

FISERV INC
Form 10-Q
August 05, 2010
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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 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 Number 0-14948

FISERV, INC.

(Exact Name of Registrant as Specified in Its Charter)

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WISCONSIN
(State or Other Jurisdiction of
Incorporation or Organization)

39-1506125
(I. R. S. Employer
Identification No.)

255 FISERV DRIVE, BROOKFIELD, WI
(Address of Principal Executive Offices)

53045
(Zip Code)

(262) 879-5000

(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 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

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As of August 2, 2010, there were 150,104,161 shares of common stock, \$.01 par value, of the registrant outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****FISERV, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In millions, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue:				
Processing and services	\$ 856	\$ 828	\$ 1,687	\$ 1,659
Product	166	172	343	364
Total revenue	1,022	1,000	2,030	2,023
Expenses:				
Cost of processing and services	457	465	919	923
Cost of product	129	125	265	267
Selling, general and administrative	185	176	357	374
Total expenses	771	766	1,541	1,564
Operating income	251	234	489	459
Interest expense, net	(46)	(55)	(91)	(109)
Income from continuing operations before income taxes and income from investment in unconsolidated affiliate	205	179	398	350
Income tax provision	(78)	(68)	(151)	(134)
Income from investment in unconsolidated affiliate, net of income taxes	3	4	6	5
Income from continuing operations	130	115	253	221
Income (loss) from discontinued operations, net of income taxes	(3)	25	(5)	22
Net income	\$ 127	\$ 140	\$ 248	\$ 243
Net income (loss) per share - basic:				
Continuing operations	\$ 0.86	\$ 0.74	\$ 1.66	\$ 1.42
Discontinued operations	(0.02)	0.16	(0.03)	0.14
Total	\$ 0.84	\$ 0.90	\$ 1.63	\$ 1.57
Net income (loss) per share - diluted:				
Continuing operations	\$ 0.85	\$ 0.74	\$ 1.65	\$ 1.42
Discontinued operations	(0.02)	0.16	(0.03)	0.14

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Total	\$ 0.83	\$ 0.90	\$ 1.62	\$ 1.56
Shares used in computing net income (loss) per share:				
Basic	151.4	155.0	152.0	155.3
Diluted	152.6	155.8	153.2	155.9

See notes to condensed consolidated financial statements.

Table of Contents**FISERV, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in millions)

(Unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 338	\$ 363
Trade accounts receivable, net	500	554
Deferred income taxes	42	46
Prepaid expenses and other current assets	266	314
Total current assets	1,146	1,277
Property and equipment, net	273	293
Intangible assets, net	1,941	2,006
Goodwill	4,375	4,371
Other long-term assets	447	431
Total assets	\$ 8,182	\$ 8,378
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 470	\$ 565
Deferred revenue	318	337
Current maturities of long-term debt	58	259
Total current liabilities	846	1,161
Long-term debt	3,381	3,382
Deferred income taxes	585	580
Other long-term liabilities	249	229
Total liabilities	5,061	5,352
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value: 25.0 million shares authorized; none issued		
Common stock, \$0.01 par value: 450.0 million shares authorized; 197.9 million shares issued	2	2
Additional paid-in capital	736	727
Accumulated other comprehensive loss	(76)	(69)
Accumulated earnings	4,619	4,371
Treasury stock, at cost, 47.8 million and 44.7 million shares	(2,160)	(2,005)
Total shareholders' equity	3,121	3,026
Total liabilities and shareholders' equity	\$ 8,182	\$ 8,378

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See notes to condensed consolidated financial statements.

Table of Contents**FISERV, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

(Unaudited)

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 248	\$ 243
Adjustment for discontinued operations	5	(22)
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Depreciation and other amortization	94	93
Amortization of acquisition-related intangible assets	73	71
Share-based compensation	20	20
Deferred income taxes	9	5
Other non-cash items	(13)	(5)
Changes in assets and liabilities, net of effects from acquisitions:		
Trade accounts receivable	58	80
Prepaid expenses and other assets	(6)	(3)
Accounts payable and other liabilities	(43)	(58)
Deferred revenue	(14)	(29)
Net cash provided by operating activities from continuing operations	431	395
Cash flows from investing activities:		
Capital expenditures, including capitalization of software costs	(84)	(98)
Other investing activities	6	5
Net cash used in investing activities from continuing operations	(78)	(93)
Cash flows from financing activities:		
Repayments of long-term debt	(202)	(228)
Issuance of common stock and treasury stock	30	18
Purchases of treasury stock	(206)	(64)
Other financing activities	5	5
Net cash used in financing activities from continuing operations	(373)	(269)
Net change in cash and cash equivalents from continuing operations	(20)	33
Net cash transactions transferred (to) from discontinued operations	(5)	43
Beginning balance	363	230
Ending balance	\$ 338	\$ 306
Discontinued operations cash flow information:		
Net cash used in operating activities	\$ (7)	\$ (3)
Net cash provided by investing activities	2	929
Net cash used in financing activities		(65)

