

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

Fidelity National Information Services, Inc.
Form 10-Q
November 05, 2015
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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 September 30, 2015

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
(Registrant's telephone number, including area code)

32204
(Zip 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) 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 October 31, 2015, 282,153,638 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)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$441.5	\$492.8
Settlement deposits	309.2	393.9
Trade receivables, net of allowance for doubtful accounts of \$19.2 and \$15.6 as of September 30, 2015 and December 31, 2014, respectively	1,125.1	1,126.4
Settlement receivables	239.9	153.7
Other receivables	24.5	31.5
Due from Brazilian venture partner	29.7	33.6
Prepaid expenses and other current assets	186.8	167.0
Deferred income taxes	79.6	67.4
Assets held for sale	—	6.8
Total current assets	2,436.3	2,473.1
Property and equipment, net	481.0	483.3
Goodwill	8,761.5	8,877.6
Intangible assets, net	1,053.9	1,268.0
Computer software, net	902.1	893.4
Deferred contract costs, net	238.4	213.2
Other noncurrent assets	314.6	311.9
Total assets	\$14,187.8	\$14,520.5
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$714.4	\$730.3
Settlement payables	555.9	558.4
Deferred revenues	273.5	279.4
Current portion of long-term debt	13.4	13.1
Due to Brazilian venture partner	9.0	13.3
Liabilities held for sale	—	4.4
Total current liabilities	1,566.2	1,598.9
Long-term debt, excluding current portion	4,957.0	5,054.6
Deferred income taxes	843.9	874.4
Due to Brazilian venture partner	23.1	29.6
Deferred revenues	27.9	26.1
Other long-term liabilities	165.5	245.4
Total liabilities	7,583.6	7,829.0
Equity:		
FIS stockholders' equity:		
Preferred stock, \$0.01 par value, 200 shares authorized, none issued and outstanding as of September 30, 2015 and December 31, 2014	—	—

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Common stock, \$0.01 par value, 600 shares authorized, 387.8 and 387.6 shares issued as of September 30, 2015 and December 31, 2014, respectively	3.9	3.9	
Additional paid in capital	7,416.4	7,336.8	
Retained earnings	3,053.1	2,746.8	
Accumulated other comprehensive earnings (loss)	(261.4	) (107.2)
Treasury stock, \$0.01 par value, 105.7 and 102.7 shares as of September 30, 2015 and December 31, 2014, respectively, at cost	(3,683.3	) (3,423.6)
Total FIS stockholders' equity	6,528.7	6,556.7	
Noncontrolling interest	75.5	134.8	
Total equity	6,604.2	6,691.5	
Total liabilities and equity	\$14,187.8	\$14,520.5	

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		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Processing and services revenues (for related party activity, see note 2)	\$1,578.8	\$1,605.3	\$4,720.4	\$4,724.7
Cost of revenues	1,021.3	1,074.5	3,160.6	3,211.4
Gross profit	557.5	530.8	1,559.8	1,513.3
Selling, general, and administrative expenses	219.2	207.1	719.4	593.8
Operating income	338.3	323.7	840.4	919.5
Other income (expense):				
Interest expense, net	(35.6	) (37.7	) (108.8	) (120.7
Other income (expense), net	(21.2	) (54.8	) 129.5	) (56.5
Total other income (expense), net	(56.8	) (92.5	) 20.7	) (177.2
Earnings from continuing operations before income taxes	281.5	231.2	861.1	742.3
Provision for income taxes	100.0	72.1	314.2	233.7
Earnings from continuing operations, net of tax	181.5	159.1	546.9	508.6
Earnings (loss) from discontinued operations, net of tax	(1.7	) (1.2	) (7.0	) (4.3
Net earnings	179.8	157.9	539.9	504.3
Net (earnings) loss attributable to noncontrolling interest	(4.6	) (7.4	) (13.6	) (20.5
Net earnings attributable to FIS common stockholders	\$175.2	\$150.5	\$526.3	\$483.8
Net earnings per share — basic from continuing operations attributable to FIS common stockholders	\$0.63	\$0.54	\$1.89	\$1.71
Net earnings (loss) per share — basic from discontinued operations attributable to FIS common stockholders	(0.01	) —	(0.02	) (0.02
Net earnings per share — basic attributable to FIS common stockholders *	\$0.62	\$0.53	\$1.87	\$1.69
Weighted average shares outstanding — basic	280.4	283.1	281.5	285.5
Net earnings per share — diluted from continuing operations attributable to FIS common stockholders	\$0.62	\$0.53	\$1.87	\$1.69
Net earnings (loss) per share — diluted from discontinued operations attributable to FIS common stockholders	(0.01	) —	(0.02	) (0.01
Net earnings per share — diluted attributable to FIS common stockholders *	\$0.62	\$0.52	\$1.85	\$1.67
Weighted average shares outstanding — diluted	283.8	287.0	285.0	289.3
Cash dividends paid per share	\$0.26	\$0.24	\$0.78	\$0.72
Amounts attributable to FIS common stockholders:				
Earnings from continuing operations, net of tax	\$176.9	\$151.7	\$533.3	\$488.1
Earnings (loss) from discontinued operations, net of tax	(1.7	) (1.2	) (7.0	) (4.3
Net earnings attributable to FIS common stockholders	\$175.2	\$150.5	\$526.3	\$483.8

