

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

Fidelity National Information Services, Inc.  
Form 10-Q  
November 01, 2013  
Table of Contents

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 September 30, 2013

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

Fidelity National Information Services, Inc.  
(Exact name of registrant as specified in its charter)  
Georgia  
(State or other jurisdiction  
of incorporation or organization)

37-1490331  
(I.R.S. Employer Identification No.)

601 Riverside Avenue  
Jacksonville, Florida  
(Address of principal executive offices)  
(904) 438-6000  
(Registrant’s telephone number, including area code)

32204  
(Zip 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 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. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer   
(Do not check if a smaller reporting company) 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

As of October 31, 2013, 291,132,837 shares of the Registrant’s Common Stock were outstanding.



FORM 10-Q  
 QUARTERLY REPORT  
 Quarter Ended September 30, 2013  
 INDEX

	Page
<u>Part I: FINANCIAL INFORMATION</u>	
<u>Item 1. Condensed Consolidated Financial Statements (unaudited)</u>	
<u>A. Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012</u>	<u>2</u>
<u>B. Condensed Consolidated Statements of Earnings for the three and nine months ended September 30, 2013 and 2012</u>	<u>3</u>
<u>C. Condensed Consolidated Statements of Comprehensive Earnings for the three and nine months ended September 30, 2013 and 2012</u>	<u>4</u>
<u>D. Condensed Consolidated Statement of Equity for the nine months ended September 30, 2013</u>	<u>5</u>
<u>E. Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012</u>	<u>6</u>
<u>F. Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
<u>Item 3. Quantitative and Qualitative Disclosure About Market Risks</u>	<u>31</u>
<u>Item 4. Controls and Procedures</u>	<u>32</u>
<u>Part II: OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>33</u>
<u>Item 1A. Risk Factors</u>	<u>34</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
<u>Item 6. Exhibits</u>	<u>35</u>
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 DEFINITION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	

Table of ContentsFIDELITY NATIONAL INFORMATION SERVICES, INC.  
AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(In millions, except per share amounts)

(Unaudited)

	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$811.6	\$517.6
Settlement deposits	568.7	32.6
Trade receivables, net of allowance for doubtful accounts of \$22.8 and \$19.9 as of September 30, 2013 and December 31, 2012, respectively	992.8	925.7
Settlement receivables	180.6	128.3
Other receivables	43.8	30.2
Due from Brazilian venture partner	41.0	42.0
Prepaid expenses and other current assets	144.5	111.9
Deferred income taxes	51.1	55.9
Total current assets	2,834.1	1,844.2
Property and equipment, net	428.3	419.5
Goodwill	8,490.9	8,381.5
Intangible assets, net	1,404.8	1,576.2
Computer software, net	854.4	847.0
Deferred contract costs, net	217.8	211.2
Other noncurrent assets	260.4	270.1
Total assets	\$14,490.7	\$13,549.7
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$672.1	\$624.6
Due to Brazilian venture partner	14.2	18.8
Settlement payables	760.6	172.2
Current portion of long-term debt	117.1	153.9
Deferred revenues	233.5	287.3
Total current liabilities	1,797.5	1,256.8
Deferred revenues	34.0	42.2
Deferred income taxes	799.5	821.8
Long-term debt, excluding current portion	4,704.1	4,231.6
Due to Brazilian venture partner	34.9	40.5
Other long-term liabilities	317.0	363.2
Total liabilities	7,687.0	6,756.1
Equity:		
FIS stockholders' equity:		
Preferred stock, \$0.01 par value, 200 shares authorized, none issued and outstanding as of September 30, 2013 and December 31, 2012	—	—
Common stock, \$0.01 par value, 600 shares authorized, 386.2 and 385.9 shares issued as of September 30, 2013 and December 31, 2012, respectively	3.9	3.8

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

Additional paid in capital	7,219.5	7,197.0
Retained earnings	2,334.4	2,105.8
Accumulated other comprehensive earnings	(1.2	) 30.0
Treasury stock, \$0.01 par value, 95.1 and 91.8 shares as of September 30, 2013 and December 31, 2012, respectively, at cost	(2,909.1	) (2,695.7
Total FIS stockholders' equity	6,647.5	6,640.9
Noncontrolling interest	156.2	152.7
Total equity	6,803.7	6,793.6
Total liabilities and equity	\$14,490.7	\$13,549.7

See accompanying notes to unaudited condensed consolidated financial statements.

