

DELUXE CORP
Form 10-Q
July 27, 2015

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 June 30, 2015
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: 1-7945

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-0216800

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

3680 Victoria St. N., Shoreview, Minnesota

55126-2966

(Address of principal executive offices)

(Zip Code)

(651) 483-7111

(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 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Edgar Filing: DELUXE CORP - Form 10-Q

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

The number of shares outstanding of registrant's common stock, par value \$1.00 per share, at July 20, 2015 was 49,960,160.

1

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

DELUXE CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except share par value)

(Unaudited)

| | June 30, 2015 | December 31, 2014 |
|---|------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$64,926 | \$61,541 |
| Trade accounts receivable (net of allowances for uncollectible accounts of \$4,720 and \$4,335, respectively) | 95,116 | 113,656 |
| Inventories and supplies | 40,521 | 39,411 |
| Deferred income taxes | 10,518 | 10,159 |
| Funds held for customers | 54,687 | 43,604 |
| Other current assets | 46,511 | 50,519 |
| Total current assets | 312,279 | 318,890 |
| Deferred income taxes | 1,324 | 1,411 |
| Long-term investments (including \$2,142 and \$2,384 of investments at fair value, respectively) | 45,500 | 46,451 |
| Property, plant and equipment (net of accumulated depreciation of \$343,141 and \$348,530, respectively) | 84,092 | 87,623 |
| Assets held for sale | 13,971 | 26,819 |
| Intangibles (net of accumulated amortization of \$405,433 and \$388,308, respectively) | 218,552 | 207,180 |
| Goodwill | 882,788 | 868,376 |
| Other non-current assets | 130,279 | 131,641 |
| Total assets | \$1,688,785 | \$1,688,391 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$77,445 | \$87,216 |
| Accrued liabilities | 215,430 | 219,121 |
| Short-term borrowings | 308,000 | 160,000 |
| Long-term debt due within one year | 998 | 911 |
| Total current liabilities | 601,873 | 467,248 |
| Long-term debt | 194,771 | 393,401 |
| Deferred income taxes | 95,053 | 95,838 |
| Other non-current liabilities | 71,561 | 84,407 |
| Commitments and contingencies (Notes 12 and 13) | | |
| Shareholders' equity: | | |
| Common shares \$1 par value (authorized: 500,000 shares; outstanding: 2015 – 49,960; 2014 – 49,742) | 49,960 | 49,742 |
| Additional paid-in capital | 15,103 | 4,758 |
| Retained earnings | 701,295 | 629,335 |
| Accumulated other comprehensive loss | (40,831 |) (36,338 |
| Total shareholders' equity | 725,527 | 647,497 |
| Total liabilities and shareholders' equity | \$1,688,785 | \$1,688,391 |

See Condensed Notes to Unaudited Consolidated Financial Statements

2

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share amounts)

(Unaudited)

| | Quarter Ended | | Six Months Ended | |
|---|---------------|------------|------------------|------------|
| | June 30, | | June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Product revenue | \$358,897 | \$344,463 | \$713,911 | \$690,127 |
| Service revenue | 76,977 | 60,947 | 155,581 | 122,238 |
| Total revenue | 435,874 | 405,410 | 869,492 | 812,365 |
| Cost of products | (128,256 |) (119,550 |) (251,996 |) (237,936 |
| Cost of services | (27,682 |) (26,341 |) (56,624 |) (52,884 |
| Total cost of revenue | (155,938 |) (145,891 |) (308,620 |) (290,820 |
| Gross profit | 279,936 | 259,519 | 560,872 | 521,545 |
| Selling, general and administrative expense | (190,091 |) (173,546 |) (385,469 |) (351,476 |
| Net restructuring charges | (966 |) (1,014 |) (1,233 |) (4,314 |
| Operating income | 88,879 | 84,959 | 174,170 | 165,755 |
| Loss on early debt extinguishment | — | — | (8,917 |) — |
| Interest expense | (4,420 |) (9,530 |) (10,935 |) (19,097 |
| Other income | 824 | 368 | 1,254 | 499 |
| Income before income taxes | 85,283 | 75,797 | 155,572 | 147,157 |
| Income tax provision | (29,220 |) (25,721 |) (53,569 |) (49,758 |
| Net income | \$56,063 | \$50,076 | \$102,003 | |