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Net change in cash and cash equivalents from discontinued operations	(5)	861
Net cash transactions transferred from (to) continuing operations	5	(43)
Beginning balance - discontinued operations		38
Ending balance - discontinued operations	\$	\$ 856

See notes to condensed consolidated financial statements.

Table of Contents**FISERV, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Principles of Consolidation**

The condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2010 and 2009 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year. The condensed consolidated financial statements and accompanying notes are presented as permitted by Form 10-Q and do not contain certain information included in the annual consolidated financial statements and accompanying notes of Fiserv, Inc. (the Company). These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

The condensed consolidated financial statements include the accounts of Fiserv, Inc. and all 100% owned subsidiaries. Investments in less than 50% owned affiliates in which the Company has significant influence are accounted for using the equity method of accounting. All intercompany transactions and balances have been eliminated in consolidation. Income from discontinued operations in the second quarter of 2009 includes an after-tax gain of \$25 million for a contingent purchase price payment the Company received in relation to the sale of its investment support services business.

2. Fair Value Measurements

The Company determined the fair values identified below using a market-based approach that incorporates market inputs where observable and internally developed inputs where observable market data is not readily available. For unobservable inputs, consideration is given to the assumptions that market participants would use in valuing the asset or liability. The valuation of interest rate hedge contracts includes inputs which are available through third party dealers and are related to market price risk, such as the LIBOR interest rate curve, credit risk and time value. Assets and liabilities which are measured at fair value are classified in the following categories:

Level 1 At June 30, 2010 and December 31, 2009, the fair values of available-for-sale investments in asset-backed securities totaled \$9 million and \$11 million, respectively.

Level 2 At June 30, 2010 and December 31, 2009, the fair values of available-for-sale investments in asset-backed securities totaled \$5 million and \$6 million, respectively, and liabilities for interest rate hedge contracts were \$91 million and \$92 million, respectively.

Level 3 At June 30, 2010 and December 31, 2009, the fair values of available-for-sale investments of \$18 million and \$23 million, respectively, were based on valuation models with unobservable pricing inputs. No realized gains or losses have been recorded in net income related to these investments. Unrealized losses of \$2 million were recorded in accumulated other comprehensive loss at June 30, 2010 and December 31, 2009.

The fair value of the Company's total debt was estimated using discounted cash flows based on the Company's current incremental borrowing rates or quoted prices in active markets and totaled \$3.6 billion and \$3.8 billion at June 30, 2010 and December 31, 2009, respectively.

3. Share-Based Compensation

The Company recognized \$10 million and \$20 million of share-based compensation during the three and six months ended June 30, 2010, respectively, and \$9 million and \$20 million during the three and six months ended June 30, 2009, respectively. The Company's annual grant of share-based awards generally occurs in the first quarter. During the six months ended June 30, 2010, the Company granted 1.1 million stock options and 0.4 million restricted stock units at weighted-average estimated fair values of \$17.46 and \$47.77, respectively. During the six months ended June 30, 2009, the Company granted 1.5 million stock options and 0.5 million restricted stock units at weighted-average estimated fair values of \$12.51 and \$33.15, respectively. During the six months ended June 30, 2010 and 2009, stock options to purchase 0.9 million shares and 0.3 million shares, respectively, were exercised.

Table of Contents**4. Shares Used in Computing Net Income Per Share**

Basic weighted-average outstanding shares used in calculating net income per share were 151.4 million and 155.0 million for the three months ended June 30, 2010 and 2009, respectively, and were 152.0 million and 155.3 million for the six months ended June 30, 2010 and 2009, respectively. Diluted weighted-average outstanding shares used in calculating net income per share were 152.6 million and 155.8 million for the three months ended June 30, 2010 and 2009, respectively, and included 1.2 million and 0.8 million common stock equivalents, respectively. For the six months ended June 30, 2010 and 2009, diluted weighted-average outstanding shares used in calculating net income per share were 153.2 million and 155.9 million, respectively, and included 1.2 million and 0.6 million common stock equivalents, respectively. For the three months ended June 30, 2010 and 2009, stock options for 3.0 million and 5.3 million shares, respectively, were excluded from the calculation of diluted weighted-average outstanding shares because their impact was anti-dilutive. For the six months ended June 30, 2010 and 2009, stock options for 2.8 million and 5.9 million shares, respectively, were excluded from the calculation of diluted weighted-average outstanding shares because their impact was anti-dilutive.

