

TD AMERITRADE HOLDING CORP
Form 10-Q
February 04, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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: 1-35509

TD Ameritrade Holding Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
200 South 108th Avenue, Omaha, Nebraska, 68154
(Address of principal executive offices) (Zip Code)
(402) 331-7856
(Registrant's telephone number, including area code)

82-0543156
(I.R.S. Employer
Identification No.)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes 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 during the preceding 12 months. Yes 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 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

As of January 28, 2016, there were 535,056,190 outstanding shares of the registrant's common stock.

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PART I – FINANCIAL INFORMATION

Item 1. – Financial Statements

REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

TD Ameritrade Holding Corporation

We have reviewed the condensed consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries (the Company) as of December 31, 2015, and the related condensed consolidated statements of income, comprehensive income and cash flows for the three-month periods ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries as of September 30, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated November 20, 2015. In our opinion, the accompanying condensed consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries as of September 30, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

February 4, 2016

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TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2015	September 30, 2015
	(In millions)	
ASSETS		
Cash and cash equivalents	\$1,735	\$1,978
Short-term investments available-for-sale, at fair value	204	4
Cash and investments segregated and on deposit for regulatory purposes	6,040	6,305
Receivable from brokers, dealers and clearing organizations	1,022	862
Receivable from clients, net	12,409	12,770
Receivable from affiliates	127	93
Other receivables, net	143	144
Securities owned, at fair value	263	425
Property and equipment at cost, net	542	521
Goodwill	2,467	2,467
Acquired intangible assets, net	639	661
Other assets	175	145
Total assets	\$25,766	\$26,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Payable to brokers, dealers and clearing organizations	\$2,049	\$2,707
Payable to clients	16,105	16,035
Accounts payable and other liabilities	549	637
Payable to affiliates	6	6
Long-term debt	1,783	1,800
Deferred income taxes	300	287
Total liabilities	20,792	21,472
Stockholders' equity:		
Preferred stock, \$0.01 par value; 100 million shares authorized, none issued	—	—
Common stock, \$0.01 par value; one billion shares authorized; 631 million shares issued; 537 million shares outstanding	6	6
Additional paid-in capital	1,642	1,649
Retained earnings	5,159	5,038
Treasury stock, common, at cost: 94 million shares	(1,809) (1,765
Accumulated other comprehensive loss	(24) (25
Total stockholders' equity	4,974	4,903
Total liabilities and stockholders' equity	\$25,766	\$26,375
See notes to condensed consolidated financial statements.		

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TD AMERITRADE HOLDING CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited)

	Three Months Ended December 31,	
	2015	2014
	(In millions, except per share amounts)	
Revenues:		
Transaction-based revenues:		
Commissions and transaction fees	\$328	\$359
Asset-based revenues:		
Insured deposit account fees	227	207
Net interest revenue	154	161
Investment product fees	92	83
Total asset-based revenues	473	451
Other revenues	11	9
Net revenues	812	819
Operating expenses:		
Employee compensation and benefits	201	199
Clearing and execution costs	30	35
Communications	32	31
Occupancy and equipment costs	43	41
Depreciation and amortization	22	23
Amortization of acquired intangible assets	22	23
Professional services	37	37
Advertising	62	64
Other	20	22
Total operating expenses	469	475
Operating income	343	344
Other expense:		
Interest on borrowings	12	9
Other	—	1
Total other expense	12	10
Pre-tax income	331	334
Provision for income taxes	119	123
Net income	\$212	\$211
Earnings per share - basic	\$0.39	\$0.39
Earnings per share - diluted	\$0.39	\$0.39
Weighted average shares outstanding - basic	537	544
Weighted average shares outstanding - diluted	540	548
Dividends declared per share	\$0.17	\$0.15
See notes to condensed consolidated financial statements.		

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TD AMERITRADE HOLDING CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Three Months Ended December 31,	
	2015	2014
	(In millions)	
Net income	\$212	\$211
Other comprehensive income (loss), before tax:		
Cash flow hedging instruments:		
Net unrealized loss	—	(15)
Reclassification adjustment for portion of realized loss amortized to net income	1	1
Total other comprehensive income (loss), before tax	1	(14)
Income tax effect	—	5
Total other comprehensive income (loss), net of tax	1	(9)
Comprehensive income	\$213	\$202
See notes to condensed consolidated financial statements.		

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TD AMERITRADE HOLDING CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Three Months Ended December	
	31,	
	2015	2014
	(In millions)	
Cash flows from operating activities:		
Net income	\$212	\$211
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22	23
Amortization of acquired intangible assets	22	23
Deferred income taxes	12	3
Stock-based compensation	9	9
Excess tax benefits on stock-based compensation	(15)	(11)
Other, net	2	(1)
Changes in operating assets and liabilities:		
Cash and investments segregated and on deposit for regulatory purposes	265	585
Receivable from brokers, dealers and clearing organizations	(160)	(88)
Receivable from clients, net	361	(7)
Receivable from/payable to affiliates, net	(34)	(18)
Other receivables, net	1	17
Securities owned, at fair value	162	(109)
Other assets	(46)	42
Payable to brokers, dealers and clearing organizations	(658)	(342)
Payable to clients	70	364
Accounts payable and other liabilities	(74)	(29)
Net cash provided by operating activities	151	672
Cash flows from investing activities:		
Purchase of property and equipment	(43)	(21)
Purchase of short-term investments	(201)	—
Proceeds from sale of investments	—	1
Other	—	3
Net cash used in investing activities	(244)	(17)

(Continued on following page)

See notes to condensed consolidated financial statements.

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TD AMERITRADE HOLDING CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)
 (Unaudited)

	Three Months Ended December 31,	
	2015	2014
	(In millions)	
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	\$—	\$500
Payment of debt issuance costs	—	(5
Principal payments on long-term debt	—	(500
Principal payments on notes payable	—	(37
Payment of cash dividends	(91) (82
Proceeds from exercise of stock options: Three months ended December 31, 2014 - 0.6 million shares	—	11
Purchase of treasury stock: Three months ended December 31, 2015 - 1.1 million shares; 2014 - 3.7 million shares	(38) (118
Purchase of treasury stock for income tax withholding on stock-based compensation: Three months ended December 31, 2015 - 0.7 million shares; 2014 - 0.5 million shares	(27) (18
Payment for future treasury stock purchases under accelerated stock repurchase agreement	(9) —
Excess tax benefits on stock-based compensation	15	11
Net cash used in financing activities	(150) (238
Net increase (decrease) in cash and cash equivalents	(243) 417
Cash and cash equivalents at beginning of period	1,978	1,460
Cash and cash equivalents at end of period	\$1,735	\$