

SUNGARD DATA SYSTEMS INC

Form 10-Q

August 09, 2011

[Table of Contents](#)

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2011

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 numbers:

SunGard Capital Corp. 000-53653

SunGard Capital Corp. II 000-53654

SunGard Data Systems Inc. 001-12989

SunGard[®] Capital Corp.

SunGard[®] Capital Corp. II

SunGard[®] Data Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware	20-3059890
Delaware	20-3060101
Delaware	51-0267091
(State or other jurisdiction of	(IRS Employer

incorporation or organization)	Identification No.)
680 East Swedesford Road, Wayne, Pennsylvania 19087	

(Address of principal executive offices, including zip code)

484-582-2000

(Registrants 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.

SunGard Capital Corp.	Yes	<input checked="" type="checkbox"/>	No
		..	
SunGard Capital Corp. II	Yes	<input checked="" type="checkbox"/>	No
		..	
SunGard Data Systems Inc.	Yes	<input checked="" type="checkbox"/>	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).

Edgar Filing: SUNGARD DATA SYSTEMS INC - Form 10-Q

SunGard Capital Corp.	Yes	<input checked="" type="checkbox"/>	No
		<input type="checkbox"/>	
SunGard Capital Corp. II	Yes	<input checked="" type="checkbox"/>	No
		<input type="checkbox"/>	
SunGard Data Systems Inc.	Yes	<input checked="" type="checkbox"/>	No
		<input type="checkbox"/>	

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.

SunGard Capital Corp. Large accelerated filer . Accelerated filer . Non-accelerated filer . Smaller reporting company .

SunGard Capital Corp. II Large accelerated filer . Accelerated filer . Non-accelerated filer . Smaller reporting company .

SunGard Data Systems Inc. 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).

SunGard Capital Corp.	Yes	<input type="checkbox"/>	No
		<input checked="" type="checkbox"/>	
SunGard Capital Corp. II	Yes	<input type="checkbox"/>	No
		<input checked="" type="checkbox"/>	
SunGard Data Systems Inc.	Yes	<input type="checkbox"/>	No
		<input checked="" type="checkbox"/>	

The number of shares of the registrants common stock outstanding as of June 30, 2011:

SunGard Capital Corp.	255,870,461 shares of Class A common stock and 28,429,970 shares of Class L common stock
SunGard Capital Corp. II	100 shares of common stock
SunGard Data Systems Inc.	100 shares of common stock

Table of Contents

SUNGARD CAPITAL CORP.

SUNGARD CAPITAL CORP. II

SUNGARD DATA SYSTEMS INC.

AND SUBSIDIARIES

INDEX

	PAGE
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements:</u>	
<u>SunGard Capital Corp.</u>	
<u>Consolidated Balance Sheets as of December 31, 2010 and June 30, 2011 (unaudited)</u>	2
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2011 (unaudited)</u>	3
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2011 (unaudited)</u>	4
<u>SunGard Capital Corp. II</u>	
<u>Consolidated Balance Sheets as of December 31, 2010 and June 30, 2011 (unaudited)</u>	5
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2011 (unaudited)</u>	6
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2011 (unaudited)</u>	7
<u>SunGard Data Systems Inc.</u>	
<u>Consolidated Balance Sheets as of December 31, 2010 and June 30, 2011 (unaudited)</u>	8
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2011 (unaudited)</u>	9
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2011 (unaudited)</u>	10
<u>Notes to Consolidated Financial Statements (unaudited)</u>	11
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	39
Item 4T. <u>Controls and Procedures</u>	39
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	39
Item 1A. <u>Risk Factors</u>	39
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
Item 3. <u>Defaults upon Senior Securities</u>	39
Item 4. <u>(Removed and Reserved)</u>	39
Item 5. <u>Other Information</u>	39

Item 6. Exhibits

40

SIGNATURES

41

Table of Contents

PART I. FINANCIAL INFORMATION

Explanatory Note

This Form 10-Q is a combined quarterly report being filed separately by three registrants: SunGard Capital Corp. (SCC), SunGard Capital Corp. II (SCCII) and SunGard Data Systems Inc. (SunGard). SCC and SCC II are collectively referred to as the Parent Companies . Unless the context indicates otherwise, any reference in this report to the Company, we, us and our refer to the Parent Companies together with their direct and indirect subsidiaries, including SunGard. Each registrant hereto is filing on its own behalf all of the information contained in this quarterly report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