5. Interest Rate Hedge Contracts

To manage exposure to fluctuations in interest rates, the Company maintains a series of interest rate swap agreements (Swaps) with total notional values of \$1.2 billion at June 30, 2010 and December 31, 2009. The Swaps have been designated by the Company as cash flow hedges, effectively fix interest rates on floating rate term loan borrowings at a weighted-average rate of approximately 4.8% prior to financing spreads and related fees, and have expiration dates through September 2012. The fair values of the Swaps, as discussed in Note 2, were recorded in other long-term liabilities and in accumulated other comprehensive loss, net of income taxes, in the condensed consolidated balance sheets. The components of other comprehensive income (loss) pertaining to interest rate hedge contracts are presented in Note 6. In the three and six months ended June 30, 2010 and 2009, interest expense recognized due to hedge ineffectiveness was not significant, and no amounts were excluded from the assessments of hedge effectiveness. Based on the amounts recorded in accumulated other comprehensive loss at June 30, 2010, the Company estimates that it will recognize approximately \$40 million in interest expense related to interest rate hedge contracts during the next twelve months.

6. Comprehensive Income

Comprehensive income was as follows:

(In millions)	Three Months Ended		Six Months Ended	
	June 30, 2010	2009	June 30, 2010	2009
Net income	\$ 127	\$ 140	\$ 248	\$ 243
Other comprehensive income (loss), net of income taxes:				
Fair market value adjustments on investments	(1)	(12)		(2)
Reclassification adjustment for net realized losses on investments included in income		3		3
Fair market value adjustments on cash flow hedges	(7)	9	(15)	6
Reclassification adjustment for net realized losses on cash flow hedges included in interest expense	8	9	16	17
Foreign currency translation	(6)	4	(8)	3
Other comprehensive income (loss)	(6)	13	(7)	27
Comprehensive income	\$ 121	\$ 153	\$ 241	\$ 270

7. Business Segment Information

The Company's operations are comprised of the Payments and Industry Products (Payments) segment, the Financial Institution Services (Financial) segment, and the Corporate and Other segment. The Payments segment primarily provides electronic bill payment and settlement, electronic funds transfer, and debit processing products and services to meet the electronic transaction processing needs of the financial services industry. The businesses in this segment also provide card and print personalization services, Internet banking, investment account processing services for separately

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managed accounts, and fraud and risk management products and services. The Financial segment provides banks, thrifts and credit unions with account processing services, item processing services, loan origination and servicing products, cash management and consulting services, and other products and services that support numerous types of financial transactions. The Corporate and Other segment primarily consists of unallocated corporate overhead expenses, amortization of acquisition-related intangible assets and intercompany eliminations.

(In millions)	Payments	Financial	Corporate and Other	Total
Three Months Ended June 30, 2010				
Processing and services revenue	\$ 406	\$ 450	\$	\$ 856
Product revenue	133	37	(4)	166
Total revenue	\$ 539	\$ 487	\$ (4)	\$ 1,022
Operating income	\$ 151	\$ 151	\$ (51)	\$ 251
Three Months Ended June 30, 2009				
Processing and services revenue	\$ 392	\$ 436	\$	\$ 828
Product revenue	133	46	(7)	172
Total revenue	\$ 525	\$ 482	\$ (7)	\$ 1,000
Operating income	\$ 147	\$ 145	\$ (58)	\$ 234
Six Months Ended June 30, 2010				
Processing and services revenue	\$ 803	\$ 882	\$ 2	\$ 1,687
Product revenue	276	77	(10)	343
Total revenue	\$ 1,079	\$ 959	\$ (8)	\$ 2,030
Operating income	\$ 299	\$ 287	\$ (97)	\$ 489
Six Months Ended June 30, 2009				
Processing and services revenue	\$ 778	\$ 881	\$	\$ 1,659
Product revenue	291	89	(16)	364
Total revenue	\$ 1,069	\$ 970	\$ (16)	\$ 2,023
Operating income	\$ 302	\$ 287	\$ (130)	\$ 459

Goodwill in the Payments and Financial segments was \$3.1 billion and \$1.3 billion, respectively, as of June 30, 2010 and December 31, 2009.

