

Fidelity National Information Services, Inc.

Form 10-Q

August 04, 2010

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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 June 30, 2010

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)

32204
(Zip Code)

(904) 854-5000

(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 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 Smaller reporting
company

(Do not check if a 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 July 31, 2010, 379,383,565 shares of the Registrant's Common Stock were outstanding.

FORM 10-Q
QUARTERLY REPORT
Quarter Ended June 30, 2010
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**FIDELITY NATIONAL INFORMATION SERVICES, INC.
AND SUBSIDIARIES**
Condensed Consolidated Balance Sheets
(In millions, except per share amounts)
(Unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 502.0	\$ 430.9
Settlement deposits	43.5	50.8
Trade receivables, net of allowance for doubtful accounts of \$43.5 and \$41.8 at June 30, 2010 and December 31, 2009, respectively	737.0	765.4
Settlement receivables	61.9	62.5
Other receivables	23.7	30.9
Receivable from related parties	33.4	32.0
Prepaid expenses and other current assets	144.8	141.2
Deferred income taxes	71.9	80.9
Assets held for sale		71.5
Total current assets	1,618.2	1,666.1
Property and equipment, net	368.3	375.9
Goodwill	8,207.0	8,232.9
Intangible assets, net	2,296.0	2,396.8
Computer software, net	905.3	932.7
Deferred contract costs	239.7	261.4
Other noncurrent assets	131.8	131.8
Total assets	\$ 13,766.3	\$ 13,997.6
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 480.9	\$ 523.2
Due to Brazilian venture partners	73.3	73.0
Settlement payables	115.1	122.3
Current portion of long-term debt	263.7	236.7
Deferred revenues	279.2	279.5
Total current liabilities	1,212.2	1,234.7
Deferred revenues	89.2	104.8
Deferred income taxes	856.4	915.9
Long-term debt, excluding current portion	2,697.2	3,016.6
Other long-term liabilities	232.8	207.0
Total liabilities	5,087.8	5,479.0
Equity:		
FIS stockholders' equity:		

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Preferred stock \$0.01 par value; 200 shares authorized, none issued and outstanding at June 30, 2010 and December 31, 2009			
Common stock \$0.01 par value; 600 shares authorized, 381.1 shares issued at June 30, 2010 and December 31, 2009, respectively		3.8	3.8
Additional paid in capital		7,242.2	7,345.1
Retained earnings		1,280.4	1,134.6
Accumulated other comprehensive earnings		16.1	82.2
Treasury stock, \$0.01 par value, 2.4 and 6.6 shares at June 30, 2010 and December 31, 2009, respectively, at cost		(66.4)	(256.8)
Total FIS stockholders' equity		8,476.1	8,308.9
Noncontrolling interest		202.4	209.7
Total equity		8,678.5	8,518.6
Total liabilities and equity	\$	13,766.3	\$ 13,997.6

See accompanying notes to unaudited condensed consolidated financial statements.

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.
AND SUBSIDIARIES**
Condensed Consolidated Statements of Earnings
(In millions, except per share data)
(Unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2010	2009	2010	2009
Processing and services revenues (for related party activity, see note 3)	\$ 1,286.1	\$ 829.2	\$ 2,535.7	\$ 1,623.3
Cost of revenues (for related party activity, see note 3)	912.2	622.8	1,819.4	1,241.2
Gross profit	373.9	206.4	716.3	382.1
Selling, general, and administrative expenses (for related party activity, see note 3)	197.0	93.0	355.6	188.9
Operating income	176.9	113.4	360.7	193.2
Other income (expense):				
Interest expense, net	(19.3)	(31.3)	(47.6)	(62.5)
Other income (expense), net	(12.6)	5.5	(17.9)	6.7
Total other income (expense)	(31.9)	(25.8)	(65.5)	(55.8)
Earnings from continuing operations before income taxes	145.0	87.6	295.2	137.4
Provision for income taxes	53.6	30.1	109.2	47.2
Earnings from continuing operations, net of tax	91.4	57.5	186.0	90.2
Earnings (losses) from discontinued operations, net of tax	(0.3)	2.1	(1.4)	2.1
Net earnings	91.1	59.6	184.6	92.3
Net earnings attributable to noncontrolling interest	(1.2)	(0.4)	(1.1)	(0.1)
Net earnings attributable to FIS common stockholders	\$ 89.9	\$ 59.2	\$ 183.5	\$ 92.2
Net earnings per share basic from continuing operations attributable to FIS common stockholders	\$ 0.24	\$ 0.30	\$ 0.49	\$ 0.47
Net earnings per share basic from discontinued operations attributable to FIS common stockholders		0.01		0.01
Net earnings per share basic attributable to FIS common stockholders	\$ 0.24	\$ 0.31	\$ 0.49	\$ 0.48
Weighted average shares outstanding basic	376.5	190.3	374.9	190.2
	\$ 0.23	\$ 0.30	\$ 0.48	\$ 0.47

