

FIRST DATA CORP
Form 10-Q
August 13, 2013
Table of Contents

**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 June 30, 2013

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

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 x

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 x

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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, 2013
Common Stock, \$0.01 par value per share	1,000 shares

* The registrant has not been subject to the filing requirements of Section 13 or 15(d) of the Exchange Act since January 1, 2012; however, registrant filed all reports since that time that would have been required to be filed since that date if it were subject to Section 13 or 15(d) of the Exchange Act.

Table of Contents

INDEX

	PAGE NUMBER
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1</u>	
	<u>Financial Statements (unaudited):</u>
	<u>Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012</u>
	3
	<u>Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2013 and 2012</u>
	4
	<u>Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012</u>
	5
	<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012</u>
	6
	<u>Consolidated Statements of Equity for the six months ended June 30, 2013 and 2012</u>
	7
	<u>Notes to Consolidated Financial Statements</u>
	8
<u>Item 2</u>	
	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	39
<u>Item 3</u>	
	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	55
<u>Item 4</u>	
	<u>Controls and Procedures</u>
	55
<u>PART II OTHER INFORMATION</u>	
<u>Item 1</u>	
	<u>Legal Proceedings</u>
	57
<u>Item 1A</u>	
	<u>Risk Factors</u>
	57
<u>Item 2</u>	
	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	57
<u>Item 3</u>	
	<u>Defaults Upon Senior Securities</u>
	57
<u>Item 4</u>	
	<u>Mine Safety Disclosures</u>
	57
<u>Item 5</u>	
	<u>Other Information</u>
	57
<u>Item 6</u>	
	<u>Exhibits</u>
	58

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,		Six months ended June 30,	
	2013	2012	2013	2012
Revenues:				
Transaction and processing service fees:				
Merchant related services (a)	\$ 1,023.7	\$ 987.4	\$ 1,966.8	\$ 1,907.9
Check services	71.3	78.4	143.7	156.4
Card services (a)	419.7	437.9	826.5	867.8
Other services	113.9	118.5	235.3	243.4
Product sales and other (a)	204.9	217.0	407.3	420.4
Reimbursable debit network fees, postage and other	875.3	846.3	1,720.1	1,653.6
	2,708.8	2,685.5	5,299.7	5,249.5
Expenses:				
Cost of services (exclusive of items shown below)				
Cost of products sold	83.4	86.2	166.0	171.2
Selling, general and administrative	493.2	458.9	956.5	905.4
Reimbursable debit network fees, postage and other	875.3	846.3	1,720.1	1,653.6
Depreciation and amortization	274.7	294.5	546.9	603.6
Other operating expenses:				
Restructuring, net	20.0	13.2	38.2	16.9
Impairments		5.1		5.1
	2,438.5	2,417.6	4,838.3	4,764.6
Operating profit	270.3	267.9	461.4	484.9
Interest income	2.6	1.7	5.3	4.2
Interest expense	(472.2)	(480.7)	(941.2)	(941.8)
Other income (expense)	15.0	(22.6)	15.3	(30.8)
	(454.6)	(501.6)	(920.6)	(968.4)
Loss before income taxes and equity earnings in affiliates				
	(184.3)	(233.7)	(459.2)	(483.5)
Income tax expense (benefit)	11.5	(74.7)	73.1	(182.9)
Equity earnings in affiliates	51.0	44.0	88.7	71.5
Net loss	(144.8)	(115.0)	(443.6)	(229.1)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest				
	44.3	42.4	82.9	80.8
Net loss attributable to First Data Corporation	\$ (189.1)	\$ (157.4)	\$ (526.5)	\$ (309.9)

(a) Includes processing fees, administrative service fees and other fees charged to merchant alliances accounted for under the equity method of \$41.2 million and \$81.7 million for the three and six months ended June 30, 2013, respectively, and \$40.2 million and \$78.7 million for the comparable periods in 2012.

See Notes to Consolidated Financial Statements.