8. Subsidiary Guarantors of Long-Term Debt

Certain of the Company's 100% owned domestic subsidiaries (Guarantor Subsidiaries) jointly and severally, and fully and unconditionally guarantee the Company's indebtedness under its revolving credit facility, senior term loan and senior notes. The following condensed consolidating financial information is presented on the equity method and reflects the summarized financial information for: (a) the Company; (b) the Guarantor Subsidiaries on a combined basis; and (c) the Company's non-guarantor subsidiaries on a combined basis.

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF INCOME****THREE MONTHS ENDED JUNE 30, 2010**

(In millions)	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Processing and services	\$	\$ 605	\$ 276	\$ (25)	\$ 856
Product		141	29	(4)	166
Total revenue		746	305	(29)	1,022
Expenses:					
Cost of processing and services	2	323	156	(24)	457
Cost of product		112	22	(5)	129
Selling, general and administrative	24	111	50		185
Total expenses	26	546	228	(29)	771
Operating income (loss)	(26)	200	77		251
Interest expense, net	(12)	(31)	(3)		(46)
Income (loss) from continuing operations before income taxes and income from investment in unconsolidated affiliate	(38)	169	74		205
Income tax (provision) benefit	15	(65)	(28)		(78)
Income from investment in unconsolidated affiliate, net of income taxes			3		3
Income (loss) from continuing operations	(23)	104	49		130
Equity in earnings of consolidated affiliates	151			(151)	
Loss from discontinued operations, net of income taxes	(1)		(2)		(3)
Net income	\$ 127	\$ 104	\$ 47	\$ (151)	\$ 127

CONDENSED CONSOLIDATING STATEMENT OF INCOME**THREE MONTHS ENDED JUNE 30, 2009**

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Processing and services	\$	\$ 583	\$ 264	\$ (19)	\$ 828
Product		150	31	(9)	172
Total revenue		733	295	(28)	1,000
Expenses:					
Cost of processing and services	1	326	161	(23)	465

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Cost of product		108	18	(1)	125
Selling, general and administrative	18	106	52		176
Total expenses	19	540	231	(24)	766
Operating income (loss)	(19)	193	64	(4)	234
Interest (expense) income, net	11	(67)	1		(55)
Income (loss) from continuing operations before income taxes and income from investment in unconsolidated affiliate	(8)	126	65	(4)	179
Income tax (provision) benefit	3	(48)	(25)	2	(68)
Income from investment in unconsolidated affiliate, net of income taxes			4		4
Income (loss) from continuing operations	(5)	78	44	(2)	115
Equity in earnings of consolidated affiliates	145			(145)	
Income (loss) from discontinued operations, net of income taxes		(1)	26		25
Net income	\$ 140	\$ 77	\$ 70	\$ (147)	\$ 140

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF INCOME****SIX MONTHS ENDED JUNE 30, 2010**

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Processing and services	\$	\$ 1,194	\$ 536	\$ (43)	\$ 1,687
Product		297	59	(13)	343
Total revenue		1,491	595	(56)	2,030
Expenses:					
Cost of processing and services	1	645	317	(44)	919
Cost of product		232	44	(11)	265
Selling, general and administrative	42	220	95		357
Total expenses	43	1,097	456	(55)	1,541
Operating income (loss)	(43)	394	139	(1)	489
Interest (expense) income, net	2	(88)	(5)		(91)
Income (loss) from continuing operations before income taxes and income from investment in unconsolidated affiliate	(41)	306	134	(1)	398
Income tax (provision) benefit	17	(117)	(51)		(151)
Income from investment in unconsolidated affiliate, net of income taxes			6		6
Income (loss) from continuing operations	(24)	189	89	(1)	253
Equity in earnings of consolidated affiliates	275			(275)	
Loss from discontinued operations, net of income taxes	(3)		(2)		(5)
Net income	\$ 248	\$ 189	\$ 87	\$ (276)	\$ 248

CONDENSED CONSOLIDATING STATEMENT OF INCOME**SIX MONTHS ENDED JUNE 30, 2009**

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Processing and services	\$	\$ 1,167	\$ 528	\$ (36)	\$ 1,659
Product		321	58	(15)	364
Total revenue		1,488	586	(51)	2,023
Expenses:					
Cost of processing and services	3	637	319	(36)	923
Cost of product		238	44	(15)	267