2

---

Table of ContentsFIDELITY NATIONAL INFORMATION SERVICES, INC.  
AND SUBSIDIARIES

## Condensed Consolidated Statements of Earnings

(In millions, except per share data)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Processing and services revenues (for related party activity, see note 2)	\$1,501.7	\$1,436.9	\$4,492.2	\$4,307.5
Cost of revenues	994.6	968.8	3,030.8	2,939.4
Gross profit	507.1	468.1	1,461.4	1,368.1
Selling, general, and administrative expenses (for related party activity, see note 2)	189.0	180.2	620.6	575.0
Operating income	318.1	287.9	840.8	793.1
Other income (expense):				
Interest expense, net	(43.7	) (54.0	) (144.8	) (170.0
Other income (expense), net	5.9	(1.5	) (50.9	) (24.2
Total other income (expense), net	(37.8	) (55.5	) (195.7	) (194.2
Earnings from continuing operations before income taxes	280.3	232.4	645.1	598.9
Provision for income taxes	97.9	79.0	214.0	192.0
Earnings from continuing operations, net of tax	182.4	153.4	431.1	406.9
Earnings (loss) from discontinued operations, net of tax	(3.3	) (61.0	) 6.4	(70.6
Net earnings	179.1	92.4	437.5	336.3
Net (earnings) loss attributable to noncontrolling interest	(6.8	) (5.6	) (16.3	) (11.8
Net earnings attributable to FIS	\$172.3	\$86.8	\$421.2	\$324.5
Net earnings per share — basic from continuing operations attributable to FIS common stockholders	\$0.61	\$0.51	\$1.43	\$1.35
Net earnings (loss) per share — basic from discontinued operations attributable to FIS common stockholders	(0.01	) (0.21	) 0.02	(0.24
Net earnings per share — basic attributable to FIS common stockholders *	\$0.60	\$0.30	\$1.45	\$1.11
Weighted average shares outstanding — basic	289.2	292.4	290.0	291.6
Net earnings per share — diluted from continuing operations attributable to FIS common stockholders	\$0.60	\$0.50	\$1.41	\$1.33
Net earnings (loss) per share — diluted from discontinued operations attributable to FIS common stockholders	(0.01	) (0.20	) 0.02	(0.24
Net earnings per share — diluted attributable to FIS common stockholders *	\$0.59	\$0.29	\$1.43	\$1.09
Weighted average shares outstanding — diluted	293.2	297.9	294.3	297.2
Cash dividends paid per share	\$0.22	\$0.20	\$0.66	\$0.60
Amounts attributable to FIS common stockholders:				
Earnings from continuing operations, net of tax	\$175.6	\$147.8	\$414.8	\$395.1
Earnings (loss) from discontinued operations, net of tax	(3.3	) (61.0	) 6.4	(70.6
Net earnings attributable to FIS	\$172.3	\$86.8	\$421.2	\$324.5

\* Amounts may not sum due to rounding.

See accompanying notes to unaudited condensed consolidated financial statements.



Table of Contents

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,	
	2013	2012	2013	2012
Net earnings		\$179.1	\$92.4	
Other comprehensive earnings, before tax:				
Unrealized gain (loss) on investments and derivatives	\$2.4	\$(2.4 )	\$3.5	\$(4.2 )
Reclassification adjustment for losses included in net earnings	2.2	1.8	5.2	5.8
Unrealized gain (loss) on investments and derivatives, net	4.6	(0.6 )	8.7	1.6
Foreign currency translation adjustments	5.6	13.4	(48.1 )	(14.1 )
Other comprehensive earnings (loss), before tax:	10.2	12.8	(39.4 )	(12.5 )
Provision for income tax expense (benefit) related to items of other comprehensive earnings	2.6	(0.1 )	2.4	(0.4 )
Other comprehensive earnings (loss), net of tax	\$7.6	7.6	\$12.9	12.9
Comprehensive earnings:				
Net (earnings) loss attributable to noncontrolling interest		(6.8 )	(5.6 )	(11.8 )
Other comprehensive (earnings) losses attributable to noncontrolling interest		1.5	2.4	10.6
Comprehensive earnings attributable to FIS		\$181.4	\$102.1	\$390.0
				\$323.6

See accompanying notes to unaudited condensed consolidated financial statements.

Table of ContentsFIDELITY NATIONAL INFORMATION SERVICES, INC.  
AND SUBSIDIARIES

## Condensed Consolidated Statement of Equity

Nine months ended September 30, 2013

(In millions, except per share amounts)

(Unaudited)

	Amount FIS Stockholders				Accumulated				
	Number of shares Common	Treasury shares	Common stock	paid in capital	Retained earnings	comprehensive earnings	Treasury stock	Noncontrolling interest	Total equity
Balances, December 31, 2012	385.9	(91.8 )	\$3.8	\$7,197.0	\$2,105.8	\$ 30.0	\$(2,695.7)	\$ 152.7	\$6,793.6
Issuance of restricted stock	0.3	—	0.1	—	—	—	—	—	0.1
Exercise of stock options and stock purchase right	—	5.0	—	(45.1 )	—	—	146.5	—	101.4
Treasury shares held for taxes due upon exercise of stock options	—	(0.1 )	—	—	—	—	(9.6 )	—	(9.6 )
Excess income tax benefit from exercise of stock options	—	—	—	25.8	—	—	—	—	25.8
Stock-based compensation	—	—	—	41.8	—	—	—	—	41.8
Cash dividends paid (\$0.22 per share per quarter) and other distributions	—	—	—	—	(192.6 )	—	—	(2.2 )	(194.8 )
Purchases of treasury stock	—	(8.2 )	—	—	—	—	(350.3 )	—	(350.3 )
Net earnings	—	—	—	—	421.2	—	—	16.3	437.5
Other comprehensive earnings	—	—	—	—	—	(31.2 )	—	(10.6 )	(41.8 )
Balances, September 30, 2013	386.2	(95.1 )	\$3.9	\$7,219.5	\$2,334.4	\$ (1.2 )	\$(2,909.1)	\$ 156.2	\$6,803.7

See accompanying notes to unaudited condensed consolidated financial statements.