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Net earnings per share diluted from continuing operations attributable to FIS common stockholders				
Net earnings per share diluted from discontinued operations attributable to FIS common stockholders		0.01		0.01
Net earnings per share diluted attributable to FIS common stockholders	\$ 0.23	\$ 0.31	\$ 0.48	\$ 0.48
Weighted average shares outstanding diluted	384.6	192.7	382.3	192.2
Cash dividends paid per share	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10
Amounts attributable to FIS common stockholders:				
Earnings from continuing operations, net of tax	\$ 90.2	\$ 57.1	\$ 184.9	\$ 90.1
Earnings (losses) from discontinued operations, net of tax	(0.3)	2.1	(1.4)	2.1
Net earnings attributable to FIS common stockholders	\$ 89.9	\$ 59.2	\$ 183.5	\$ 92.2

See accompanying notes to unaudited condensed consolidated financial statements.

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.
AND SUBSIDIARIES**
Condensed Consolidated Statement of Equity and Comprehensive Earnings
(In millions, except per share amounts)
(Unaudited)

	Amount									
	FIS Stockholders									
	Accumulated									
	Number of Shares	Treasury Stock	Common Stock	Additional Paid In Capital	Retained Earnings	Other Comprehensive Earnings	Treasury Stock	Noncontrolling Interest	Comprehensive Earnings	Total Equity
Balances, December 31, 2009	381.1	(6.6)	\$ 3.8	\$ 7,345.1	\$ 1,134.6	\$ 82.2	\$ (256.8)	\$ 209.7	\$	\$ 8,518.6
Exercise of stock options and stock purchase right		5.6		(136.3)			222.6			86.3
Excess income tax benefit from exercise of stock options				5.3						5.3
Stock-based compensation				26.4						26.4
Purchases of treasury stock		(1.4)					(32.2)			(32.2)
Cash dividends paid (\$0.10 per share) and other					(37.7)			(1.6)		(39.3)
Other noncontrolling interest transactions				1.7				(1.1)		0.6
Comprehensive earnings:										
Net earnings					183.5			1.1	184.6	184.6
Other comprehensive earnings, net of tax:										
Unrealized gain (loss) on investments and derivatives, net						(7.9)			(7.9)	(7.9)
Unrealized gain (loss) on foreign currency						(58.2)		(5.7)	(63.9)	(63.9)

translation

Comprehensive earnings: \$ 112.8

Balances,
June 30, 2010 381.1 (2.4) \$ 3.8 \$ 7,242.2 \$ 1,280.4 \$ 16.1 \$ (66.4) \$ 202.4 \$ 8,678.5

See accompanying notes to unaudited condensed consolidated financial statements.

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)**

	Six-month periods ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net earnings	\$ 184.6	\$ 92.3
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	305.1	184.1
Stock-based compensation	26.4	18.3
Deferred income taxes	(44.9)	(31.8)
Excess income tax benefit from exercise of stock options	(5.3)	(0.1)
Other operating activities, net	9.5	1.7
Net changes in assets and liabilities, net of effects from acquisitions:		
Trade receivables	48.8	93.8
Settlement receivables	0.7	8.2
Prepaid expenses and other assets	(5.9)	19.3
Deferred contract costs	(20.6)	(25.3)
Deferred revenue	(4.4)	2.5
Accounts payable, accrued liabilities, and other liabilities	(48.8)	(31.9)
Net cash provided by operating activities	445.2	331.1
Cash flows from investing activities:		
Additions to property and equipment	(47.6)	(27.1)
Additions to computer software	(86.6)	(69.1)
Net proceeds from sale of assets	71.5	
Acquisitions, net of cash acquired	(46.6)	(3.8)
Other investing activities, net	36.0	
Net cash used in investing activities	(73.3)	(100.0)
Cash flows from financing activities:		
Borrowings	4,250.1	1,198.7
Repayment of borrowings	(4,544.3)	(1,420.1)
Capitalized debt issuance costs	(17.7)	
Excess income tax benefit from exercise of stock options	5.3	0.1
Proceeds from exercise of stock options	86.3	6.0
Treasury stock purchases	(32.2)	
Dividends paid and other distributions	(39.3)	(19.1)
Other financing activity	3.3	
Net cash used in financing activities	(288.5)	(234.4)
Effect of foreign currency exchange rate changes on cash	(12.3)	10.3

