

FISERV INC  
Form 10-Q  
November 06, 2008  
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**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 September 30, 2008

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 0-14948

**FISERV, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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**WISCONSIN**  
(State or Other Jurisdiction of

**39-1506125**  
(I. R. S. Employer

**Incorporation or Organization)**

**Identification No.)**

**255 FISERV DRIVE, BROOKFIELD, WI**  
(Address of Principal Executive Offices)

**53045**  
(Zip Code)

**(262) 879-5000**

**(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 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  Accelerated filer  Non-accelerated filer  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 November 3, 2008, there were 160,151,641 shares of common stock, \$.01 par value, of the registrant outstanding.

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****FISERV, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In millions, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>Revenues:</b>				
Processing and services	\$ 874	\$ 647	\$ 2,764	\$ 1,933
Product	206	277	914	859
<b>Total revenues</b>	<b>1,080</b>	924	<b>3,678</b>	2,792
<b>Expenses:</b>				
Cost of processing and services	500	389	1,611	1,180
Cost of product	162	223	765	684
Selling, general and administrative	204	120	631	371
<b>Total expenses</b>	<b>866</b>	732	<b>3,007</b>	2,235
Operating income	214	192	671	557
Interest expense, net	(57)	(12)	(187)	(33)
Gain on sale of businesses	19		19	
Income from continuing operations before income taxes and income from investment in unconsolidated affiliate	176	180	503	524
Income tax provision	(105)	(68)	(231)	(201)
Income from investment in unconsolidated affiliate, net of income taxes	3		3	
Income from continuing operations	74	112	275	323
Income from discontinued operations, net of income taxes	4	9	232	20
<b>Net income</b>	<b>\$ 78</b>	\$ 121	<b>\$ 507</b>	\$ 343
<b>Net income per share - basic:</b>				
Continuing operations	\$ 0.45	\$ 0.68	\$ 1.68	\$ 1.93
Discontinued operations	0.03	0.06	1.42	0.12
<b>Total</b>	<b>\$ 0.48</b>	\$ 0.73	<b>\$ 3.10</b>	\$ 2.05
<b>Net income per share - diluted:</b>				
Continuing operations	\$ 0.45	\$ 0.67	\$ 1.67	\$ 1.90
Discontinued operations	0.03	0.05	1.41	0.11

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Total \$ 0.48    \$ 0.73    \$ 3.08    \$ 2.02

Shares used in computing net income per share:

Basic	<b>162.5</b>	164.7	<b>163.3</b>	167.4
Diluted	<b>163.8</b>	166.6	<b>164.7</b>	169.7

See notes to condensed consolidated financial statements.

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**FISERV, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in millions)

(Unaudited)

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 472	\$ 297
Trade accounts receivable, net	561	836
Deferred income taxes	56	71
Prepaid expenses and other current assets	342	353
Assets of discontinued operations held for sale	1,025	2,683
<b>Total current assets</b>	<b>2,456</b>	<b>4,240</b>
Property and equipment, net	302	370
Intangible assets, net	2,133	2,299
Goodwill	4,364	4,808
Other long-term assets	333	129
<b>Total assets</b>	<b>\$ 9,588</b>	<b>\$ 11,846</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Trade accounts payable	\$ 105	\$ 181
Accrued expenses	545	597
Current maturities of long-term debt	8	510
Deferred revenues	284	351
Liabilities of discontinued operations held for sale	876	2,112
<b>Total current liabilities</b>	<b>1,818</b>	<b>3,751</b>
Long-term debt	4,251	4,895
Deferred income taxes	562	574
Other long-term liabilities	182	159
<b>Total liabilities</b>	<b>6,813</b>	<b>9,379</b>
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value: 25.0 million shares authorized; none issued		
Common stock, \$0.01 par value: 450.0 million shares authorized; 198.0 million and 198.1 million shares issued	2	2
Additional paid-in capital	706	700
Accumulated other comprehensive loss	(56)	(41)
Accumulated earnings	3,833	3,326
Treasury stock, at cost, 36.6 million and 33.0 million shares	(1,710)	(1,520)
<b>Total shareholders' equity</b>	<b>2,775</b>	<b>2,467</b>

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Total liabilities and shareholders' equity	\$	<b>9,588</b>	\$	11,846
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See notes to condensed consolidated financial statements.

**Table of Contents****FISERV, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

(Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 507	\$ 343
Adjustment for discontinued operations	(232)	(20)
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Deferred income taxes	31	4
Share-based compensation	26	19
Excess tax benefit from exercise of stock options	(2)	(10)
Gain on sale of businesses	(19)	
Income from investment in unconsolidated affiliate	(3)	
Amortization of acquisition-related intangible assets	119	22
Depreciation and other amortization	157	106
Changes in assets and liabilities, net of effects from acquisitions:		
Trade accounts receivable	(3)	(24)
Prepaid expenses and other assets	(14)	(12)
Trade accounts payable and other liabilities	44	2
Deferred revenues	(32)	(23)
<b>Net cash provided by operating activities from continuing operations</b>	<b>579</b>	<b>407</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures, including capitalization of software costs	(139)	(111)
Payment for acquisitions of businesses, net of cash acquired	(40)	(93)
Proceeds from sale of businesses, net of cash sold and expenses paid	513	
Other investing activities	(18)	
<b>Net cash provided by (used in) investing activities from continuing operations</b>	<b>316</b>	<b>(204)</b>
<b>Cash flows from financing activities:</b>		
(Repayments of) proceeds from long-term debt, net	(1,148)	198
Issuance of common stock and treasury stock	34	41
Purchases of treasury stock	(244)	(469)
Excess tax benefit from exercise of stock options	2	10
Other financing activities	(12)	(9)
<b>Net cash used in financing activities from continuing operations</b>	<b>(1,368)</b>	<b>(229)</b>
<b>Net change in cash and cash equivalents from continuing operations</b>	<b>(473)</b>	<b>(26)</b>
Net cash transactions transferred from discontinued operations	648	42
Beginning balance	297	116
Ending balance	\$	