Table of ContentsFIDELITY NATIONAL INFORMATION SERVICES, INC.  
AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

(In millions)

(Unaudited)

	Nine months ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net earnings	\$437.5	\$336.3
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	457.4	473.2
Amortization of debt issue costs	17.2	27.0
ClearPar contingent consideration included in discontinued operations	(26.8)	) —
Gain on mFoundry acquisition	(9.2)	) —
Gain on sale of assets	(5.0)	) (22.0)
Stock-based compensation	38.8	60.5
Deferred income taxes	(22.3)	) (28.9)
Excess income tax benefit from exercise of stock options	(25.8)	) (11.4)
Other operating activities	1.9	2.1
Net changes in assets and liabilities, net of effects from acquisitions and foreign currency:		
Trade receivables	(55.7)	) (40.7)
Settlement activity	(3.6)	) (16.1)
Prepaid expenses and other assets	(33.0)	) (24.4)
Deferred contract costs	(56.3)	) (49.7)
Deferred revenue	(63.3)	) (54.6)
Accounts payable, accrued liabilities, and other liabilities	24.1	66.7
Net cash provided by operating activities	675.9	718.0
Cash flows from investing activities:		
Additions to property and equipment	(91.1)	) (96.9)
Additions to computer software	(147.5)	) (129.4)
Receipt of contingent consideration from ClearPar sale	26.8	—
Acquisitions, net of cash acquired, and equity investments	(137.6)	) (40.0)
Net proceeds from sale of assets	—	336.5
Other investing activities, net	3.8	(3.0)
Net cash provided by (used in) investing activities	(345.6)	) 67.2
Cash flows from financing activities:		
Borrowings	8,794.6	8,886.0
Repayment of borrowings	(8,367.8)	) (9,165.4)
Debt issuance costs	(18.5)	) (47.6)
Excess income tax benefit from exercise of stock options	25.8	11.4
Proceeds from exercise of stock options	107.8	160.3
Treasury stock activity	(359.9)	) (285.8)
Dividends paid	(191.7)	) (176.4)
Other financing activities, net	(12.5)	) (5.8)
Net cash used in financing activities	(22.2)	) (623.3)

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

Effect of foreign currency exchange rate changes on cash	(14.1	) (0.8	)
Net increase in cash and cash equivalents	294.0	161.1	
Cash and cash equivalents, beginning of period	517.6	415.5	
Cash and cash equivalents, end of period	\$811.6	\$576.6	
Supplemental cash flow information:			
Cash paid for interest	\$161.8	\$182.9	
Cash paid for income taxes	\$255.0	\$157.6	
See accompanying notes to unaudited condensed consolidated financial statements.			

6

---

Table of Contents

FIDELITY NATIONAL INFORMATION SERVICES, INC.  
 AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Unless stated otherwise or the context otherwise requires, all references to “FIS,” “we,” the “Company” or the “registrant” are to Fidelity National Information Services, Inc., a Georgia corporation.

**(1) Basis of Presentation**

The unaudited financial information included in this report includes the accounts of FIS and its subsidiaries prepared in accordance with U.S. generally accepted accounting principles and the instructions to Form 10-Q and Article 10 of Regulation S-X. All adjustments considered necessary for a fair presentation have been included. This report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. The preparation of these Condensed Consolidated Financial Statements (Unaudited) in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements (Unaudited) and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. Certain reclassifications have been made in the 2012 Condensed Consolidated Financial Statements (Unaudited) to conform to the classifications used in 2013. We report the results of our operations in four reporting segments: 1) Financial Solutions Group (“FSG”), 2) Payment Solutions Group (“PSG”), 3) International Solutions Group (“ISG”) and 4) Corporate and Other (Note 12).

**(2) Related Party Transactions**

We are a party to certain agreements with related parties described below.

**Revenues and Expenses**

Related party transactions included in revenues for the three and nine months ended September 30, 2013 and 2012, are as follows (in millions):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Banco Bradesco Brazilian Venture revenue	\$71.9	\$72.8	\$225.7	\$215.3
FNF data processing services revenue	—	9.6	—	30.2
Ceridian data processing and services revenue	—	27.2	—	74.0
Total related party revenues	\$71.9	\$109.6	\$225.7	\$319.5

The three and nine months ended September 30, 2012 also included \$1.3 million and \$3.4 million, respectively, in expenses for administrative corporate support and other services with FNF (net of expense reimbursements) and \$0.1 million and \$0.6 million, respectively, of expenses related to employee benefits services provided by Ceridian. These costs were included in selling, general and administrative expenses.

**Brazilian Venture**

The Company operates a joint venture (“Brazilian Venture”) with Banco Bradesco S.A. (“Banco Bradesco”) in which we own a 51% controlling interest, to provide comprehensive, fully outsourced transaction processing, call center, cardholder support and collection services to multiple card issuing clients in Brazil, including Banco Bradesco.

**FNF**

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

FIS had shared a number of directors and executives with Fidelity National Financial, Inc. ("FNF"), our former parent, subsequent to becoming an independent company. As a result, FNF qualified as a related party from an accounting perspective. As previously reported, William P. Foley II, who serves as Chairman of the Board of Directors of FNF, transitioned from

7

---

Table of Contents

FIDELITY NATIONAL INFORMATION SERVICES, INC.