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Selling, general and administrative	43	221	110		374
Total expenses	46	1,096	473	(51)	1,564
Operating income (loss)	(46)	392	113		459
Interest (expense) income, net	21	(128)	(2)		(109)
Income (loss) from continuing operations before income taxes and income from investment in unconsolidated affiliate	(25)	264	111		350
Income tax (provision) benefit	9	(101)	(42)		(134)
Income from investment in unconsolidated affiliate, net of income taxes			5		5
Income (loss) from continuing operations	(16)	163	74		221
Equity in earnings of consolidated affiliates	259			(259)	
Income (loss) from discontinued operations, net of income taxes		(5)	27		22
Net income	\$ 243	\$ 158	\$ 101	\$ (259)	\$ 243

Table of Contents**CONDENSED CONSOLIDATING BALANCE SHEET****JUNE 30, 2010**

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ 42	\$ 152	\$ 144	\$	\$ 338
Trade accounts receivable, net	(2)	327	175		500
Prepaid expenses and other current assets	66	129	113		308
Total current assets	106	608	432		1,146
Investments in consolidated affiliates	5,319			(5,319)	
Goodwill and intangible assets, net	3	5,390	923		6,316
Other long-term assets	110	298	312		720
Total assets	\$ 5,538	\$ 6,296	\$ 1,667	\$ (5,319)	\$ 8,182
LIABILITIES AND SHAREHOLDERS EQUITY					
Total current liabilities	\$ 110	\$ 440	\$ 296	\$	\$ 846
Long-term debt	3,373	8			3,381
Due to (from) consolidated affiliates	(1,852)	1,809	43		
Other long-term liabilities	786	36	12		834
Total liabilities	2,417	2,293	351		5,061
Total shareholders equity	3,121	4,003	1,316	(5,319)	3,121
Total liabilities and shareholders equity	\$ 5,538	\$ 6,296	\$ 1,667	\$ (5,319)	\$ 8,182

CONDENSED CONSOLIDATING BALANCE SHEET**DECEMBER 31, 2009**

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ 55	\$ 169	\$ 139	\$	\$ 363
Trade accounts receivable, net	(2)	361	195		554
Prepaid expenses and other current assets	91	135	134		360
Total current assets	144	665	468		1,277
Investments in consolidated affiliates	3,154			(3,154)	
Goodwill and intangible assets, net	2	5,447	928		6,377
Other long-term assets	114	305	305		724
Total assets	\$ 3,414	\$ 6,417	\$ 1,701	\$ (3,154)	\$ 8,378

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LIABILITIES AND SHAREHOLDERS EQUITY					
Total current liabilities	\$ 337	\$ 488	\$ 336	\$	\$ 1,161
Long-term debt	3,373	9			3,382
Due to (from) consolidated affiliates	(4,094)	3,973	121		
Other long-term liabilities	772	34	3		809
Total liabilities	388	4,504	460		5,352
Total shareholders equity	3,026	1,913	1,241	(3,154)	3,026
Total liabilities and shareholders equity	\$ 3,414	\$ 6,417	\$ 1,701	\$ (3,154)	\$ 8,378

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****SIX MONTHS ENDED JUNE 30, 2010**

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by operating activities from continuing operations	\$ 18	\$ 306	\$ 111	\$ (4)	\$ 431
Cash flows from investing activities:					
Capital expenditures, including capitalization of software costs	(2)	(66)	(16)		(84)
Other investing activities	349		19	(362)	6
Net cash (used in) provided by investing activities from continuing operations	347	(66)	3	(362)	(78)
Cash flows from financing activities:					
Repayments of long-term debt	(200)	(2)			(202)
Purchases of treasury stock	(206)				(206)
Other financing activities	33	(255)	(109)	366	35
Net cash used in financing activities from continuing operations	(373)	(257)	(109)	366	(373)
Net change in cash and cash equivalents from continuing operations	(8)	(17)	5		(20)
Net cash transactions transferred to discontinued operations	(5)				(5)
Beginning balance	55	169	139		363
Ending balance	\$ 42	\$ 152	\$ 144	\$	\$ 338

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**SIX MONTHS ENDED JUNE 30, 2009**

(In millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities from continuing operations	\$ (7)	\$ 262	\$ 141	\$ (1)	\$ 395
Cash flows from investing activities:					
Capital expenditures, including capitalization of software costs	(2)	(82)	(15)	1	(98)
Other investing activities	(1)	(156)	(97)	259	5
Net cash used in investing activities from continuing operations	(3)	(238)	(112)	260	(93)

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Cash flows from financing activities:					
Repayments of long-term debt	(226)	(1)	(1)		(228)
Purchases of treasury stock	(64)				(64)
Other financing activities	277		5	(259)	23
Net cash (used in) provided by financing activities from continuing operations	(13)	(1)	4	(259)	(269)
Net change in cash and cash equivalents from continuing operations	(23)	23	33		33
Net cash transactions transferred from (to) discontinued operations	61	(18)			43
Beginning balance	32	104	94		230
Ending balance	\$ 70	\$ 109	\$ 127	\$	\$ 306

