

FIRST DATA CORP
Form 10-Q
November 14, 2007
Table of Contents

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

For the quarterly period ended September 30, 2007

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.)

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6200 SOUTH QUEBEC STREET,

GREENWOOD VILLAGE, COLORADO

(Address of principal executive offices)

80111

(Zip Code)

Registrant's telephone number, including area code (303) 967-8000

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 or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 registrant's classes of common stock, as of the latest practicable date.

Title of each class (Common stock, \$.01 par value)	Number of Shares Outstanding (excluding treasury shares) at September 30, 2007 1,000
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Table of Contents

INDEX

	PAGE
	NUMBER
<u>PART I FINANCIAL INFORMATION</u>	
Item 1	
<u>Financial Statements (unaudited):</u>	
<u>Consolidated Statements of Income for the period from September 25, 2007 through September 30, 2007 for the Successor and the period from July 1, 2007 through September 24, 2007, the period from January 1, 2007 through September 24, 2007 and the three and nine months ended September 30, 2006 for the Predecessor</u>	3
<u>Consolidated Balance Sheets at September 30, 2007 for the Successor and December 31, 2006 for the Predecessor</u>	5
<u>Consolidated Statements of Cash Flows for the period from September 25, 2007 through September 30, 2007 for the Successor and the period from January 1, 2007 through September 24, 2007 and the nine months ended September 30, 2006 for the Predecessor</u>	6
<u>Consolidated Statements of Stockholders' Equity for the period from January 1, 2007 through September 24, 2007 for the Predecessor and the period from September 25, 2007 through September 30, 2007 for the Successor</u>	8
<u>Notes to Consolidated Financial Statements</u>	9
Item 2	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	36
Item 3	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	68
Item 4	
<u>Controls and Procedures</u>	70
<u>PART II OTHER INFORMATION</u>	
Item 1	
<u>Legal Proceedings</u>	71
Item 1A	
<u>Risk Factors</u>	72
Item 2	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	78
Item 4	
<u>Submission of Matters to a Vote of Security Holders</u>	79
Item 5	
<u>Other Information</u>	79
Item 6	
<u>Exhibits</u>	80

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements**

FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in millions)

	Successor Period from September 25 through September 30, 2007 (a)	Predecessor Period from July 1 through September 24, 2007	Predecessor Three months ended September 30, 2006
Revenues: ^(b)			
Transaction and processing service fees:			
Merchant services ^(c)	\$ 50.2	\$ 694.2	\$ 693.6
Check services	6.5	97.0	80.0
Card services	32.6	440.6	429.5
Other services	6.5	88.6	88.4
Investment income, net	(0.8)	(29.1)	(37.3)
Product sales and other	12.0	228.9	169.2
Reimbursable debit network fees, postage and other	28.3	415.7	363.8
	135.3	1,935.9	1,787.2
Expenses:			
Cost of services	67.9	932.5	781.1
Cost of products sold	5.2	75.1	76.9
Selling, general and administrative	25.9	446.1	298.7
Reimbursable debit network fees, postage and other	28.3	415.7	363.8
Other operating expenses:			
Restructuring, net			12.0
Impairments		4.3	1.9
Litigation and regulatory settlements		(2.5)	(42.3)
	127.3	1,871.2	1,492.1
Operating profit	8.0	64.7	295.1
Other income (expense):			
Interest income	3.6	9.9	13.8
Interest expense	(34.6)	(33.2)	(72.3)
Investment gains and (losses)	(21.7)	(1.1)	(144.2)
Divestitures, net		2.6	1.4
Debt repayment loss	(6.0)		
	(58.7)	(21.8)	(201.3)

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(Loss) income before income taxes, minority interest, equity earnings in affiliates and discontinued operations	(50.7)	42.9	93.8
Income taxes	(21.2)	18.2	4.7
Minority interest	(2.5)	(36.2)	(34.8)
Equity earnings in affiliates	3.3	75.3	77.0
(Loss) income from continuing operations	(28.7)	63.8	131.3
(Loss) income from discontinued operations, net of taxes of \$0, \$7.1 and \$125.9, respectively		(7.1)	210.9
Net (loss) income	\$ (28.7)	\$ 56.7	\$ 342.2

Table of Contents

	Successor Period from September 25 through September 30, 2007 (a)	Predecessor Period from January 1 through September 24, 2007	Predecessor Nine months ended September 30, 2006
Revenues: ^(b)			
Transaction and processing service fees:			
Merchant services ^(c)	\$ 50.2	\$ 2,063.5	\$ 1,957.1
Check services	6.5	293.2	238.9
Card services	32.6	1,342.9	1,228.9
Other services	6.5	266.3	258.4
Investment income, net	(0.8)	(66.9)	(96.6)
Product sales and other	12.0	616.4	504.4
Reimbursable debit network fees, postage and other	28.3	1,257.5	1,062.9
	135.3	5,772.9	5,154.0
Expenses:			
Cost of services	67.9	2,632.0	2,255.6
Cost of products sold	5.2	230.4	221.2
Selling, general and administrative	25.9	1,089.3	856.1
Reimbursable debit network fees, postage and other	28.3	1,257.5	1,062.9
Other operating expenses:			
Restructuring, net		7.9	11.6
Impairments		20.6	(0.1)
Litigation and regulatory settlements		2.5	(34.8)
Other		(7.7)	(0.3)
	127.3	5,232.5	4,372.2
Operating profit	8.0	540.4	781.8
Other income (expense):			
Interest income	3.6	30.8	23.8
Interest expense	(34.6)	(103.6)	(190.8)
Investment gains and (losses)	(21.7)	(2.6)	45.8
Divestitures, net		6.1	8.0
Debt repayment gain/(loss)	(6.0)	1.4	
	(58.7)	(67.9)	(113.2)
(Loss) income before income taxes, minority interest, equity earnings in affiliates and discontinued operations	(50.7)	472.5	668.6
Income taxes	(21.2)	125.8	164.8
Minority interest	(2.5)	(105.3)	(104.0)
Equity earnings in affiliates	3.3	223.0	207.9
(Loss) income from continuing operations	(28.7)	464.4	607.7
(Loss) income from discontinued operations, net of taxes of \$0, \$3.0 and \$334.3, respectively		(3.6)	627.2
Net (loss) income	\$ (28.7)	\$ 460.8	\$ 1,234.9

^(a) Includes the results of operations (reflecting the change in fair value of forward starting, deal contingent interest rate swaps) of Omaha Acquisition Corporation for the period prior to its merger with and into First Data Corporation from March 29, 2007 (its formation)

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through September 24, 2007. Also includes post merger results of First Data Corporation for the period from September 25, 2007 to September 30, 2007.

- (b) Includes revenue from Western Union and Primary Payment Systems commercial relationships previously eliminated in consolidation of \$5.3 million and \$15.8 million for the three and nine months ended September 30, 2006, respectively.
- (c) Includes processing fees, administrative service fees and other fees charged to merchant alliances accounted for under the equity method of \$3.6 million for the successor period from September 25, 2007 through September 30, 2007, \$54.9 million for the predecessor period from July 1, 2007 through September 24, 2007 and \$57.8 million for the three months ended September 30, 2006. Totals for the predecessor periods from January 1, 2007 through September 24, 2007 and the nine months ended September 30, 2006, were \$165.1 million and \$168.3 million, respectively.

See Notes to Consolidated Financial Statements.

Table of Contents

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