

FIRST DATA CORP
Form 10-Q
August 12, 2011

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**

June 30, 2011 For the quarterly period ended June 30, 2011

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, 2011
Common Stock, \$0.01 par value per share	1,000 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST DATA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenues:				
Transaction and processing service fees:				
Merchant related services ^(a)	\$ 939.5	\$ 883.8	\$ 1,772.5	\$ 1,676.2
Check services	84.5	97.8	168.5	188.3
Card services ^(a)	439.2	431.1	868.8	864.3
Other services	130.2	144.6	266.6	276.7
Product sales and other ^(a)	217.4	207.5	414.3	402.3
Reimbursable debit network fees, postage and other	939.0	849.9	1,803.3	1,609.0
	2,749.8	2,614.7	5,294.0	5,016.8
Expenses:				
Cost of services (exclusive of items shown below)	719.5	752.8	1,436.0	1,508.3
Cost of products sold	92.5	99.7	183.3	175.0
Selling, general and administrative	438.6	395.9	850.3	774.6
Reimbursable debit network fees, postage and other	939.0	849.9	1,803.3	1,609.0
Depreciation and amortization	329.8	347.4	671.6	698.7
Other operating expenses:				
Restructuring, net	18.4	23.9	31.0	36.4
Litigation and regulatory settlements		(1.7)		(2.0)
	2,537.8	2,467.9	4,975.5	4,800.0
Operating profit	212.0	146.8	318.5	216.8
Interest income	1.9	1.4	3.8	3.4
Interest expense	(462.3)	(450.9)	(904.6)	(899.8)
Other income (expense)	(1.4)	24.8	(27.7)	33.0
	(461.8)	(424.7)	(928.5)	(863.4)
Loss before income taxes and equity earnings in affiliates	(249.8)	(277.9)	(610.0)	(646.6)
Income tax benefit	(88.1)	(122.4)	(236.1)	(260.5)
Equity earnings in affiliates	33.5	33.3	61.2	55.5
Net loss	(128.2)	(122.2)	(312.7)	(330.6)
Less: Net income attributable to noncontrolling interests	47.6	49.0	80.2	80.7
Net loss attributable to First Data Corporation	\$ (175.8)	\$ (171.2)	\$ (392.9)	\$ (411.3)

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- (a) Includes processing fees, administrative service fees and other fees charged to merchant alliances accounted for under the equity method of \$36.5 million and \$72.2 million for the three and six months ended June 30, 2011, respectively, and \$34.6 million and \$64.7 million for the comparable periods in 2010.

See Notes to Consolidated Financial Statements.

FIRST DATA CORPORATION
CONSOLIDATED BALANCE SHEETS

(in millions, except common stock share amounts)	As of June 30, 2011 (Unaudited)	As of December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 611.5	\$ 509.5
Accounts receivable, net of allowance for doubtful accounts of \$23.2 (2011) and \$20.3 (2010)	1,876.4	2,169.6
Settlement assets	6,883.6	6,694.0
Other current assets	439.1	413.4
Total current assets	9,810.6	9,786.5
Property and equipment, net of accumulated depreciation of \$791.9 (2011) and \$691.6 (2010)	962.9	952.0
Goodwill	17,444.5	17,296.9
Customer relationships, net of accumulated amortization of \$2,872.0 (2011) and \$2,490.5 (2010)	4,894.6	5,223.7
Other intangibles, net of accumulated amortization of \$1,148.2 (2011) and \$975.8 (2010)	1,930.1	1,931.0
Investment in affiliates	1,201.7	1,208.2
Long-term settlement assets	242.7	365.1
Other long-term assets	803.2	780.7
Total assets	\$ 37,290.3	\$ 37,544.1
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 197.0	\$ 180.9
Short-term and current portion of long-term borrowings	169.7	270.5
Settlement obligations	7,125.2	7,058.9
Other current liabilities	1,500.1	1,353.7
Total current liabilities	8,992.0	8,864.0
Long-term borrowings	22,584.3	22,438.8
Long-term deferred tax liabilities	826.4	1,013.7
Other long-term liabilities	1,023.7	1,139.6
Total liabilities	33,426.4	33,456.1
Commitments and contingencies (See Note 7)		
Redeemable noncontrolling interest	45.4	28.1
First Data Corporation stockholder's equity:		
Common stock, \$.01 par value; authorized and issued 1,000 shares (2011 and 2010)		
Additional paid-in capital	7,385.6	7,395.1
Paid-in capital	7,385.6	7,395.1
Accumulated loss	(6,556.8)	(6,163.9)
Accumulated other comprehensive loss	(436.1)	(636.9)
Total First Data Corporation stockholder's equity	392.7	594.3
Noncontrolling interests	3,425.8	3,465.6

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Total equity	3,818.5	4,059.9
Total liabilities and equity	\$ 37,290.3	\$ 37,544.1

See Notes to Consolidated Financial Statements.

FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Six months ended	
	June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (312.7)	\$ (330.6)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	725.0	753.8
Charges related to other operating expenses and other income (expense)	58.7	1.4