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*****Forward-Looking Statements***

This quarterly report contains forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those that express a plan, belief, expectation, estimation, anticipation, intent, contingency, future development or similar expression, and can generally be identified as forward-looking because they include words such as believes, anticipates, expects, could, should or words of similar meaning. Statements that describe our future plans, objectives or goals are also forward-looking statements. The forward-looking statements in this report involve significant risks and uncertainties, and a number of factors, both foreseen and unforeseen, that could cause actual results to differ materially from our current expectations. The factors that may affect our results include, among others: the impact on our business of the current state of the economy, including the risk of reduction in revenue resulting from decreased spending on the products and services we offer or from the elimination of existing or potential clients due to consolidation or financial failures in the financial services industry; legislative actions in the United States, including the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act and related regulations, and internationally; changes in client demand for our products or services; pricing or other actions by competitors; the impact of our Fiserv 2.0 initiatives; our ability to comply with government regulations, including privacy regulations; and other factors identified in our Annual Report on Form 10-K for the year ended December 31, 2009 and in other documents that we file with the Securities and Exchange Commission. You should consider these factors carefully in evaluating forward-looking statements, and are cautioned not to place undue reliance on such statements, which speak only as of the date of this report. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this report.

Management's discussion and analysis of financial condition and results of operations is provided as a supplement to our unaudited condensed consolidated financial statements and accompanying footnotes to help provide an understanding of our financial condition, the changes in our financial condition and our results of operations. Our discussion is organized as follows:

Overview. This section contains background information on our company and the services and products that we provide, our enterprise priorities, and the business challenges and trends facing our industry in order to provide context for management's discussion and analysis of our financial condition and results of operations.

Results of operations. This section contains an analysis of our results of operations presented in the accompanying unaudited condensed consolidated statements of income by comparing the results for the three and six months ended June 30, 2010 to the comparable periods in 2009.

Liquidity and capital resources. This section provides an analysis of our cash flows and a discussion of our outstanding debt as of June 30, 2010.

Overview***Company Background***

We provide integrated information management and electronic commerce systems and services, including transaction processing, electronic bill payment and presentment, business process outsourcing, document distribution services, and software and systems solutions. Our solutions serve approximately 16,000 clients worldwide including banks and thrifts, credit unions, savings institutions, retailers, merchants, leasing companies, lenders, government agencies, and publicly and privately owned companies. The majority of our revenue is generated from recurring account and transaction fees under contracts with terms ranging from three to five years, and we benefit from high contract renewal rates with our existing clients. The majority of the services we provide to our clients are non-discretionary in nature and are necessary for them to operate their business.

Our operations are primarily in the United States and are comprised of our Payments and Industry Products (Payments) segment, Financial Institution Services (Financial) segment, and Corporate and Other segment. The Payments segment primarily provides electronic bill payment and settlement, electronic funds transfer, and debit processing products and services to meet the electronic transaction processing needs of the financial services industry. Our businesses in this segment

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also provide card and print personalization services, Internet banking, investment account processing services for separately managed accounts, and fraud and risk management products and services. The Financial segment provides banks, thrifts and credit unions with account processing services, item processing services, loan origination and servicing products, cash management and consulting services, and other products and services that support numerous types of financial transactions. The Corporate and Other segment primarily consists of unallocated corporate overhead expenses, amortization of acquisition-related intangible assets and intercompany eliminations.

Industry Trends

Market conditions and volatility over the past two years have created a difficult operating environment for financial institutions and other businesses in the United States and internationally. As a result, financial institutions have exercised caution in their information technology spending. Despite this challenging environment, in the first six months of 2010, our revenue was \$2 billion, net income per share from continuing operations was \$1.65, and net cash provided by operating activities from continuing operations was \$431 million which increased 0.3%, 16% and 9%, respectively, over the first six months of 2009. We believe these results demonstrate the resilience of our recurring fee-based revenue model and the largely non-discretionary nature of our products and services. We believe that financial institutions are increasingly focused on technology solutions that can help them win and retain customers, generate incremental revenue and enhance their operating efficiency. We also anticipate that we will benefit over the long term from the trend of financial institutions moving from in-house transaction processing solutions to outsourced solutions.