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Net increase in cash and cash equivalents	71.1	7.0
Cash and cash equivalents, beginning of period	430.9	220.9
Cash and cash equivalents, end of period	\$ 502.0	\$ 227.9
Supplemental cash flow information:		
Cash paid for interest	\$ 64.2	\$ 61.8
Cash paid for taxes	\$ 139.5	\$ 89.3

See accompanying notes to unaudited condensed consolidated financial statements.

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Unless stated otherwise or the context otherwise requires, all references to FIS, we, the Company or the registrant to Fidelity National Information Services, Inc., a Georgia corporation, and its subsidiaries, and all references to Metavante are to Metavante Technologies, Inc., and its subsidiaries, as acquired by FIS on October 1, 2009.

(1) Basis of Presentation

The unaudited financial information included in this report includes the accounts of FIS and its subsidiaries prepared in accordance with U.S. generally accepted accounting principles and the instructions to Form 10-Q and Article 10 of Regulation S-X. All adjustments considered necessary for a fair presentation have been included. This report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2009. The preparation of these Condensed Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. Certain reclassifications have been made in the 2009 Condensed Consolidated Financial Statements to conform to the classifications used in 2010.

We report the results of our operations in four reporting segments: 1) Financial Solutions Group (FSG), 2) Payment Solutions Group (PSG), 3) International Solutions Group (ISG) and 4) Corporate and Other (Note 11).

(2) Change in Accounting for Revenue Recognition

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). This new standard revises the guidance for determining whether multiple deliverables in an arrangement can be separated for revenue recognition and how the consideration should be allocated. It eliminates the use of the residual method of revenue recognition and requires the allocation of consideration to each deliverable using the relative selling price method. The selling price for each deliverable is based on vendor-specific objective evidence (VSOE) if available, third-party evidence (TPE) if VSOE is not available, or estimated selling price (ESP) if neither VSOE or TPE is available.

FIS early adopted the provisions of ASU 2009-13 prospectively for all new and materially modified arrangements entered into on or after January 1, 2010.

Processing and services revenues year to date through June 30, 2010 would have been approximately \$2.0 million less than reported if the new or materially modified arrangements after January 1, 2010 had been subject to the prior accounting guidance.

This new guidance did not have a material impact on revenue recognition due to the existence of VSOE for most of the Company's solutions. While the impact of adopting this change going forward will be a function of the component elements of new contracts entered into or materially modified, we expect a minimal impact in the timing and pattern of revenue recognition since we have established VSOE for those solutions comprising the vast majority of our revenues. The effect of the change will primarily relate to arrangements that include software licenses with other service elements that have historically resulted in revenue deferral for certain non-software elements. The Company does not expect this new accounting guidance to impact its future pricing practices or go-to-market strategies.

(3) Related Party Transactions

We are party to certain related party agreements described below.

Revenues and Expenses

A detail of related party items included in revenues for the three-month and six-month periods ended June 30, 2010 and 2009 is as follows (in millions):

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AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued**

	Three months ended June		Six months ended June	
	2010	2009	2010	2009
Banco Santander item processing revenue	\$ 11.2	\$ 10.1	\$ 22.0	\$ 18.7
Banco Bradesco item processing revenue	4.1	3.5	8.0	6.5
Banco Santander Brazilian Venture revenue	9.6	14.2	22.4	25.4
Banco Bradesco Brazilian Venture revenue	34.4	21.6	66.8	39.5
FNF data processing services revenue	12.4	12.3	24.0	24.1
Ceridian data processing services revenue	2.1	1.4	4.0	2.2
Sedgwick data processing services revenue	5.9	9.9	14.8	19.9
LPS services revenue		0.2	0.1	0.3
Total related party revenues	\$ 79.7	\$ 73.2	\$ 162.1	\$ 136.6

See Note 7 for a discussion of the Brazilian outsourced card-processing venture with Banco Santander and Banco Bradesco (the Brazilian Venture).

A detail of related party items included in operating expenses (net of expense reimbursements) for the three-month and six-month periods ended June 30, 2010 and 2009 is as follows (in millions):

 nbsp;nbsp;