

SUNGARD DATA SYSTEMS INC

Form 10-Q

August 06, 2008

Table of Contents

**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, 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 1-12989

**SunGard<sup>®</sup> Data Systems Inc.**

(Exact name of registrant as specified in its charter)

Edgar Filing: SUNGARD DATA SYSTEMS INC - Form 10-Q

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**51-0267091**  
(IRS Employer  
Identification No.)

**680 East Swedesford Road, Wayne, Pennsylvania 19087**  
(Address of principal executive offices, including zip code)

**484-582-2000**  
(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 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   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 100 shares of the registrant's common stock outstanding as of June 30, 2008.

**Table of Contents**

**SUNGARD DATA SYSTEMS INC.**

**AND SUBSIDIARIES**

**INDEX**

	<b>Page</b>
Part I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements:</u>	
<u>Consolidated Balance Sheets as of December 31, 2007 and June 30, 2008 (unaudited)</u>	1
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2007 and 2008 (unaudited)</u>	2
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2008 (unaudited)</u>	3
<u>Notes to Consolidated Financial Statements (unaudited)</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	24
Item 4T. <u>Controls and Procedures</u>	24
Part II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	25
Item 1A. <u>Risk Factors</u>	25
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
Item 3. <u>Defaults upon Senior Securities</u>	25
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	25
Item 5. <u>Other Information</u>	25
Item 6. <u>Exhibits</u>	25
<u>SIGNATURES</u>	26

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****SunGard Data Systems Inc.****Consolidated Balance Sheets****(In millions except share and per-share amounts)****(unaudited)**

	<b>December 31, 2007</b>	<b>June 30, 2008</b>
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 427	\$ 448
Trade receivables, less allowance for doubtful accounts of \$12 and \$26	290	320
Earned but unbilled receivables	63	85
Prepaid expenses and other current assets	166	166
Clearing broker assets	469	429
Retained interest in accounts receivable sold	243	264
Deferred income taxes	32	34
Total current assets	1,690	1,746
Property and equipment, less accumulated depreciation of \$533 and \$650	852	905
Software products, less accumulated amortization of \$542 and \$670	1,266	1,228
Customer base, less accumulated amortization of \$475 and \$591	2,745	2,693
Other tangible and intangible assets, less accumulated amortization of \$21 and \$26	179	202
Trade name	1,022	1,022
Goodwill	7,086	7,169
<b>Total Assets</b>	<b>\$ 14,840</b>	<b>\$ 14,965</b>
<b>Liabilities and Stockholder's Equity</b>		
Current:		
Short-term and current portion of long-term debt	\$ 55	\$ 318
Accounts payable	85	80
Accrued compensation and benefits	271	228
Accrued interest expense	148	139
Other accrued expenses	390	334
Clearing broker liabilities	434	423
Deferred revenue	825	894
Total current liabilities	2,208	2,416
Long-term debt	7,430	7,347
Deferred income taxes	1,646	1,622
Total liabilities	11,284	11,385

Edgar Filing: SUNGARD DATA SYSTEMS INC - Form 10-Q

Commitments and contingencies

Stockholder's equity:

Common stock, par value \$.01 per share; 100 shares authorized, issued and outstanding		
Capital in excess of par value	3,694	<b>3,709</b>
Accumulated deficit	(207)	<b>(227)</b>
Accumulated other comprehensive income	69	<b>98</b>
<b>Total stockholder's equity</b>	<b>3,556</b>	<b>3,580</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 14,840</b>	<b>\$ 14,965</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****SunGard Data Systems Inc.****Consolidated Statements of Operations****(In millions)****(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>
<b>Revenue:</b>				
Services	\$ 1,042	\$ <b>1,214</b>	\$ 2,064	\$ <b>2,412</b>
License and resale fees	100	<b>98</b>	165	<b>157</b>
Total products and services	1,142	<b>1,312</b>	2,229	<b>2,569</b>
Reimbursed expenses	33	<b>45</b>	62	<b>90</b>
	1,175	<b>1,357</b>	2,291	<b>2,659</b>
<b>Costs and expenses:</b>				
Cost of sales and direct operating	543	<b>653</b>	1,068	<b>1,296</b>
Sales, marketing and administration	268	<b>293</b>	508	<b>570</b>
Product development	64	<b>78</b>	138	<b>157</b>
Depreciation and amortization	61	<b>70</b>	120	<b>137</b>
Amortization of acquisition-related intangible assets	105	<b>118</b>	209	<b>230</b>
	1,041	<b>1,212</b>	2,043	<b>2,390</b>
Income from operations	134	<b>145</b>	248	<b>269</b>
Interest income	4	<b>4</b>	9	<b>9</b>
Interest expense and amortization of deferred financing fees	(159)	<b>(143)</b>	(324)	<b>(291)</b>
Other expense	(3)	<b>(4)</b>	(40)	<b>(25)</b>
Income (loss) before income taxes	(24)	<b>2</b>	(107)	<b>(38)</b>
Benefit from income taxes	(19)		(6)	<b>(18)</b>
Net income (loss)	\$ (5)	\$ <b>2</b>	\$ (101)	\$ <b>(20)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****SunGard Data Systems Inc.****Consolidated Statements of Cash Flows****(In millions)****(Unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2008</b>
<b><i>Cash flow from operations:</i></b>		
Net loss	\$ (101)	\$ (20)
Reconciliation of net loss to cash flow provided by operations:		
Depreciation and amortization	329	367
Deferred income tax benefit	(47)	(60)
Stock compensation expense	12	14
Amortization of deferred financing costs and debt discount	28	18
Other noncash items	(3)	14
Accounts receivable and other current assets	7	(61)
Accounts payable and accrued expenses	(69)	(92)
Clearing broker assets and liabilities, net	(9)	28
Deferred revenue	23	39
<b>Cash flow provided by operations</b>	<b>170</b>	<b>247</b>
<b><i>Investment activities:</i></b>		
Cash paid for acquired businesses, net of cash acquired	(62)	(161)
Cash paid for property and equipment and software	(152)	(189)
Other investing activities	8	(16)
<b>Cash used in investment activities</b>	<b>(206)</b>	<b>(366)</b>
<b><i>Financing activities:</i></b>		
Cash received from borrowings, net of fees	506	189
Cash used to repay debt	(491)	(44)
Other financing activities	(3)	(13)
<b>Cash provided by financing activities</b>	<b>12</b>	<b>132</b>
Effect of exchange rate changes on cash	2	8
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(22)</b>	<b>21</b>
Beginning cash and cash equivalents	316	427
<b>Ending cash and cash equivalents</b>	<b>\$ 294</b>	<b>\$ 448</b>
<b><i>Supplemental information:</i></b>		
<b>Acquired businesses:</b>		
Property and equipment	\$ 1	\$ 2
Software products	36	68
Customer base	50	60

Edgar Filing: SUNGARD DATA SYSTEMS INC - Form 10-Q

Goodwill	43	<b>106</b>
Other tangible and intangible assets	2	<b>1</b>
Deferred income taxes	(27)	<b>(27)</b>
Purchase price obligations and debt assumed	(26)	<b>(14)</b>
Net current liabilities assumed	(17)	<b>(35)</b>
Cash paid for acquired businesses, net of cash acquired of \$14 and \$20, respectively	\$ 62	<b>\$ 161</b>

The accompanying notes are an integral part of these consolidated financial statements.



**Table of Contents**

**SUNGARD DATA SYSTEMS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation:**

SunGard Data Systems Inc. ( SunGard or the Company ) was acquired on August 11, 2005 (the Transaction ) by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (collectively, the Sponsors ).

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II, which is a subsidiary of SunG