1	(3.2)
Less reclassification adjustments for net gains included in net income	(10.2)	(2.8)	(18.3)	(40.2)
Foreign currency translation adjustments	5.3	(16.6)	11.5	(23.7)
Deferred income taxes	5.4	75.3	16.9	72.8
Other comprehensive loss	(7.3)	(125.5)	(20.3)	(127.1)
Comprehensive income (loss)	$ 47.9	$ (31.5)	$ 88.3	$ 43.8

One of DST s unconsolidated affiliates had an interest rate swap liability with a fair market value of $52.3 million and $47.7 million at June 30, 2011 and December 31, 2010, respectively. DST s 50% proportionate share of this interest rate swap liability was $26.2 million and $23.9 million at June 30, 2011 and December 31, 2010, respectively. The Company records in investments and accumulated other comprehensive income its proportionate share of this liability in an amount not to exceed the carrying value of its investment in this unconsolidated affiliate, which resulted in no liability recorded at June 30, 2011 and $2.0 million recorded at December 31, 2010.

Stock repurchases

On May 10, 2011, DST s Board of Directors authorized the repurchase of an additional 2.0 million shares under the existing share repurchase authorization plan, which allows for the repurchase of common stock in open market and private transactions through December 31, 2012. The Company repurchased 0.5 million shares of DST common stock for $22.5 million or approximately $49.94 per share during the six months ended June 30, 2011. At June 30, 2011, there were approximately 2.5 million shares remaining to be repurchased under the Company s existing share repurchase authorization plan.

Table of Contents

Dividends

On February 24, 2011, DST s Board of Directors declared a cash dividend of $0.35 per share which was paid on April 8, 2011, to shareholders of record as of the close of business on March 18, 2011. The aggregate amount of the dividend was approximately $16.2 million.

Non-controlling interest

As a result of the acquisition of dsicmm on July 30, 2010, the Company s IOS subsidiary has a non-controlling investor group which owns approximately 29.5% of IOS. The amount included in equity at December 31, 2010 associated with the non-controlling interest was $21.2 million. During the six months ended June 30, 2011, the net loss primarily attributable to the IOS non-controlling interest was $1.1 million resulting in a balance of $20.1 million at June 30, 2011.

11. Commitments and Contingencies

The Company and its subsidiaries are involved in various legal proceedings arising in the normal course of their businesses. While the ultimate outcome of these legal proceedings cannot be predicted with certainty, it is the opinion of management, after consultation with legal counsel, that the final outcome in such proceedings, in the aggregate, would not have a material adverse effect on the consolidated financial condition, results of operations and cash flow of the Company.

The Company has letters of credit of $7.8 million outstanding at both June 30, 2011 and December 31, 2010. Letters of credit are secured by the Company s debt facility.

The Company has entered into agreements with certain officers whereby upon defined circumstances constituting a change in control of the Company, certain benefit entitlements are automatically funded and such officers are entitled to specific cash payments upon termination of employment.

The Company has established trusts to provide for the funding of corporate commitments and entitlements of Company officers, directors, employees and others in the event of a change in control of the Company. Assets held in such trusts at June 30, 2011 and December 31, 2010 were not significant.

The Company has entered into an agreement to guarantee 50% of the obligations of a 50% owned joint venture as a tenant under a real estate lease for an office building. The initial term of the lease is 10 years and 7 months, commencing March 1, 2007 and expiring September 30, 2017, with two five-year options to extend. The base rent for the initial term is $4.8 million per year, plus all operating expenses for the building.

The Company entered into an agreement to guarantee $2.0 million plus any enforcement costs related to a $32.0 million mortgage loan to a 50% owned real estate joint venture. The $32.0 million loan matures on June 30, 2013. At June 30, 2011 and December 31, 2010, total borrowings on the loan were $30.1 million and $30.5 million, respectively, and the Company s guarantee totaled $1.5 million for both June 30, 2011 and December 31, 2010.

The Company s 50% owned joint ventures are generally governed by shareholder or partnership agreements. The agreements generally entitle the Company to elect one-half of the directors to the board in the case of corporations and to have 50% voting/managing interest in the case of partnerships. The agreements generally provide that the Company or the other party, if it desires to terminate the agreement, may establish a price payable in cash, or a promise to pay cash, for all of the other s ownership in the joint venture and submit a binding offer, in writing, to the other party to sell to the other party all of its ownership interests in the joint venture or to purchase all ownership interests owned by the other party at such offering price. The party receiving the offer generally has a specified period of time to either accept the offer to sell its interest, or to elect to purchase the offering party s interest, in either case at the established offering price. The Company cannot estimate the potential aggregate offering price that it could be required to receive for its interest in the case of a sale, or to pay for the other party s interest in the case of a purchase; however, the amount could be material.

