

FIRST DATA CORP
Form 10-Q
August 14, 2008

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, 2008

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.)

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, 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

There were 1,000 shares of the registrant's common stock outstanding as of July 31, 2008.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

FIRST DATA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in millions)

	Successor Three months ended June 30, 2008	Predecessor Three months ended June 30, 2007	Successor Six months ended June 30, 2008	Predecessor Six months ended June 30, 2007
Revenues:				
Transaction and processing service fees:				
Merchant related services ^(a)	\$ 700.9	\$ 646.7	\$ 1,335.8	\$ 1,215.5
Check services	96.9	107.6	197.5	203.7
Card services ^(a)	505.3	482.0	1,011.8	943.1
Other services	140.6	141.5	278.3	283.2
Investment income, net	35.8	(7.5)	91.8	(37.8)
Product sales and other	214.0	199.5	426.0	387.5
Reimbursable debit network fees, postage and other	510.8	430.9	989.6	841.8
	2,204.3	2,000.7	4,330.8	3,837.0
Expenses:				
Cost of services (exclusive of items shown below)	749.3	720.3	1,506.1	1,411.7
Cost of products sold	83.4	72.9	154.3	139.6
Selling, general and administrative	315.3	330.9	619.6	625.7
Reimbursable debit network fees, postage and other	510.8	430.9	989.6	841.8
Depreciation and amortization	338.8	162.2	657.9	321.0
Other operating expenses:				
Restructuring, net	(0.1)	5.9	(0.1)	7.9
Impairments				16.3
Litigation and regulatory settlements		5.0		5.0
Other		(7.7)		(7.7)
	1,997.5	1,720.4	3,927.4	3,361.3
Operating profit	206.8	280.3	403.4	475.7
Interest income	6.6	12.9	15.6	20.9
Interest expense	(451.1)	(35.9)	(968.8)	(70.4)
Other income (expense)	6.4	2.4	(36.8)	3.4
	(438.1)	(20.6)	(990.0)	(46.1)
(Loss) income before income taxes, minority interest, equity earnings in affiliates and discontinued operations	(231.3)	259.7	(586.6)	429.6

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Income tax (benefit) expense	(69.4)	70.2	(199.9)	107.6
Minority interest	(40.3)	(40.0)	(69.3)	(69.1)
Equity earnings in affiliates	41.6	79.4	73.7	147.7
(Loss) income from continuing operations	(160.6)	228.9	(382.3)	400.6
Income from discontinued operations, net of taxes of \$(4.1)				3.5
Net (loss) income	\$ (160.6)	\$ 228.9	\$ (382.3)	\$ 404.1

^(a) Includes processing fees, administrative service fees and other fees charged to merchant alliances accounted for under the equity method of \$55.7 million and \$109.2 million for the three and six months ended June 30, 2008, respectively, and \$56.8 million and \$110.2 million for the comparable periods in 2007.

See Notes to Consolidated Financial Statements.

FIRST DATA CORPORATION

CONSOLIDATED BALANCE SHEETS

(in millions, except common stock share amounts)

	June 30, 2008 (Unaudited)	Successor December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 655.3	\$ 606.5
Accounts receivable, net of allowance for doubtful accounts of \$17.1 (2008) and \$14.7 (2007)	2,294.6	2,412.8
Settlement assets	12,303.1	17,142.6
Other current assets	453.4	479.7
Total current assets	15,706.4	20,641.6
Property and equipment, net of accumulated depreciation of \$171.2 (2008) and \$61.2 (2007)	1,124.0	939.3
Goodwill	17,184.7	16,817.2
Customer relationships, net of accumulated amortization of \$644.8 (2008) and \$230.5 (2007)	5,910.7	6,785.5
Other intangibles, net of accumulated amortization of \$211.7 (2008) and \$76.9 (2007)	1,988.0	1,738.1
Investment in affiliates	3,636.8	3,526.3
Long-term settlement assets	861.3	1,085.8
Other long-term assets	989.3	975.5
Total assets	\$ 47,401.2	\$ 52,509.3
LIABILITIES AND STOCKHOLDER S EQUITY		
Current liabilities:		
Accounts payable	\$ 181.0	\$ 158.5
Short-term and current portion of long-term borrowings	694.6	620.3
Settlement obligations	13,179.5	18,228.4
Other current liabilities	1,399.9	1,398.9
Total current liabilities	15,455.0	20,406.1
Long-term borrowings	22,126.0	21,953.5
Deferred long-term tax liabilities	2,099.3	2,381.6
Other long-term liabilities	878.0	939.1
Total liabilities	40,558.3	45,680.3
Commitments and contingencies (see Note 10)		
Stockholder s equity:		
Common stock, \$.01 par value; authorized and issued 1,000 shares (2008 and 2007)		
Additional paid-in capital	7,339.3	7,224.4
Paid-in capital	7,339.3	7,224.4
Retained loss	(685.1)	(301.9)
Accumulated other comprehensive income (loss)	188.7	(93.5)
Total stockholder s equity	6,842.9	6,829.0

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Total liabilities and stockholder's equity	\$ 47,401.2	\$ 52,509.3
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See Notes to Consolidated Financial Statements.

FIRST DATA CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS****(in millions)****(Unaudited)**

	Successor Six months ended June 30, 2008	Predecessor Six months ended June 30, 2007
Cash and cash equivalents at beginning of period	\$ 606.5	\$ 1,154.2
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income from continuing operations	(382.3)	400.6
Net income from discontinued operations		3.5
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	761.9	