

Edgar Filing: Fidelity National Information Services, Inc. - Form 10-Q

Fidelity National Information Services, Inc.

Form 10-Q

August 07, 2014

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014

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 No. 001-16427

Fidelity National Information Services, Inc.

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction

of incorporation or organization)

37-1490331

(I.R.S. Employer Identification No.)

601 Riverside Avenue

Jacksonville, Florida

(Address of principal executive offices)

(904) 438-6000

32204

(Zip Code)

(Registrant's telephone number, including area code)

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 ☒ 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 (§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 ☒ 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. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
(Do not check if a 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 July 31, 2014, 285,418,355 shares of the Registrant's Common Stock were outstanding.

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AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In millions, except per share amounts)

(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$793.7	\$547.5
Settlement deposits	439.5	327.4
Trade receivables, net of allowance for doubtful accounts of \$22.5 and \$16.2 as of June 30, 2014 and December 31, 2013, respectively	1,018.2	987.9
Settlement receivables	262.4	178.2
Other receivables	41.2	62.1
Due from related parties	38.2	35.8
Prepaid expenses and other current assets	167.7	154.1
Deferred income taxes	65.7	58.9
Assets held for sale	8.3	—
Total current assets	2,834.9	2,351.9
Property and equipment, net	459.0	439.0
Goodwill	8,517.7	8,500.0
Intangible assets, net	1,246.5	1,339.3
Computer software, net	869.7	856.5
Deferred contract costs, net	212.2	206.8
Other noncurrent assets	300.8	266.6
Total assets	\$14,440.8	\$13,960.1
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$648.5	\$768.0
Settlement payables	730.7	518.6
Deferred revenues	276.0	243.6
Current portion of long-term debt	23.0	128.8
Due to Brazilian venture partner	20.1	13.7
Liabilities held for sale	3.0	—
Total current liabilities	1,701.3	1,672.7
Long-term debt, excluding current portion	4,900.5	4,339.8
Deferred income taxes	816.4	823.6
Due to Brazilian venture partner	32.7	34.5
Deferred revenues	28.2	27.2
Other long-term liabilities	261.6	325.0
Total liabilities	7,740.7	7,222.8
Equity:		
FIS stockholders' equity:		
Preferred stock, \$0.01 par value, 200 shares authorized, none issued and outstanding as of June 30, 2014 and December 31, 2013	—	—

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Common stock, \$0.01 par value, 600 shares authorized, 387.2 and 387.0 shares issued as of June 30, 2014 and December 31, 2013, respectively	3.9	3.9	
Additional paid in capital	7,286.5	7,247.6	
Retained earnings	2,538.0	2,341.9	
Accumulated other comprehensive earnings (loss)	12.9	(9.9))
Treasury stock, \$0.01 par value, 101.9 and 96.4 shares as of June 30, 2014 and December 31, 2013, respectively, at cost	(3,319.2)) (3,003.0)
Total FIS stockholders' equity	6,522.1	6,580.5	
Noncontrolling interest	178.0	156.8	
Total equity	6,700.1	6,737.3	
Total liabilities and equity	\$14,440.8	\$13,960.1	
See accompanying notes to unaudited condensed consolidated financial statements.			

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Condensed Consolidated Statements of Earnings

(In millions, except per share data)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Processing and services revenues (for related party activity, see note 2)	\$1,599.1	\$1,512.8	\$3,119.4	\$2,990.1
Cost of revenues	1,092.8	1,031.5	2,140.4	2,040.9
Gross profit	506.3	481.3	979.0	949.2
Selling, general, and administrative expenses	196.6	232.6	383.2	424.7
Operating income	309.7	248.7	595.8	524.5
Other income (expense):				
Interest expense, net	(41.9)	(49.4)	(83.0)	(101.1)
Other income (expense), net	(1.2)	(61.9)	(1.7)	(56.8)
Total other income (expense), net	(43.1)	(111.3)	(84.7)	(157.9)
Earnings from continuing operations before income taxes	266.6	137.4	511.1	366.6
Provision for income taxes	80.4	41.2	161.6	116.6
Earnings from continuing operations, net of tax	186.2	96.2	349.5	250.0
Earnings (loss) from discontinued operations, net of tax	(0.9)	12.8	(3.1)	8.4
Net earnings	185.3	109.0	346.4	258.4
Net (earnings) loss attributable to noncontrolling interest	(6.5)	(4.2)	(13.1)	(9.5)
Net earnings attributable to FIS common stockholders	\$178.8	\$104.8	\$333.3	\$248.9
Net earnings per share — basic from continuing operations attributable to FIS common stockholders	\$0.63	\$0.32	\$1.17	\$0.83
Net earnings (loss) per share — basic from discontinued operations attributable to FIS common stockholders	—	0.04	(0.01)	0.03
Net earnings per share — basic attributable to FIS common stockholders *	\$0.63	\$0.36	\$1.16	\$0.86
Weighted average shares outstanding — basic	285.5	289.9	286.7	290.5
Net earnings per share — diluted from continuing operations attributable to FIS common stockholders	\$0.62	\$0.31	\$1.16	\$0.82
Net earnings (loss) per share — diluted from discontinued operations attributable to FIS common stockholders	—	0.04	(0.01)	0.03
Net earnings per share — diluted attributable to FIS common stockholders *	\$0.62	\$0.36	\$1.15	\$0.84
Weighted average shares outstanding — diluted	289.2	294.3	290.5	294.8
Cash dividends paid per share	\$0.24	\$0.22	\$0.48	\$0.44
Amounts attributable to FIS common stockholders:				
Earnings from continuing operations, net of tax	\$179.7	\$92.0	\$336.4	\$240.5
Earnings (loss) from discontinued operations, net of tax	(0.9)	12.8	(3.1)	8.4
Net earnings attributable to FIS common stockholders	\$178.8	\$104.8	\$333.3	\$248.9

* Amounts may not sum due to rounding.