G*uarantees*

In addition to the guarantees entered into as mentioned above, the Company has also guaranteed certain obligations of certain joint ventures under service agreements entered into by the joint ventures and their customers. The amount of such obligations is not stated in the agreements. Depending on the negotiated terms of

Table of Contents

the guaranty and/or the underlying service agreement, the Company s liability under the guaranty may be subject to time and materiality limitations, monetary caps and other conditions and defenses.

In certain instances in which the Company licenses proprietary systems to customers, the Company gives certain warranties and infringement indemnities to the licensee, the terms of which vary depending on the negotiated terms of each respective license agreement, but which generally warrant that such systems will perform in accordance with their specifications. The amount of such obligations is not stated in the license agreements. The Company s liability for breach of such warranties may be subject to time and materiality limitations, monetary caps and other conditions and defenses.

From time to time, the Company enters into agreements with unaffiliated parties containing indemnification provisions, the terms of which vary depending on the negotiated terms of each respective agreement. The amount of such obligations is not stated in the agreements. The Company s liability under such indemnification provisions may be subject to time and materiality limitations, monetary caps and other conditions and defenses. Such indemnity obligations include the following:

The Company has entered into purchase and service agreements with its vendors, and consulting agreements with providers of consulting services to the Company, pursuant to which the Company has agreed to indemnify certain of such vendors and consultants, respectively, against third party claims arising from the Company s use of the vendor s product or the services of the vendor or consultant.

In connection with the acquisition or disposition of subsidiaries, operating units and business assets by the Company, the Company has entered into agreements containing indemnification provisions, the terms of which vary depending on the negotiated terms of each respective agreement, but which are generally described as follows: (i) in connection with acquisitions made by the Company, the Company has agreed to indemnify the seller against third party claims made against the seller relating to the subject subsidiary, operating unit or asset and arising after the closing of the transaction, and (ii) in connection with dispositions made by the Company, the Company has agreed to indemnify the buyer against damages incurred by the buyer due to the buyer s reliance on representations and warranties relating to the subject subsidiary, operating unit or business assets in the disposition agreement if such representations or warranties were untrue when made, or due to any breach of the representations, warranties, agreements or covenants contained in the agreement.

The Company has entered into agreements with certain third parties, including banks and escrow agents that provide software escrow, fiduciary and other services to the Company or to its benefit plans or customers. Under such agreements, the Company has agreed to indemnify such service providers for third party claims relating to the carrying out of their respective duties under such agreements.

The Company has entered into agreements with lenders providing financing to the Company pursuant to which the Company agrees to indemnify such lenders for third party claims arising from or relating to such financings. In connection with real estate mortgage financing, the Company has entered into environmental indemnity agreements in which the Company has agreed to indemnify the lenders for any damage sustained by the lenders relating to any environmental contamination on the subject properties.

In connection with the acquisition or disposition of real estate by the Company, the Company has entered into real estate contracts containing indemnification provisions, the terms of which vary depending on the negotiated terms of each respective contract, but which are generally described as follows: (i) in connection with acquisitions by the Company, the Company has agreed to indemnify the seller against third party claims made against the seller arising from the Company s on-site inspections, tests and investigations of the subject property made by the Company as part of its due diligence and against third party claims relating to the operations on the subject property after the closing of the transaction, and (ii) in connection with dispositions by the Company, the Company has agreed to indemnify the buyer for damages incurred by the buyer due to the buyer s reliance on representations and warranties relating to the subject property made by the Company in the real estate contract if such representations or warranties were untrue when made and against third party claims relating to operations on the subject property prior to the closing of the transaction.

Table of Contents

In connection with the leasing of real estate by the Company, as landlord and as tenant, the Company has entered into occupancy leases containing indemnification provisions, the terms of which vary depending on the negotiated terms of each respective lease, but which are generally described as follows: (i) in connection with leases in which the Company is the tenant, the Company has agreed to indemnify the landlord against third party claims relating to the Company s occupancy of the subject property, including claims arising from loss of life, bodily injury and/or damage to property thereon, and (ii) in connection with leases in which the Company is the landlord, the Company has agreed to indemnify the tenant against third party claims to the extent occasioned wholly or in part by any negligent act or omission of the Company or arising from loss of life, bodily injury and/or damage to property in or upon any of the common areas or other areas under the Company s control.

At June 30, 2011 and December 31, 2010, the Company had not accrued any liability on the aforementioned guarantees or indemnifications as they relate to future performance criteria or indirect guarantees of indebtedness of others in accordance with accounting and reporting guidance on guarantees, including indirect guarantees of indebtedness of others.

