

Edgar Filing: Fidelity National Information Services, Inc. - Form 10-Q

Fidelity National Information Services, Inc.  
Form 10-Q  
October 30, 2018  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

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

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Fidelity National Information Services, Inc.

(Exact name of registrant as specified in its charter)

Georgia

37-1490331

(State or other jurisdiction

(I.R.S. Employer Identification No.)

of incorporation or organization)

601 Riverside Avenue

Jacksonville, Florida

32204

(Address of principal executive offices) (Zip Code)

(904) 438-6000

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 October 29, 2018, 327,488,268 shares of the Registrant's Common Stock were outstanding.



FORM 10-Q  
 QUARTERLY REPORT  
 Quarter Ended September 30, 2018  
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AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(In millions, except per share amounts)

(Unaudited)

	September 30, 2018	December 31, 2017 As Adjusted *
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 632	\$ 665
Settlement deposits	563	677
Trade receivables, net of allowance for doubtful accounts of \$29 and \$63 as of September 30, 2018 and December 31, 2017, respectively	1,398	1,624
Contract assets	115	108
Settlement receivables	386	291
Other receivables	198	70
Prepaid expenses and other current assets	252	253
Assets held for sale	53	—
Total current assets	3,597	3,688
Property and equipment, net	546	610
Goodwill	13,585	13,730
Intangible assets, net	3,304	3,885
Computer software, net	1,710	1,728
Deferred contract costs, net	442	354
Other noncurrent assets	510	531
Total assets	\$ 23,694	\$ 24,526
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,007	\$ 1,241
Settlement payables	925	949
Deferred revenue	692	776
Current portion of long-term debt	40	1,045
Liabilities held for sale	28	—
Total current liabilities	2,692	4,011
Long-term debt, excluding current portion	8,998	7,718
Deferred income taxes	1,402	1,468
Deferred revenue	61	106
Other long-term liabilities	375	403
Total liabilities	13,528	13,706
Equity:		
FIS stockholders' equity:		
Preferred stock, \$0.01 par value, 200 shares authorized, none issued and outstanding as of September 30, 2018 and December 31, 2017	—	—
	4	4

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Common stock, \$0.01 par value, 600 shares authorized, 433 and 432 shares issued as of September 30, 2018 and December 31, 2017

Additional paid in capital	10,715	10,534
Retained earnings	4,339	4,109
Accumulated other comprehensive earnings (loss)	(433	) (332
Treasury stock, 105 and 99 shares as of September 30, 2018 and December 31, 2017, respectively, at cost	(4,544	) (3,604
Total FIS stockholders' equity	10,081	10,711
Noncontrolling interest	85	109
Total equity	10,166	10,820
Total liabilities and equity	\$ 23,694	\$ 24,526

See accompanying notes to unaudited condensed consolidated financial statements.

\* See Note 3.

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## Condensed Consolidated Statements of Earnings

(In millions, except per share amounts)

(Unaudited)

	Three months ended September 30, 2018		Nine months ended September 30, 2018	
	2017	As Adjusted *	2017	As Adjusted *
Revenue	\$2,084	\$ 2,096	\$6,256	\$ 6,502
Cost of revenue	1,364	1,386	4,192	4,397
Gross profit	720	710	2,064	2,105
Selling, general, and administrative expenses	283	325	980	1,104
Asset impairments	95	—	95	—
Operating income	342	385	989	1,001
Other income (expense):				
Interest expense, net	(80 )	(84 )	(225 )	(267 )
Other income (expense), net	(58 )	(182 )	(60 )	(123 )
Total other income (expense), net	(138 )	(266 )	(285 )	(390 )
Earnings before income taxes and equity method investment earnings (loss)	204	119	704	611
Provision (benefit) for income taxes	37	50	122	260
Equity method investment earnings (loss)	(4 )	—	(11 )	—
Net earnings	163	69	571	351
Net (earnings) loss attributable to noncontrolling interest	(9 )	(10 )	(23 )	(24 )
Net earnings attributable to FIS common stockholders	\$154	\$ 59	\$548	\$ 327
Net earnings per share — basic attributable to FIS common stockholders	\$0.47	\$ 0.18	\$1.67	\$ 0.99
Weighted average shares outstanding — basic	328	331	329	330
Net earnings per share — diluted attributable to FIS common stockholders	\$0.47	\$ 0.18	\$1.65	\$ 0.98
Weighted average shares outstanding — diluted	331	336	333	335
Cash dividends paid per share	\$0.32	\$ 0.29	\$0.96	\$ 0.87

See accompanying notes to unaudited condensed consolidated financial statements.

\* See Note 3.

