

FIRST DATA CORP
Form 10-Q
August 14, 2009
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, 2009

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 001-11073

FIRST DATA CORPORATION

(Exact name of registrant as specified in its charter)

www.firstdata.com

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

47-0731996
(I.R.S. Employer
Identification No.)

5565 GLENRIDGE CONNECTOR, N.E., SUITE 2000,

ATLANTA, GEORGIA
(Address of principal executive offices)

30342
(Zip Code)

Registrant's telephone number, including area code (404) 890-2000

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 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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2009
Common Stock, \$0.01 par value per share	1,000 shares

Table of Contents

INDEX

	PAGE NUMBER
<u>PART I FINANCIAL INFORMATION</u>	
Item 1	
<u>Financial Statements (unaudited):</u>	
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2009 and 2008</u>	3
<u>Consolidated Balance Sheets at June 30, 2009 and December 31, 2008</u>	4
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and 2008</u>	5
<u>Consolidated Statement of Equity for the six months ended June 30, 2009</u>	6
<u>Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2009 and 2008</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
Item 2	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	36
Item 3	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	57
Item 4	
<u>Controls and Procedures</u>	57
<u>PART II OTHER INFORMATION</u>	
Item 1	
<u>Legal Proceedings</u>	58
Item 1A	
<u>Risk Factors</u>	58
Item 2	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	58
Item 3	
<u>Defaults Upon Senior Securities</u>	58
Item 4	
<u>Submission of Matters to a Vote of Security Holders</u>	58
Item 5	
<u>Other Information</u>	58
Item 6	
<u>Exhibits</u>	59

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements**

FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)**(in millions)**

	Three months ended June 30, 2009	2008	Six months ended June 30, 2009	2008
Revenues:				
Transaction and processing service fees:				
Merchant related services ^(a)	\$ 709.6	\$ 700.9	\$ 1,331.1	\$ 1,335.8
Check services	84.6	97.1	171.1	197.7
Card services ^(a)	454.2	506.0	924.6	1,014.3
Other services	123.1	139.7	251.5	275.6
Investment income, net	(1.0)	35.8	4.8	91.8
Product sales and other ^(a)	206.2	214.0	380.2	426.0
Reimbursable debit network fees, postage and other	631.9	510.8	1,221.5	989.6
	2,208.6	2,204.3	4,284.8	4,330.8
Expenses:				
Cost of services (exclusive of items shown below)	673.1	709.1	1,387.4	1,430.6
Cost of products sold	80.2	83.4	143.7	154.3
Selling, general and administrative	331.2	355.5	657.7	695.1
Reimbursable debit network fees, postage and other	631.9	510.8	1,221.5	989.6
Depreciation and amortization	365.6	338.8	695.1	657.9
Other operating expenses:				
Restructuring, net	8.4	(0.1)	33.5	(0.1)
Litigation and regulatory settlements			(2.7)	
	2,090.4	1,997.5	4,136.2	3,927.4
Operating profit	118.2	206.8	148.6	403.4
Interest income	3.1	6.6	6.4	15.6
Interest expense	(449.6)	(451.1)	(897.8)	(968.8)
Other income (expense)	(3.6)	6.4	19.7	(36.8)
	(450.1)	(438.1)	(871.7)	(990.0)
Loss before income taxes and equity earnings in affiliates	(331.9)	(231.3)	(723.1)	(586.6)
Income tax benefit	(112.8)	(69.4)	(257.6)	(199.9)
Equity earnings in affiliates	25.5	41.6	44.0	73.7

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Net loss	(193.6)	(120.3)	(421.5)	(313.0)
Less: Net income attributable to noncontrolling interests	2.3	40.3	5.7	69.3
Net loss attributable to First Data Corporation	\$ (195.9)	\$ (160.6)	\$ (427.2)	\$ (382.3)

^(a) Includes processing fees, administrative service fees and other fees charged to merchant alliances accounted for under the equity method of \$22.4 million and \$43.5 million for the three and six months ended June 30, 2009, respectively, and \$55.7 million and \$109.2 million for the comparable periods in 2008.

See Notes to Consolidated Financial Statements.

Table of Contents

FIRST DATA CORPORATION
CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in millions, except common stock share amounts)

	June 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 768.0	\$ 406.3
Accounts receivable, net of allowance for doubtful accounts of \$16.4 (2009) and \$16.6 (2008)	2,189.5	2,637.2
Settlement assets	8,490.1	7,930.2
Other current assets	482.6	419.8
Total current assets	11,930.2	11,393.5
Property and equipment, net of accumulated depreciation of \$387.5 (2009) and \$261.1 (2008)	1,083.0	1,087.8
Goodwill	17,113.5	14,861.2
Customer relationships, net of accumulated amortization of \$1,337.2 (2009) and \$932.1 (2008)	6,411.7	5,987.6
Other intangibles, net of accumulated amortization of \$534.1 (2009) and \$373.1 (2008)	2,219.7	1,915.6
Investment in affiliates	1,296.6	1,259.6
Long-term settlement assets	479.4	732.7
Other long-term assets	878.1	938.1
Total assets	\$ 41,412.2	\$ 38,176.1
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 174.8	\$ 186.5
Short-term and current portion of long-term borrowings	447.1	497.3
Settlement obligations	9,018.8	8,680.6
Other current liabilities	1,218.6	1,413.6
Total current liabilities	10,859.3	10,778.0
Long-term borrowings	22,185.7	22,075.2
Long-term deferred tax liabilities	1,433.4	1,648.2
Other long-term liabilities	1,172.6	1,272.4
Total liabilities	35,651.0	35,773.8
Commitments and contingencies (See Note 7)		
Redeemable noncontrolling interest	193.0	
First Data Corporation stockholder's equity:		
Common stock, \$.01 par value; authorized and issued 1,000 shares (2009 and 2008)		

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Additional paid-in capital	7,390.0	7,380.8
Paid-in capital	7,390.0	7,380.8
Accumulated loss	(4,468.1)	(4,068.0)
Accumulated other comprehensive loss	(826.6)	(934.9)
Total First Data Corporation stockholder s equity	2,095.3	2,377.9
Noncontrolling interests	3,472.9	24.4
Total equity	5,568.2	2,402.3
Total liabilities and equity	\$ 41,412.2	\$ 38,176.1

See Notes to Consolidated Financial Statements.

Table of Contents

FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(Unaudited)

	Six months ended June 30,	
	2009	2008
Cash and cash equivalents at beginning of period	\$ 406.3	\$ 606.5
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(421.5)	(313.0)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	741.1	761.9
Charges, net, related to other operating expenses and other income (expense)	13.3	36.7
Other non-cash and non-operating items, net	133.5	(30.0)
Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:		
Accounts receivable, current and long-term	541.2	162.9
Other assets, current and long-term	101.8	188.4
Accounts payable and other liabilities, current and long-term	(295.0)	(225.3)
Income tax accounts	(301.4)	(213.8)
Net cash provided by operating activities	513.0	367.8
CASH FLOWS FROM INVESTING ACTIVITIES		
Current period acquisitions, net of cash acquired	(9.9)	(177.8)