* 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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net earnings		\$ 179.8	\$ 157.9	
Other comprehensive earnings, before tax:				
Unrealized gain (loss) on investments and derivatives	\$(13.9)	\$0.8	\$(16.1)	\$(2.2)
Reclassification adjustment for (gains) losses included in net earnings	0.7	1.7	2.7	5.2
Unrealized gain (loss) on investments and derivatives, net	(13.2)	2.5	(13.4)	3.0
Foreign currency translation adjustments	(74.9)	(70.7)	(179.1)	(37.7)
Other comprehensive earnings (loss), before tax:	(88.1)	(68.2)	(192.5)	(34.7)
Provision for income tax expense (benefit) related to items of other comprehensive earnings	(5.8)	(2.4)	(4.6)	(1.3)
Other comprehensive earnings (loss), net of tax	\$(82.3) (82.3)	\$(65.8) (65.8)	\$(187.9) (187.9)	\$(33.4) (33.4)
Comprehensive (loss) earnings:	97.5	92.1	352.0	470.9
Net (earnings) loss attributable to noncontrolling interest	(4.6)	(7.4)	(13.6)	(20.5)
Other comprehensive (earnings) losses attributable to noncontrolling interest	19.0	12.4	33.7	2.8
Comprehensive (loss) earnings attributable to FIS common stockholders	\$ 111.9	\$ 97.1	\$ 372.1	\$ 453.2

See accompanying notes to unaudited condensed consolidated financial statements.

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AND SUBSIDIARIES

Condensed Consolidated Statement of Equity

Nine months ended September 30, 2015

(In millions, except per share amounts)

(Unaudited)

	Amount FIS Stockholders				Accumulated				
	Number of shares Common	Treasury shares	Common stock	paid in capital	Retained earnings	comprehensive earnings	Treasury stock	Noncontrolling interest	Total equity
Balances, December 31, 2014	387.6	(102.7)	\$3.9	\$7,336.8	\$2,746.8	\$ (107.2)	\$(3,423.6)	\$ 134.8	\$6,691.5
Issuance of restricted stock	0.2	—	—	—	—	—	—	—	—
Exercise of stock options	—	1.6	—	(1.5)	—	—	46.9	—	45.4
Treasury shares held for taxes due upon exercise of stock options	—	(0.1)	—	—	—	—	(7.3)	—	(7.3)
Excess income tax benefit from exercise of stock options	—	—	—	21.0	—	—	—	—	21.0
Stock-based compensation	—	—	—	58.6	—	—	—	—	58.6
Cash dividends paid (\$0.26 per share per quarter) and other distributions	—	—	—	—	(220.0)	—	—	(26.2)	(246.2)
Purchases of treasury stock	—	(4.5)	—	—	—	—	(300.4)	—	(300.4)
Other	—	—	—	1.5	—	—	1.1	(13.0)	(10.4)
Net earnings	—	—	—	—	526.3	—	—	13.6	539.9
Other comprehensive loss, net of tax	—	—	—	—	—	(154.2)	—	(33.7)	(187.9)
Balances, September 30, 2015	387.8	(105.7)	\$3.9	\$7,416.4	\$3,053.1	\$ (261.4)	\$(3,683.3)	\$ 75.5	\$6,604.2

See accompanying notes to unaudited condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows

(In millions)

(Unaudited)

	Nine months ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net earnings	\$539.9	\$504.3
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	464.3	466.1
Amortization of debt issue costs	6.7	15.2
Gain on sale of assets	(149.5)) —
Stock-based compensation	58.8	40.5
Deferred income taxes	(41.2)	) (14.2)
Excess income tax benefit from exercise of stock options	(21.0)	) (24.2)
Other operating activities	3.7	15.7
Net changes in assets and liabilities, net of effects from acquisitions and foreign currency:		
Trade receivables	(34.0)	) (53.1)
Settlement activity	7.4	(30.7)
Prepaid expenses and other assets	(19.1)	) (24.2)
Deferred contract costs	(85.3)	) (63.4)
Deferred revenue	(3.9)	) 15.8
Accounts payable, accrued liabilities, and other liabilities	(29.3)	) (160.7)
Net cash provided by operating activities	697.5	687.1
Cash flows from investing activities:		
Additions to property and equipment	(106.0)	) (110.5)
Additions to computer software	(199.7)	) (162.1)
Proceeds from sale of assets	240.7	—
Acquisitions, net of cash acquired, and equity investments	(16.8)	) (133.6)
Other investing activities, net	(0.5)	) 7.5
Net cash used in investing activities	(82.3)	) (398.7)
Cash flows from financing activities:		
Borrowings	4,662.0	