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Executive Chairman to Chairman of the Board of FIS in February 2011, and then to Vice Chairman in March 2012. Certain other key executives shared between the two companies ended their employment with FIS during 2012. As a result, FNF's level of influence over the management or operating policies of FIS was diminished below the level required to meet the definition of a related party as of September 30, 2012. All transactions with FNF are, therefore, included in the related party disclosures through that date.

## Ceridian

We provide data processing services to Ceridian Corporation ("Ceridian"), and Ceridian provides us with outsourced employee benefits services. FNF holds an approximate 32% equity interest in Ceridian; therefore, transactions with Ceridian are included as related party activity through September 30, 2012, consistent with the inclusion of FNF as addressed above.

We believe the amounts earned from or charged by us under each of the foregoing arrangements are fair and reasonable. We believe our service arrangements are priced within the range of prices we offer to third parties. However, the amounts we earned or that we were charged under these arrangements were not negotiated at arm's-length, and may not represent the terms that we might have obtained from an unrelated third party.

## (3) Unaudited Net Earnings per Share

The basic weighted average shares and common stock equivalents for the three and nine months ended September 30, 2013 and 2012 are computed using the treasury stock method.

The following table summarizes the earnings per share attributable to FIS common stockholders for the three and nine months ended September 30, 2013 and 2012 (in millions, except per share amounts):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Earnings from continuing operations attributable to FIS, net of tax	\$175.6	\$147.8	\$414.8	\$395.1
Earnings (loss) from discontinued operations attributable to FIS, net of tax	(3.3 )	(61.0 )	6.4	(70.6 )
Net earnings attributable to FIS common stockholders	\$172.3	\$86.8	\$421.2	\$324.5
Weighted average shares outstanding — basic	289.2	292.4	290.0	291.6
Plus: Common stock equivalent shares	4.0	5.5	4.3	5.6
Weighted average shares outstanding — diluted	293.2	297.9	294.3	297.2
Net earnings per share — basic from continuing operations attributable to FIS common stockholders	\$0.61	\$0.51	\$1.43	\$1.35
Net earnings (loss) per share — basic from discontinued operations attributable to FIS common stockholders	(0.01 )	(0.21 )	0.02	(0.24 )
Net earnings per share — basic attributable to FIS common stockholders *	\$0.60	\$0.30	\$1.45	\$1.11
Net earnings per share — diluted from continuing operations attributable to FIS common stockholders	\$0.60	\$0.50	\$1.41	\$1.33
Net earnings (loss) per share — diluted from discontinued operations attributable to FIS common stockholders	(0.01 )	(0.20 )	0.02	(0.24 )
Net earnings per share — diluted attributable to FIS common stockholders	\$0.59	\$0.29	\$1.43	\$1.09

\* Amounts may not sum due to rounding.

Options to purchase less than 0.1 million and 0.5 million shares of our common stock for the three months and 0.1 million and 0.9 million for the nine months ended September 30, 2013 and 2012, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive.

Table of Contents

FIDELITY NATIONAL INFORMATION SERVICES, INC.

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(4) Discontinued Operations

Certain operations are reported as discontinued in the Condensed Consolidated Statements of Earnings (Unaudited) for the three and nine months ended September 30, 2013 and 2012.

Healthcare Benefit Solutions Business

On June 25, 2012, we entered into a definitive agreement to sell our Healthcare Benefit Solutions Business ("Healthcare Business") because its operations did not align with our strategic plans. The all-cash transaction closed on August 15, 2012 and we received cash proceeds of \$332.2 million. We recorded a pre-tax gain of \$22.0 million and tax expense on the sale of \$78.3 million, which resulted from the allocation of goodwill with minimal tax basis.

The results of operations of the Healthcare Business, which were previously included in the PSG segment, have been classified as discontinued operations for all periods presented. The Healthcare Business had no revenue and pretax earnings of \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2013, respectively. The Healthcare Business had revenues of \$15.3 million and \$80.5 million and pretax earnings of \$22.1 million and \$35.8 million for the three and nine months ended September 30, 2012, respectively.

Brazil Item Processing and Remittance Services Operations

During the third quarter of 2010, the Company decided to pursue strategic alternatives for Fidelity National Participacoes Ltda. ("Participacoes"). Participacoes' processing volume was transitioned to other vendors or back to its customers during the second quarter of 2011. There were no revenues for the 2013 and 2012 periods. Participacoes had losses before taxes of \$5.1 million and \$7.2 million for the three months and \$15.7 million and \$34.6 million for the nine months ended September 30, 2013 and 2012, respectively. As a result of the dismissal of employees related to the shut-down activities completed in 2011, the three months and nine months ended September 30, 2013 and 2012 included charges of \$6.1 million and \$4.7 million and \$15.3 million and \$29.1 million, respectively, to settle claims or increase our provision for potential labor claims. The shut-down activities involved the transfer and termination of approximately 2,600 employees. As of September 30, 2013, there were approximately 1,230 active labor claims. Former employees generally had up to two years from the date of termination to file labor claims, which extended through April 2013. Consequently, we have continued exposure on these active claims, which were not transferred with other assets and liabilities in the disposal. Our accrued liability for active and unasserted labor claims considered probable of assertion, net of \$15.8 million in court ordered deposits, is \$29.3 million as of September 30, 2013. Any changes in the estimated liability related to these labor claims will be recorded as discontinued operations.