During the past two years, a number of financial institutions have failed or been subject to government intervention. To date, such actions have not significantly impacted our revenue or results of operations. In each of the past two years, approximately 1% of all financial institutions in the United States have been subject to regulatory action. We believe that the number of regulatory actions will likely peak in 2010 and begin to decline in 2011, absent a significant downturn in the economy. The increase in bank failures and forced consolidations has been, to some extent, offset by a general decline in the level of acquisition activity among financial institutions. A consolidation can benefit us when a newly combined institution is processed on our platform, or elects to move to one of our platforms, and can negatively impact us when a competing platform is selected. Consolidations and acquisitions also impact our financial results due to early contract termination fees which are generally provided for in our multi-year client contracts. These fees are primarily generated when an existing client is acquired by another financial institution and can vary from period to period based on the number and size of clients that are acquired and how early in the contract term the contract is terminated. We generally do not receive contract termination fees when a financial institution is subject to a government action.

In addition, new legislation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act, will result in numerous new regulations impacting the financial industry. It is too early to determine the impact of this complex legislation on our clients and on us.

Enterprise Priorities

We continue to implement a series of strategic initiatives that we refer to as *Fiserv 2.0* in order to help accomplish our mission of providing integrated technology and services solutions which enable best-in-class results for our clients. These strategic initiatives include active portfolio management of our various businesses, enhancing the overall value of our existing client relationships, improving operational effectiveness, being disciplined in our allocation of capital, and differentiating through innovation in our products and services. Our three key enterprise priorities for 2010 are: (i) to deliver positive internal revenue growth and increased earnings per share results as compared to 2009; (ii) to center the Fiserv culture on growth to improve enterprise win rates and to secure a higher share of strategic solutions; and (iii) to provide innovative solutions that increase differentiation and enhance results for our clients. We believe we are making progress towards achieving our 2010 enterprise priorities.

Business Developments

Despite the challenges facing the financial industry and our clients, we continue to invest in the development of new and strategic products in categories such as payments, including ZashPaySM, our person-to-person payment service; account processing, including AcumenTM, our next generation account processing platform for large credit unions; and others that we believe will increase value to our clients and enhance the capabilities of our existing solutions. We believe our wide range of market-leading solutions along with the investments we are making in new and differentiated products will favorably position us and our clients to capitalize on the opportunities in the marketplace.

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The following table presents, for the periods indicated, certain amounts included in our condensed consolidated statements of income, the relative percentage that those amounts represent to revenue, and the change in those amounts from year to year. This information should be read together with the condensed consolidated financial statements and accompanying notes.

(In millions)	Three Months Ended June 30,				Increase (Decrease)	
	2010	2009	Percentage of Revenue ⁽¹⁾		\$	%
Revenue:						
Processing and services	\$ 856	\$ 828	83.8%	82.8%	\$ 28	3%
Product	166	172	16.2%	17.2%	(6)	(3)%
Total revenue	1,022	1,000	100.0%	100.0%	22	2%
Expenses:						
Cost of processing and services	457	465	53.4%	56.2%	(8)	(2)%
Cost of product	129	125	77.7%	72.7%	4	3%
Sub-total	586	590	57.3%	59.0%	(4)	(1)%
Selling, general and administrative	185	176	18.1%	17.6%	9	5%
Total expenses	771	766	75.4%	76.6%	5	1%
Operating income	251	234	24.5%	23.4%	17	7%
Interest expense, net	(46)	(55)	(4.5)%	(5.5)%	(9)	(16)%
Income from continuing operations before income taxes and income from investment in unconsolidated affiliate	\$ 205	\$ 179	20.1%	17.9%	\$ 26	15%

(In millions)	Six Months Ended June 30,				Increase (Decrease)	
	2010	2009	Percentage of Revenue ⁽¹⁾		\$	%
Revenue:						
Processing and services	\$ 1,687	\$ 1,659	83.1%	82.0%	\$ 28	2%
Product	343	364	16.9%	18.0%	(21)	(6)%
Total revenue	2,030	2,023	100.0%	100.0%	7	
Expenses:						
Cost of processing and services	919	923	54.5%	55.6%	(4)	
Cost of product	265	267	77.3%	73.4%	(2)	(1)%
Sub-total	1,184	1,190	58.3%	58.8%	(6)	(1)%
Selling, general and administrative	357	374	17.6%	18.5%	(17)	(5)%
Total expenses	1,541	1,564	75.9%	77.3%	(23)	(1)%
Operating income	489	459	24.1%	22.7%	30	7%

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Interest expense, net	(91)	(109)	(4.5)%	(5.4)%	(18)	(17)%
Income from continuing operations before income taxes and income from investment in unconsolidated affiliate	\$ 398	\$ 350	19.6%	17.3%	\$ 48	14%

⁽¹⁾ Each percentage of revenue is calculated as the relevant revenue, expense or income amount divided by total revenue, except for cost of processing and services and cost of product amounts which are divided by the related component of revenue.