Table of Contents**ITEM 1. FINANCIAL STATEMENTS****SunGard Capital Corp.****Consolidated Balance Sheets****(In millions except share and per-share amounts)****(Unaudited)**

	December 31, 2010	June 30, 2011
Assets		
Current:		
Cash and cash equivalents	\$ 778	\$ 821
Trade receivables, less allowance for doubtful accounts of \$41 and \$50	894	863
Earned but unbilled receivables	167	188
Prepaid expenses and other current assets	178	184
Clearing broker assets	230	277
Deferred income taxes	10	10
Total current assets	2,257	2,343
Property and equipment, less accumulated depreciation of \$1,135 and \$1,255	918	926
Software products, less accumulated amortization of \$1,301 and \$1,434	809	713
Customer base, less accumulated amortization of \$1,158 and \$1,280	2,000	1,889
Other intangible assets, less accumulated amortization of \$23 and \$21	187	170
Trade name, less accumulated amortization of \$7 and \$10	1,023	1,020
Goodwill	5,774	5,825
Total Assets	\$ 12,968	\$ 12,886
Liabilities and Equity		
Current:		
Short-term and current portion of long-term debt	\$ 9	\$ 10
Accounts payable	64	47
Accrued compensation and benefits	302	260
Accrued interest expense	103	92
Other accrued expenses	421	366
Clearing broker liabilities	210	250
Deferred revenue	997	999
Total current liabilities	2,106	2,024
Long-term debt	8,046	8,068
Deferred income taxes	1,212	1,197
Total liabilities	11,364	11,289
Commitments and contingencies		
Noncontrolling interest in preferred stock of SCCII subject to a put option	54	31
Class L common stock subject to a put option	87	55
Class A common stock subject to a put option	11	7

Edgar Filing: SUNGARD DATA SYSTEMS INC - Form 10-Q

Stockholders' equity:

Class L common stock, convertible, par value \$.001 per share; cumulative 13.5% per annum, compounded quarterly; aggregate liquidation preference of \$4,699 million and \$5,033 million; 50,000,000 shares authorized, 28,670,331 and 28,761,476 shares issued		
Class A common stock, par value \$.001 per share; 550,000,000 shares authorized, 258,037,523 and 258,858,048 shares issued		
Capital in excess of par value	2,703	2,746
Treasury stock, 326,329 and 331,506 shares of Class L common stock; and 2,940,981 and 2,987,587 shares of Class A common stock	(34)	(35)
Accumulated deficit	(2,970)	(3,175)
Accumulated other comprehensive income (loss)	(29)	51
Total SunGard Capital Corp. stockholders' equity (deficit)	(330)	(413)
Noncontrolling interest in preferred stock of SCCII	1,782	1,917
Total equity	1,452	1,504
Total Liabilities and Equity	\$ 12,968	\$ 12,886

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**SunGard Capital Corp.****Consolidated Statements of Operations****(In millions)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2011	2010	2011
Revenue:				
Services	\$ 1,112	\$ 1,126	\$ 2,216	\$ 2,230
License and resale fees	103	109	171	183
Total products and services	1,215	1,235	2,387	2,413
Reimbursed expenses	38	31	66	63
	1,253	1,266	2,453	2,476
Costs and expenses:				
Cost of sales and direct operating	581	573	1,173	1,158
Sales, marketing and administration	286	313	557	597
Product development	69	83	141	164
Depreciation and amortization	72	72	146	144
Amortization of acquisition-related intangible assets	120	119	240	244
	1,128	1,160	2,257	2,307
Operating income (loss)	125	106	196	169
Interest income	1	1	1	2
Interest expense and amortization of deferred financing fees	(160)	(129)	(319)	(266)
Other income (expense)	14	1	14	(1)
Income (loss) from continuing operations before income taxes	(20)	(21)	(108)	(96)
Benefit from (provision for) income taxes	(1)	(52)	31	
Income (loss) from continuing operations	(21)	(73)	(77)	(96)
Income (loss) from discontinued operations, net of tax			2	
Net income (loss)	(21)	(73)	(75)	