ClearPar

On January 1, 2010, FIS sold certain assets and liabilities constituting our ClearPar automated syndicated loan trade settlement business. Terms of the sale included an initial cash payment of \$71.5 million at closing, with the potential for an additional contingent earn-out payment calculated as a function of the business' 2012 operating results. In May 2013, we recorded in discontinued operations a gain of \$26.8 million (\$16.7 million, net of tax) upon final determination and receipt of the earn-out payment.

(5) Changes in Accumulated Other Comprehensive Earnings Attributable to FIS by Component, Net of Tax

The following table shows accumulated other comprehensive earnings ("AOCE") attributable to FIS by component, net of tax, for the nine months ended September 30, 2013 (in millions):

9

---

Table of Contents

FIDELITY NATIONAL INFORMATION SERVICES, INC.

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

	Interest Rate Swap Contracts	Foreign Currency Translation Adjustments	Other	Total
Balances, December 31, 2012	\$(6.1 )	\$36.3	\$(0.2 )	\$30.0
Other comprehensive gain/(loss) before reclassifications	0.7	(36.3 )	1.2	(34.4 )
Amounts reclassified from AOCE	2.6	—	0.6	3.2
Net current period AOCE attributable to FIS	3.3	(36.3 )	1.8	(31.2 )
Balances, September 30, 2013	\$(2.8 )	\$—	\$1.6	\$(1.2 )

The amount reclassified from AOCE for interest rate swap contracts includes \$4.2 million recorded as interest expense, reduced by a related \$1.6 million provision for income taxes. The additional \$0.6 million reclassification relates to a realized gain on an available for sale investment of \$1.0 million. The gain was recorded in other income (expense), net with an offsetting tax provision of \$0.4 million.

## (6) Condensed Consolidated Financial Statement Details

The following table shows the Company's condensed consolidated financial statement details as of September 30, 2013 and December 31, 2012 (in millions):

	September 30, 2013			December 31, 2012		
	Cost	Accumulated depreciation and amortization	Net	Cost	Accumulated depreciation and amortization	Net
Property and equipment	\$1,057.8	\$629.5	\$428.3	\$975.5	\$556.0	\$419.5
Intangible assets	\$2,803.9	\$1,399.1	\$1,404.8	\$2,962.6	\$1,386.4	\$1,576.2
Computer software	\$1,541.5	\$687.1	\$854.4	\$1,451.6	\$604.6	\$847.0

The Company entered into capital lease obligations of \$15.3 million and \$2.1 million during the nine months ended September 30, 2013 and 2012, respectively, primarily consisting of computer hardware and software. The assets are included in property and equipment and computer software and the remaining capital lease obligation is classified as long-term debt on our Condensed Consolidated Balance Sheet (Unaudited) as of September 30, 2013. Periodic payments are included in repayment of borrowings on the Condensed Consolidated Statements of Cash Flows (Unaudited).

## Settlement Activity

Settlement deposits represent funds we hold that were drawn from our customers to facilitate our settlement activities and, as of September 30, 2013, included \$75.0 million of short-term investments in certificates of deposit with original maturities of greater than 90 days. These certificates of deposit are Level 2 securities. Settlement payables consist of settlement deposits from customers, settlement payables to third parties and outstanding checks related to our settlement activities for which the right of offset does not exist or we do not intend to exercise our right of offset. Our accounting policy for such outstanding checks is to include them in settlement payables on the balance sheet and operating cash flows on the statement of cash flows.

(7) Long-Term Debt

Long-term debt as of September 30, 2013 and December 31, 2012, consisted of the following (in millions):

10

---

Table of Contents

FIDELITY NATIONAL INFORMATION SERVICES, INC.

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

	September 30, 2013	December 31, 2012
Term Loans A-2 (1)	\$—	\$250.0
Term Loans A-3, quarterly principal amortization (2)	—	2,021.3
Term Loans A-4, quarterly principal amortization (3)	1,975.0	—
Senior Notes due 2017, interest payable semi-annually at 7.625%	—	750.0
Senior Notes due 2018, interest payable semi-annually at 2.000%	250.0	—
Senior Notes due 2020, interest payable semi-annually at 7.875%	500.0	500.0
Senior Notes due 2022, interest payable semi-annually at 5.000%	700.0	700.0
Senior Notes due 2023, interest payable semi-annually at 3.500%	1,000.0	—
Revolving Loan (4)	366.0	126.3
Other	30.2	37.9
	4,821.2	4,385.5
Current portion	(117.1	) (153.9
Long-term debt, excluding current portion	\$4,704.1	\$4,231.6

(1) The Term Loans A-2 were repaid in full on January 11, 2013 through additional borrowings on our Revolving Loan.

(2) The Term Loans A-3 were repaid in full on April 23, 2013 and replaced with Term Loans A-4 as discussed below.

(3) Interest on the Term Loans A-4 is generally payable at LIBOR plus an applicable margin of up to 2.00% based upon the Company's corporate credit ratings and the ratings on the FIS Credit Agreement. As of September 30, 2013, the weighted average interest rate on the Term Loans A-4 was 1.68%.