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FIDELITY NATIONAL INFORMATION SERVICES, INC.  
AND SUBSIDIARIES  
Condensed Consolidated Statements of Comprehensive Earnings  
(In millions)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017 As Adjusted *	2018	2017 As Adjusted *
Net earnings	\$163	\$69	\$571	\$351
Other comprehensive earnings, before tax:				
Unrealized gain (loss) on investments and derivatives	\$—	\$5	\$—	\$(28)
Reclassification adjustment for gain (loss) included in net earnings	—	—	—	—
Unrealized gain (loss) on investments and derivatives, net	—	5	—	(28 )
Foreign currency translation adjustments	(35 )	46	(123 )	20
Minimum pension liability adjustment	—	—	—	(10 )
Other comprehensive earnings (loss), before tax:	(35 )	51	(123 )	(18 )
Provision for income tax expense (benefit) related to items of other comprehensive earnings	—	2	—	(11 )
Other comprehensive earnings (loss), net of tax	\$(35) (35 )	\$49 49	\$(123) (123 )	\$(7 ) (7 )
Comprehensive earnings:	128	118	448	344
Net (earnings) loss attributable to noncontrolling interest	(9 )	(10 )	(23 )	(24 )
Other comprehensive (earnings) loss attributable to noncontrolling interest	5	(4 )	22	(2 )
Comprehensive earnings attributable to FIS common stockholders	\$124	\$104	\$447	\$318

See accompanying notes to unaudited condensed consolidated financial statements.

\* See Note 3.

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## Condensed Consolidated Statement of Equity

Nine months ended September 30, 2018

(In millions, except per share amounts)

(Unaudited)

	Amount FIS Stockholders				Accumulated				Total equity
	Number of shares	Additional	Retained	comprehensive	Treasury	Noncontrolling			
	Common shares	Treasury shares	paid-in stock capital	earnings	earnings	stock	interest		
Balances, December 31, 2017, as adjusted *	432 (99 )	\$4	\$10,534	\$4,109	\$ (332 )	\$(3,604)	\$ 109	\$10,820	
Issuance of restricted stock	1 —	—	—	—	—	—	—	—	
Exercise of stock options	— 4	—	126	—	—	146	—	272	
Treasury shares held for taxes due upon exercise of stock options	— —	—	(11 )	—	—	(20 )	—	(31 )	
Purchases of treasury stock	— (10 )	—	—	—	—	(1,066 )	—	(1,066 )	
Stock-based compensation	— —	—	66	—	—	—	—	66	
Cash dividends paid (\$0.32 per share per quarter) and other distributions	— —	—	—	(318 )	—	—	(25 )	(343 )	
Net earnings	— —	—	—	548	—	—	23	571	
Other comprehensive earnings, net of tax	— —	—	—	—	(101 )	—	(22 )	(123 )	
Balances, September 30, 2018	433 (105 )	\$4	\$10,715	\$4,339	\$ (433 )	\$(4,544)	\$ 85	\$10,166	

See accompanying notes to unaudited condensed consolidated financial statements.

\* See Note 3.



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## Condensed Consolidated Statements of Cash Flows

(In millions)

(Unaudited)

	Nine months ended September 30,	
	2018	2017
	As	
	Adjusted	
	*	
Cash flows from operating activities:		
Net earnings	\$571	\$ 351
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,060	1,015
Amortization of debt issue costs	13	15
Asset impairments	95	—
Loss (gain) on sale of businesses	48	(55 )
Loss on extinguishment of debt	1	192
Stock-based compensation	66	86
Deferred income taxes	(65 )	(196 )
Net changes in assets and liabilities, net of effects from acquisitions and foreign currency:		
Trade receivables	151	(187 )
Contract assets	(10 )	77
Settlement activity	(6 )	(27 )
Prepaid expenses and other assets	31	(20 )
Deferred contract costs	(180 )	(111 )
Deferred revenue	(122 )	(51 )
Accounts payable, accrued liabilities, and other liabilities	(365 )	(10 )
Net cash provided by operating activities	1,288	1,079
Cash flows from investing activities:		
Additions to property and equipment	(115 )	(98 )
Additions to computer software	(349 )	(350 )
Proceeds from sale of businesses	58	1,307
Other investing activities, net	(26 )	(3 )
Net cash provided by (used in) investing activities	(432 )	856
Cash flows from financing activities:		
Borrowings	8,068	7,900
Repayment of borrowings and capital lease obligations	(7,725 )	(9,594 )
Debt issuance costs	(30 )	(13 )
Proceeds from exercise of stock options	273	168
Treasury stock activity	(1,038 )	(46 )
Dividends paid	(316 )	(289 )
Distribution to Brazilian Venture partner	(23 )	(23 )
Other financing activities, net	(3 )	(36 )
Net cash provided by (used in) financing activities	(794 )	(1,933 )

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Effect of foreign currency exchange rate changes on cash	(56 )	35
Less net change in cash balances classified as assets held for sale	(39 )	—
Net increase (decrease) in cash and cash equivalents	(33 )	37
Cash and cash equivalents, beginning of period	665	683
Cash and cash equivalents, end of period	\$632	\$ 720

Supplemental cash flow information:

Cash paid for interest	\$199	\$ 266
Cash paid for income taxes	\$442	\$ 485

See accompanying notes to unaudited condensed consolidated financial statements.

\* See Note 3.

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