See accompanying notes to unaudited condensed consolidated financial statements.

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FIDELITY NATIONAL INFORMATION SERVICES, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Earnings
(In millions)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net earnings	\$185.3	\$109.0	\$346.4	\$258.4
Other comprehensive earnings, before tax:				
Unrealized gain (loss) on investments and derivatives	\$(2.1)	\$2.3	\$(3.0)	\$1.1
Reclassification adjustment for (gains) losses included in net earnings	1.9	1.3	3.5	3.0
Unrealized gain (loss) on investments and derivatives, net	(0.2)	3.6	0.5	4.1
Foreign currency translation adjustments	14.8	(46.5)	33.0	(53.7)
Other comprehensive earnings (loss), before tax:	14.6	(42.9)	33.5	(49.6)
Provision for income tax expense (benefit) related to items of other comprehensive earnings	0.9	(1.0)	1.1	(0.2)
Other comprehensive earnings (loss), net of tax	\$13.7	\$13.7	\$32.4	\$32.4
Comprehensive earnings:	199.0	67.1	378.8	209.0
Net (earnings) loss attributable to noncontrolling interest	(6.5)	(4.2)	(13.1)	(9.5)
Other comprehensive (earnings) losses attributable to noncontrolling interest	(4.0)	10.6	(9.6)	9.1
Comprehensive earnings attributable to FIS common stockholders	\$188.5	\$73.5	\$356.1	\$208.6

See accompanying notes to unaudited condensed consolidated financial statements.

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Condensed Consolidated Statement of Equity

Six months ended June 30, 2014

(In millions, except per share amounts)

(Unaudited)

	Amount FIS Stockholders					Accumulated			
	Number of shares	Treasury shares	Common stock	Additional paid in capital	Retained earnings	other comprehensive earnings	Treasury stock	Noncontrolling interest	Total equity
Balances, December 31, 2013	387.0	(96.4)	\$3.9	\$7,247.6	\$2,341.9	\$ (9.9)	\$(3,003.0)	\$ 156.8	\$6,737.3
Issuance of restricted stock	0.2	—	—	—	—	—	—	—	—
Exercise of stock options	—	0.7	—	(4.5)	—	—	19.6	—	15.1
Treasury shares held for taxes due upon exercise of stock options	—	(0.2)	—	—	—	—	(11.4)	—	(11.4)
Excess income tax benefit from exercise of stock options	—	—	—	10.1	—	—	—	—	10.1
Stock-based compensation	—	—	—	26.6	—	—	—	—	26.6
Cash dividends paid (\$0.24 per share per quarter) and other distributions	—	—	—	—	(137.2)	—	—	(1.5)	(138.7)
Purchases of treasury stock	—	(6.0)	—	—	—	—	(325.5)	—	(325.5)
Other	—	—	—	6.7	—	—	1.1	—	7.8
Net earnings	—	—	—	—	333.3	—	—	13.1	346.4
Other comprehensive earnings, net of tax	—	—	—	—	—	22.8	—	9.6	32.4
Balances, June 30, 2014	387.2	(101.9)	\$3.9	\$7,286.5	\$2,538.0	\$ 12.9	\$(3,319.2)	\$ 178.0	\$6,700.1

See accompanying notes to unaudited condensed consolidated financial statements.

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AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In millions)

(Unaudited)

	Six months ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net earnings	\$346.4	\$258.4
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	309.1	305.5
Amortization of debt issue costs	6.7	14.6
Gain on sale of assets	—	(26.8)
Gain on mFoundry acquisition	—	(9.2)
Stock-based compensation	26.6	26.4
Deferred income taxes	(19.0)	(24.7)
Excess income tax benefit from exercise of stock options	(10.1)	(14.5)
Other operating activities	(1.9)	1.7
Net changes in assets and liabilities, net of effects from acquisitions and foreign currency:		
Trade receivables	(22.4)	(26.1)
Settlement activity	15.8	(3.6)
Prepaid expenses and other assets	(35.7)	(60.7)
Deferred contract costs	(40.4)	(37.3)
Deferred revenue	30.9	(26.0)
Accounts payable, accrued liabilities, and other liabilities	(126.9)	(12.9)
Net cash provided by operating activities	479.1	364.8
Cash flows from investing activities:		
Additions to property and equipment	(77.3)	(59.5)
Additions to computer software	(109.3)	(97.5)
Proceeds from sale of assets	—	26.8
Acquisitions, net of cash acquired, and equity investments	(29.0)	(130.1)
Other investing activities, net	9.3	(22.8)
Net cash used in investing activities	(206.3)	(283.1)
Cash flows from financing activities:		