(4) Interest on the Revolving Loan is generally payable at LIBOR plus an applicable margin of up to 2.00% plus an unused commitment fee of up to 0.35%, each based upon the Company's corporate credit ratings and the ratings on the FIS Credit Agreement. As of September 30, 2013, the applicable margin on the Revolving Loan, excluding facility fees and unused commitment fees, was 1.50%.

On April 23, 2013, FIS amended and restated its syndicated credit agreement (the "FIS Credit Agreement"). The transaction resulted in the increase of FIS' revolving loan capacity by \$850.0 million to \$2,000.0 million and the amendment of certain terms and conditions, including the removal of provisions regarding the granting of collateral by FIS and its subsidiaries. As of September 30, 2013, the FIS Credit Agreement provided total committed capital of \$3,975.0 million comprised of: (1) a revolving credit facility in an aggregate maximum principal amount of \$2,000.0 million maturing on March 30, 2017 (the "Revolving Loan"); and (2) term loans of \$1,975.0 million maturing on March 30, 2017 (the "Term Loans A-4"). As of September 30, 2013, the outstanding principal balance of the Revolving Loan was \$366.0 million, with \$1,633.2 million of borrowing capacity remaining thereunder (net of \$0.8 million in outstanding letters of credit issued under the Revolving Loan).

On April 15, 2013, FIS completed the issuance and sale of \$250.0 million in aggregate principal amount of 2.0% unsecured senior notes due April 15, 2018 (the "2018 Notes") and \$1,000.0 million in aggregate principal amount of 3.5% unsecured senior notes due April 15, 2023 (the "2023 Notes"). Net proceeds from the offering, after deducting the underwriting discounts and commissions, were \$1,233.1 million. The 2018 Notes and 2023 Notes were offered and sold pursuant to the Form S-3 Automatic Shelf Registration Statement filed with the Securities and Exchange Commission on March 5, 2013, as supplemented by the prospectus supplement dated April 10, 2013. On April 15, 2013, FIS used a portion of the proceeds from the offering to pay down the outstanding balance of its Revolving Loan. On May 15, 2013, the Company completed a call for redemption of the 2017 Notes for \$801.6 million, comprised of

\$750.0 million in principal and a call premium of \$51.6 million.

The obligations of FIS under the FIS Credit Agreement and under all its outstanding senior notes rank equal in priority, are unsecured and are guaranteed by substantially all of the domestic subsidiaries of FIS. The FIS Credit Agreement and the senior notes remain subject to customary covenants, including, among others, limitations on the payment of dividends by FIS, and events of default.

The following table summarizes the mandatory annual principal payments pursuant to the FIS Credit Agreement and the senior notes' indentures as of September 30, 2013 (in millions). There are no mandatory principal payments on the Revolving Loan and any balance outstanding on the Revolving Loan will be due and payable at its scheduled maturity date:

11

---

Table of Contents

FIDELITY NATIONAL INFORMATION SERVICES, INC.

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

	Term Loan A-4	2018 Notes	2020 Notes	2022 Notes	2023 Notes	Total
2013	\$12.5	\$—	\$—	\$—	\$—	\$12.5
2014	100.0	—	—	—	—	100.0
2015	100.0	—	—	—	—	100.0
2016	100.0	—	—	—	—	100.0
2017	1,662.5	—	—	—	—	1,662.5
Thereafter	—	250.0	500.0	700.0	1,000.0	2,450.0
Total	\$1,975.0	\$250.0	\$500.0	\$700.0	\$1,000.0	\$4,425.0

Voluntary prepayment of the Term Loans is generally permitted at any time without fee upon proper notice and subject to a minimum dollar requirement. In addition to scheduled principal payments, the Term Loans are (with certain exceptions) subject to mandatory prepayment upon the occurrence of certain events.

FIS may redeem some or all of the 2020 Notes and the 2022 Notes on or before July 14, 2017 and May 14, 2020, respectively, at specified premiums to par, and thereafter at par. FIS may also redeem the 2018 Notes and the 2023 Notes at its option in whole or in part, at any time and from time to time, at a redemption price equal to the greater of 100% of the principal amount to be redeemed and a make-whole amount calculated as described in the related indenture in each case plus accrued and unpaid interest to, but excluding, the date of redemption; provided no make-whole amount will be paid for redemptions on the 2023 Notes during the three months prior to their maturity.

We monitor the financial stability of our counterparties on an ongoing basis. The lender commitments under the undrawn portions of the Revolving Loan are comprised of a diversified set of financial institutions, both domestic and international. The combined commitments of our top 10 revolving lenders comprise about 58% of our Revolving Loan. The failure of any single lender to perform its obligations under the Revolving Loan would not adversely impact our ability to fund operations. If the single largest lender were to default under the terms of the FIS Credit Agreement (impacting the capacity of the Revolving Loan), the maximum loss of available capacity on the undrawn portion of the Revolving Loan, as of September 30, 2013, would be approximately \$112.3 million.

In connection with a March 2012 refinancing and bond offering, we wrote off certain previously capitalized debt issuance costs and transaction expenses totaling \$18.4 million and capitalized \$29.3 million of other costs. The Company capitalized approximately \$18.0 million in additional debt issuance costs with respect to the 2013 FIS Credit Agreement refinancing and the issuance of the 2018 Notes and the 2023 Notes, and wrote off approximately \$14.1 million of previously capitalized costs as well as certain transaction fees and expenses of under \$2.0 million. Upon the early redemption of the 2017 Notes, the Company also expensed approximately \$45.3 million, representing the \$51.6 million early-redemption premium offset by the premium reflected in the carrying value of this debt. Debt issuance costs of \$47.7 million, net of accumulated amortization, remain capitalized as of September 30, 2013, related to all of the above outstanding debt.