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(In millions)	Three Months Ended June 30,			
	Payments	Financial	Corporate and Other	Total
Total revenue:				
2010	\$ 539	\$ 487	\$ (4)	\$ 1,022
2009	525	482	(7)	1,000
Revenue growth	\$ 14	\$ 5	\$ 3	\$ 22
Revenue growth percentage	3%	1%		2%

(In millions)	Six Months Ended June 30,			
	Payments	Financial	Corporate and Other	Total
Total revenue:				
2010	\$ 1,079	\$ 959	\$ (8)	\$ 2,030
2009	1,069	970	(16)	2,023
Revenue growth (decline)	\$ 10	\$ (11)	\$ 8	\$ 7
Revenue growth (decline) percentage	1%	(1)%		

Total revenue increased \$22 million and \$7 million in the second quarter and first six months of 2010, respectively, compared to 2009. Revenue growth was 2% in the second quarter and flat in the first six months of 2010.

Total revenue in our Payments segment increased \$14 million, or 3%, and \$10 million, or 1%, in the second quarter and first six months of 2010, respectively, compared to 2009. Revenue growth in our Payments segment during 2010 was primarily driven by our recurring revenue businesses as processing and services revenue increased \$14 million, or 4%, and \$25 million, or 3%, in the second quarter and first six months of 2010, respectively, compared to 2009. This growth was primarily due to new clients and increased transaction volumes from existing clients in our electronic payments businesses, including our electronic funds transfer and electronic banking businesses. During the first six months of 2010, Payments segment revenue growth was partially offset by lower product revenue which declined by \$15 million, or 5%, due to a decline in our output solutions business primarily in the first quarter of 2010.

Total revenue in our Financial segment increased \$5 million, or 1%, in the second quarter and decreased \$11 million, or 1%, in the first six months of 2010 compared to 2009. Revenue in our Financial segment during 2010 was favorably impacted by increased processing and services revenue in our bank and credit union account processing businesses and higher contract termination fee revenue. Financial segment revenue in 2010 was negatively impacted by continued volume declines in our check processing business and lower lending, specialty consulting, and software license revenue.

Total Expenses

Total expenses increased \$5 million, or 1%, in the second quarter of 2010 and decreased \$23 million, or 1%, in the first six months of 2010 compared to 2009. Total expenses as a percentage of total revenue were 75.4% and 76.6% in the second quarter of 2010 and 2009, respectively, and were 75.9% and 77.3% for the first six months of 2010 and 2009, respectively.

Cost of processing and services as a percentage of processing and services revenue decreased from 56.2% and 55.6% in the second quarter and first six months of 2009, respectively, to 53.4% and 54.5% in the second quarter and first six months of 2010, respectively. These improvements were primarily driven by increased operating leverage in our recurring revenue businesses and operating efficiency initiatives across the company, which had a positive overall impact on our operating margin.

Cost of product as a percentage of product revenue increased from 72.7% and 73.4% in the second quarter and first six months of 2009, respectively, to 77.7% and 77.3% in the second quarter and first six months of 2010, respectively. These increases were due primarily to a decline in higher margin software license revenue and an increase in product development costs, which collectively had a negative overall

impact on our operating margin.

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Selling, general and administrative expenses in the second quarter and first six months of 2010 and 2009 were relatively consistent at approximately 18% of total revenue. The increase in selling, general and administrative expenses of \$9 million, or 5%, in the second quarter of 2010 compared to 2009, was primarily due to increased sales commissions, product marketing, and professional expenses. During the first six months of 2010, selling, general and administrative expenses decreased \$17 million, or 5%, compared to 2009 due primarily to \$15 million of employee severance expense recognized in the first quarter of 2009, and a decline in merger and integration costs associated with our acquisition of CheckFree Corporation (CheckFree).

Operating Income and Operating Margin

(In millions)	Three Months Ended June 30,			
	Payments	Financial	Corporate and Other	Total
Operating income:				
2010	\$ 151	\$ 151	\$ (51)	\$ 251
2009	147	145	(58)	234
Operating income growth	\$ 4	\$ 6	\$ 7	\$ 17
Operating income growth percentage	3%	4%		7%
Operating margin:				
2010	28.0%	30.9%		24.5%
2009	28.0			