12. Authoritative Accounting Guidance

Fair Value Measurement and Disclosure

In May 2011, the Financial Accounting Standards Board (FASB) issued new authoritative guidance related to fair value measurement and disclosure requirements. The guidance is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards. The guidance is effective for annual periods beginning after December 15, 2011. The Company has not yet determined the impact that the adoption of this new accounting guidance may have on the consolidated financial statements.

Earnings per Share Proposed Accounting Standard

In August 2008, the FASB issued a revised exposure draft, that would amend current earnings per share accounting guidance to clarify guidance for mandatorily convertible instruments, the treasury stock method, contingently issuable shares, and contracts that may be settled in cash or shares. The final authoritative accounting guidance has yet to be issued. In April 2009, the FASB decided to pause the earnings per share project.

The proposed guidance, which is designed for convergence with international accounting standards, would require the use of the if-converted method from the date of issuance of the convertible debentures. The proposed guidance would remove the ability of a company to support the presumption that the convertible securities will be satisfied in cash and not converted into shares of common stock. Accordingly, the Company s stated intention to settle conversions of its convertible debentures with cash for the principal and accrued and unpaid interest and issue common stock for any conversion value amount over the principal and accrued and unpaid interest amounts would no longer be accepted under the current guidance, if amended as proposed. Retrospective application would be required for all changes, except that retrospective application would be prohibited for contracts that were either settled in cash prior to adoption or modified prior to adoption to require cash settlement. For DST, adoption of this accounting guidance, as proposed, will require retroactive restatement of the Company s diluted earnings per share calculations subsequent to the issuance of the convertible debentures. The revised exposure draft also contains other EPS computational changes (e.g., treasury stock method considerations) that may have an effect on the Company s diluted earnings per share calculation. DST is continuing to monitor the FASB s progress towards finalizing this proposed accounting guidance.

The proposed change in accounting principle would affect the calculation of diluted earnings per share during the period the debentures are outstanding, but would not affect DST s ability to ultimately settle the convertible debentures in cash, shares or any combination thereof.

Table of Contents

13. Segment Information

The Company s operating business units offer sophisticated information processing and software services and products. These business units are reported as two operating segments (Financial Services and Output Solutions). In addition, investments in the Company s real estate subsidiaries and affiliates, equity securities, private equity investments and certain financial interests have been aggregated into an Investments and Other Segment.

Information concerning total assets by reporting segment is as follows (in millions):

	June 30, 2011	December 31, 2010
Financial Services	$ 1,573.3	$ 1,639.9
Output Solutions	441.4	457.6
Investments and Other	1,305.6	1,329.1
Elimination Adjustments	(70.2)	(87.2)
	$ 3,250.1	$ 3,339.4

The Company evaluates the performance of its Segments based on income before income taxes, interest expense and non-controlling interest. Intersegment revenues are reflected at rates prescribed by the Company and may not be reflective of market rates.

Table of Contents

Summarized financial information concerning the Company s Segments is shown in the following tables (in millions):

	Three Months Ended June 30, 2011				
	Financial Services	Output Solutions	Investments / Other	Eliminations Adjustments	Consolidated Total
Operating revenues	$ 278.8	$ 142.4	$ 2.9	$	$ 424.1
Intersegment operating revenues	2.2	1.9	10.8	(14.9)	
Out-of-pocket reimbursements	10.2	148.6	0.8	(1.5)	158.1
Total revenues	291.2	292.9	14.5	(16.4)	582.2
Costs and expenses	208.9	273.0	9.5	(13.8)	477.6
Depreciation and amortization	18.3	11.0	2.6	(0.6)	31.3
Income (loss) from operations	64.0	8.9	2.4	(2.0)	73.3
Other income, net	1.3	0.2	13.1		14.6
Equity in earnings of unconsolidated affiliates	6.4		0.8		7.2
Earnings (loss) before interest, income taxes and non-controlling interest	$ 71.7	$ 9.1	$ 16.3	$ (2.0)	$ 95.1

	Three Months Ended June 30, 2010				
	Financial Services	Output Solutions	Investments / Other	Eliminations Adjustments	Consolidated Total
Operating revenues	$ 287.5	$ 174.7	$ 3.4	$	$ 465.6
Intersegment operating revenues	2.7	2.0	11.3	(16.0)	
Out-of-pocket reimbursements	10.9	138.8	0.1	(1.5)	148.3
Total revenues	301.1	315.5	14.8	(17.5)	613.9
Costs and expenses	205.8	235.9	9.2	(14.9)	436.0
Depreciation and amortization	20.5	13.2	2.5	(0.6)	35.6
Income (loss) from operations	74.8	66.4	3.1		