The fair value of the Company's long-term debt is estimated to be approximately \$32.8 million lower than the carrying value as of September 30, 2013. This estimate is based on quoted prices of our senior notes and trades of our other debt in close proximity to September 30, 2013, which are considered Level 2-type measurements. This estimate is subjective in nature and involves uncertainties and significant judgment in the interpretation of current market data. Therefore, the values presented are not necessarily indicative of amounts the Company could realize or settle currently.

As of September 30, 2013, we have entered into the following interest rate swap transactions converting a portion of the interest rate exposure on our Term and Revolving Loans from variable to fixed (in millions):

12

---

Table of Contents

FIDELITY NATIONAL INFORMATION SERVICES, INC.

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Effective date	Termination date	Notional amount	Bank pays variable rate of	FIS pays fixed rate of
September 1, 2011	September 1, 2014	\$150.0	1 Month LIBOR (1)	0.74 % (2)
September 1, 2011	September 1, 2014	150.0	1 Month LIBOR (1)	0.74 % (2)
September 1, 2011	September 1, 2014	300.0	1 Month LIBOR (1)	0.72 % (2)
July 1, 2012	July 1, 2015	300.0	1 Month LIBOR (1)	0.58 % (2)
February 1, 2013	February 3, 2014	200.0	1 Month LIBOR (1)	0.28 % (2)
February 1, 2013	February 3, 2014	200.0	1 Month LIBOR (1)	0.28 % (2)
February 3, 2014	February 1, 2017	400.0	1 Month LIBOR (1)	0.89 % (2)
		\$1,700.0		

(1)0.18% in effect as of September 30, 2013.

(2) Does not include the applicable margin and facility fees paid to lenders on the Term Loans and Revolving Loan as described above.

We have designated these interest rate swaps as cash flow hedges and, as such, they are carried on the Condensed Consolidated Balance Sheets (Unaudited) at fair value with changes in fair value included in other comprehensive earnings, net of tax.

A summary of the fair value of the Company's derivative instruments as of September 30, 2013 and December 31, 2012, is as follows (in millions):

	September 30, 2013		December 31, 2012	
	Balance sheet location	Fair value	Balance sheet location	Fair value
Interest rate swap contracts	Accounts payable and accrued liabilities	\$3.2	Accounts payable and accrued liabilities	\$1.0
Interest rate swap contracts	Other long-term liabilities	\$1.7	Other long-term liabilities	\$9.4

In accordance with the authoritative guidance for fair value measurements, the inputs used to determine the estimated fair value of our interest rate swaps are Level 2-type measurements. We considered our own credit risk and the credit risk of the counterparties when determining the fair value of our interest rate swaps. Adjustments are made to these amounts and to AOCE within the Condensed Consolidated Statements of Equity (Unaudited) and the Condensed Consolidated Statements of Comprehensive Earnings (Unaudited) as the factors that impact fair value change, including current and projected interest rates, time to maturity and required cash transfers/settlements with our counterparties. Periodic actual and estimated settlements with counterparties are recorded to interest expense as a yield adjustment to effectively fix the otherwise variable rate interest expense associated with the Term and Revolving Loans.

A summary of the effect of derivative instruments on the Company's Condensed Consolidated Statements of Comprehensive Earnings (Unaudited) and recognized in AOCE for the three and nine months ended September 30, 2013 and 2012 is as follows (in millions):

	Amount of gain (loss) recognized in AOCE on derivatives	Location of loss reclassified from	Amount of loss reclassified from AOCE into income
Derivatives in cash flow hedging	Three months ended September 30,	Three months ended September 30,	Three months ended September 30,

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

relationships	2013	2012	AOCE into income	2013	2012
Interest rate swap contracts	\$(3.5	) \$(6.0	) Interest expense	\$(1.2	) \$(1.8

Table of Contents

FIDELITY NATIONAL INFORMATION SERVICES, INC.

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

	Amount of gain (loss) recognized in AOCE on derivatives		Location of loss reclassified from AOCE into income	Amount of loss reclassified from AOCE into income	
	Nine months ended September 30, 2013	2012		Nine months ended September 30, 2013	2012
Derivatives in cash flow hedging relationships	\$1.3	\$(10.6	Interest expense	\$(4.2	\$(5.8
Interest rate swap contracts		)		)	)

Approximately \$2.6 million of the balance in AOCE as of September 30, 2013, is expected to be reclassified into income over the next twelve months.

Our existing cash flow hedges are highly effective and there was no impact on earnings due to hedge ineffectiveness. It is our practice to execute such instruments with credit-worthy banks at the time of execution and not to enter into derivative financial instruments for speculative purposes. As of September 30, 2013, we believe that our interest rate swap counterparties will be able to fulfill their obligations under our agreements and we believe we will have debt outstanding through the various expiration dates of the swaps such that the forecasted transactions remain probable of occurring.