Table of Contents**FIRST DATA CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)**

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net loss	\$ (144.8)	\$ (115.0)	\$ (443.6)	\$ (229.1)
Other comprehensive (loss) income, net of tax:				
Unrealized gains (losses) on securities	1.1	(1.5)	0.9	0.6
Unrealized gains on hedging activities		24.1		48.3
Foreign currency translation adjustment	(66.2)	(172.2)	(147.8)	(92.7)
Pension liability adjustments	0.9	0.7	2.3	1.0
Total other comprehensive loss, net of tax	(64.2)	(148.9)	(144.6)	(42.8)
Comprehensive loss	(209.0)	(263.9)	(588.2)	(271.9)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest	46.2	41.5	80.9	77.8
Comprehensive loss attributable to First Data Corporation	\$ (255.2)	\$ (305.4)	\$ (669.1)	\$ (349.7)

See Notes to Consolidated Financial Statements.

Table of Contents

FIRST DATA CORPORATION
CONSOLIDATED BALANCE SHEETS

(in millions, except common stock share amounts)	As of June 30, 2013 (Unaudited)	As of December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 363.2	\$ 608.3
Accounts receivable, net of allowance for doubtful accounts of \$35.1 (2013) and \$33.3 (2012)	1,547.7	1,847.7
Settlement assets	16,011.6	9,173.8
Other current assets	323.3	253.6
Total current assets	18,245.8	11,883.4
Property and equipment, net of accumulated depreciation of \$1,068.5 (2013) and \$1,024.3 (2012)	874.1	855.8
Goodwill	17,165.4	17,282.5
Customer relationships, net of accumulated amortization of \$4,133.0 (2013) and \$3,839.0 (2012)	3,456.5	3,756.3
Other intangibles, net of accumulated amortization of \$1,636.3 (2013) and \$1,544.0 (2012)	1,760.3	1,828.6
Investment in affiliates	1,349.1	1,413.1
Long-term settlement assets	35.8	54.3
Other long-term assets	813.1	825.0
Total assets	\$ 43,700.1	\$ 37,899.0
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 246.2	\$ 260.9
Short-term and current portion of long-term borrowings	119.7	257.1
Settlement obligations	16,044.8	9,226.3
Other current liabilities	1,428.9	1,600.6
Total current liabilities	17,839.6	11,344.9
Long-term borrowings	22,543.3	22,528.9
Long-term deferred tax liabilities	570.5	509.5
Other long-term liabilities	725.1	821.9
Total liabilities	41,678.5	35,205.2
Commitments and contingencies (See Note 7)		
Redeemable noncontrolling interest	68.2	67.4
First Data Corporation stockholder's deficit:		
Common stock, \$.01 par value; authorized and issued 1,000 shares (2013 and 2012)		
Additional paid-in capital	7,371.9	7,341.5
Paid-in capital	7,371.9	7,341.5
Accumulated loss	(7,931.8)	(7,387.8)
Accumulated other comprehensive loss	(694.8)	(552.2)
Total First Data Corporation stockholder's deficit	(1,254.7)	(598.5)
Noncontrolling interests	3,208.1	3,224.9
Total equity	1,953.4	2,626.4
Total liabilities and equity	\$ 43,700.1	\$ 37,899.0

See Notes to Consolidated Financial Statements.

Table of Contents

FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Six months ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (443.6)	\$ (229.1)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	606.7	677.2
Charges related to other operating expenses and other income (expense)	22.9	52.8
Other non-cash and non-operating items, net	(18.6)	(58.0)
Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:		
Accounts receivable, current and long-term	267.7	95.6
Other assets, current and long-term	36.4	168.5
Accounts payable and other liabilities, current and long-term	(183.5)	(114.3)
Income tax accounts	21.4	(198.0)
Net cash provided by operating activities	309.4	394.7
CASH FLOWS FROM INVESTING ACTIVITIES		
Current period acquisitions		(1.9)
Contributions to equity method investments		(7.9)
Payments related to other businesses previously acquired	0.2	(3.2)
Proceeds from dispositions, net of expenses paid and cash disposed	9.6	
Proceeds from sale of property and equipment	3.8	7.4
Additions to property and equipment	(89.1)	(91.5)
Payments to secure customer service contracts, including outlays for conversion, and		