## (8) Supplemental Guarantor Financial Information

The following supplemental financial information sets forth for FIS and its guarantor and non-guarantor subsidiaries: (a) the Condensed Consolidating Balance Sheets as of September 30, 2013 and December 31, 2012; (b) the Condensed Consolidating Statements of Earnings and Comprehensive Earnings for the three and nine months ended September 30, 2013 and 2012; and (c) the Condensed Consolidating Statements of Cash Flows for the nine months ended September 30, 2013 and 2012. Each guarantor subsidiary is 100% owned by FIS and all guarantees are full and unconditional as well as joint and several.

	Condensed Consolidating Balance Sheets September 30, 2013				
	FIS (in millions)	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 18.3	\$ 290.5	\$ 502.8	\$—	\$ 811.6
Settlement deposits	—	568.7	—	—	568.7
Trade receivables, net	—	724.2	268.6	—	992.8
Investment in subsidiaries, intercompany and receivables from related parties	9,695.4	10,276.9	1,017.2	(20,948.5	) 41.0
Other current assets	29.7	228.2	162.1	—	420.0
Total current assets	9,743.4	12,088.5	1,950.7	(20,948.5	) 2,834.1
Property and equipment, net	7.1	330.1	91.1	—	428.3
Goodwill	—	7,205.5	1,285.4	—	8,490.9
Intangible assets, net	—	1,039.0	365.8	—	1,404.8
Computer software, net	37.6	651.2	165.6	—	854.4
Other noncurrent assets	65.8	327.0	85.4	—	478.2

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

Total assets	\$9,853.9	\$21,641.3	\$ 3,944.0	\$(20,948.5 )	\$14,490.7
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 150.6	\$218.3	\$ 303.2	\$—	\$672.1
Settlement payables	—	656.2	104.4	—	760.6
Current portion of long-term debt	101.6	13.9	1.6	—	117.1
Deferred revenues	—	163.9	69.6	—	233.5
Other current liabilities	—	—	14.2	—	14.2
Total current liabilities	252.2	1,052.3	493.0	—	1,797.5
Deferred income taxes	—	775.0	24.5	—	799.5
Long-term debt, excluding current portion	4,695.0	8.5	0.6	—	4,704.1
Other long-term liabilities	3.3	92.3	290.3	—	385.9
Total liabilities	4,950.5	1,928.1	808.4	—	7,687.0
Total equity	4,903.4	19,713.2	3,135.6	(20,948.5 )	6,803.7
Total liabilities and equity	\$9,853.9	\$21,641.3	\$ 3,944.0	\$(20,948.5 )	\$14,490.7

Table of Contents

## FIDELITY NATIONAL INFORMATION SERVICES, INC.

## AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

	Condensed Consolidating Balance Sheets				
	December 31, 2012				
	FIS	Guarantor	Non-guarantor	Eliminations	Consolidated
	(in millions)				
Assets					
Current assets:					
Cash and cash equivalents	\$ 18.4	\$ 226.8	\$ 272.4	\$—	\$ 517.6
Settlement deposits	—	32.6	—	—	32.6
Trade receivables, net	—	693.9	231.8	—	925.7
Investment in subsidiaries, intercompany and receivables from related parties	9,207.5	9,482.0	1,087.8	(19,735.3 )	42.0
Other current assets	21.2	259.6	45.5	—	326.3
Total current assets	9,247.1	10,694.9	1,637.5	(19,735.3 )	1,844.2
Property and equipment, net	12.0	328.8	78.7	—	419.5
Goodwill	—	7,205.7	1,175.8	—	8,381.5
Intangible assets, net	—	1,191.4	384.8	—	1,576.2
Computer software, net	39.7	641.9	165.4	—	847.0
Other noncurrent assets	103.2	288.3	89.8	—	481.3
Total assets	\$ 9,402.0	\$ 20,351.0	\$ 3,532.0	\$ (19,735.3 )	\$ 13,549.7
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 110.7	\$ 257.1	\$ 256.8	\$—	\$ 624.6
Settlement payables	—	165.6	6.6	—	172.2
Current portion of long-term debt	144.4	7.4	2.1	—	153.9
Deferred revenues	—	224.0	63.3	—	287.3
Other current liabilities	—	—	18.8	—	18.8
Total current liabilities	255.1	654.1	347.6	—	1,256.8
Deferred income taxes	—	820.4	1.4	—	821.8
Long-term debt, excluding current portion	4,224.1	7.2	0.3	—	4,231.6
Other long-term liabilities	29.0	99.7	317.2	—	445.9
Total liabilities	4,508.2	1,581.4	666.5	—	6,756.1
Total equity	4,893.8	18,769.6	2,865.5	(19,735.3 )	6,793.6
Total liabilities and equity	\$ 9,402.0	\$ 20,351.0	\$ 3,532.0	\$ (19,735.3 )	\$ 13,549.7

	Condensed Consolidating Statements of Earnings and Comprehensive Earnings				
	Three months ended September 30, 2013				
	FIS	Guarantor	Non-guarantor	Eliminations	Consolidated
	(in millions)				
Processing and services revenues	\$—	\$ 1,158.8	\$ 342.9	\$—	\$ 1,501.7
Operating expenses	55.7	861.6	266.3	—	1,183.6
Operating income	(55.7 )	297.2	76.6	—	318.1
Other income (expense):					

Interest expense, net (43.2 ) (0.2 )