

SUNGARD DATA SYSTEMS INC

Form 10-Q

November 09, 2004

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 September 30, 2004

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 1-12989

SunGard[®] Data Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0267091
(IRS Employer
Identification No.)

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680 East Swedesford Road, Wayne, Pennsylvania 19087

(Address of principal executive offices, including zip code)

484-582-2000

(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 288,871,146 shares of the registrant's common stock, par value \$.01 per share, outstanding at September 30, 2004.

Table of Contents

SUNGARD DATA SYSTEMS INC.

AND SUBSIDIARIES

Index

	<u>PAGE</u>
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements:</u>	
<u>Consolidated Balance Sheets as of September 30, 2004 (unaudited) and December 31, 2003</u>	1
<u>Consolidated Statements of Income for the nine and three months ended September 30, 2004 and 2003 (unaudited)</u>	2
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2004 and 2003 (unaudited)</u>	3
<u>Notes to Consolidated Financial Statements (unaudited)</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	23
Item 4. <u>Controls and Procedures</u>	23
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	23
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	24
Item 3. <u>Defaults upon Senior Securities</u>	24
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	24
Item 5. <u>Other Information</u>	24
Item 6. <u>Exhibits</u>	24
<u>SIGNATURES</u>	25

Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****SunGard Data Systems Inc.****Consolidated Balance Sheets****(In thousands, except per-share amounts)**

	September 30, 2004 (unaudited)	December 31, 2003
Assets		
Current:		
Cash and equivalents	\$ 487,341	\$ 478,941
Trade receivables, less allowance for doubtful accounts of \$56,200 and \$45,785	594,220	560,898
Earned but unbilled receivables	114,034	62,194
Prepaid expenses and other current assets	107,344	95,495
Clearing broker assets	138,499	126,250
Deferred income taxes	49,307	39,514
Total current assets	1,490,745	1,363,292
Property and equipment, less accumulated depreciation of \$859,452 and \$744,264	588,153	562,325
Software products, less accumulated amortization of \$393,900 and \$335,175	351,151	220,091
Customer base, less accumulated amortization of \$196,362 and \$156,318	560,166	398,765
Other tangible and intangible assets, less accumulated amortization of \$26,043 and \$20,562	58,810	72,166
Deferred income taxes		29,070
Goodwill	1,787,986	1,354,398
Total Assets	\$ 4,837,011	\$ 4,000,107
Liabilities and Stockholders Equity		
Current:		
Short-term and current portion of long-term debt	\$ 48,948	\$ 12,943
Accounts payable	36,339	51,111
Accrued compensation and benefits	142,021	149,147
Other accrued expenses	223,206	195,828
Clearing broker liabilities	113,462	120,357
Deferred revenue	592,111	517,999
Total current liabilities	1,156,087	1,047,385
Long-term debt	510,014	186,854
Deferred income taxes	68,832	
Total liabilities	1,734,933	1,234,239

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Commitments and contingencies

Stockholders' equity:

Preferred stock, par value \$.01 per share; 5,000 shares authorized, of which 3,200 is designated as Series A

Junior Participating Preferred Stock

Common stock, par value \$.01 per share; 800,000 shares authorized; 291,371 and 288,536 shares issued	2,914	2,885
Capital in excess of par value	941,205	886,651
Restricted stock plans	(2,373)	(2,002)
Retained earnings	2,108,752	1,766,990
Accumulated other comprehensive income	117,510	111,344

	3,168,008	2,765,868
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Treasury stock, at cost, 2,500 and 0 shares

	(65,930)	
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Total stockholders' equity

	3,102,078	2,765,868
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Total Liabilities and Stockholders' Equity

	\$ 4,837,011	\$ 4,000,107
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The accompanying notes are an integral part of these financial statements.

Table of Contents**SunGard Data Systems Inc.****Consolidated Statements of Income****(In thousands, except per-share amounts)****(Unaudited)**

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2004	2003	2004	2003
Revenues:				
Services	\$ 2,364,263	\$ 1,955,963	\$ 799,878	\$ 670,085
License and resale fees	200,974	136,324	75,540	49,976
Total products and services	2,565,237	2,092,287	875,418	720,061
Reimbursed expenses	73,469	58,664	23,920	22,366
	2,638,706	2,150,951	899,338	742,427
Costs and expenses:				
Cost of sales and direct operating	1,216,793	946,544	410,484	321,357
Sales, marketing and administration	480,987	392,978	158,481	131,646
Product development	177,541	141,021	57,728	49,339
Depreciation and amortization	162,689	168,708	54,679	57,222
Amortization of acquisition-related intangible assets	89,491	63,721	31,065	23,722
Merger and spin-off costs	3,076	2,018	3,500	722
	2,130,577	1,714,990	715,937	584,008
Income from operations	508,129	435,961	183,401	158,419
Interest income	5,233	4,289	1,859	1,377
Interest expense	(22,173)	(7,854)	(7,780)	(2,553)
Gain on sale of Brut and other income (expense)	79,362	(2,880)	79,362	(2,880)
Income before income taxes	570,551	429,516	256,842	154,363
Income taxes	228,789	171,232	103,305	61,998
Net income	\$ 341,762	\$ 258,284	\$ 153,537	\$ 92,365
Basic net income per common share	\$ 1.18	\$ 0.91	\$ 0.53	\$ 0.32
Shares used to compute basic net income per common share	288,937	284,974	288,553	286,244
Diluted net income per common share	\$ 1.16	\$ 0.89	\$ 0.52	\$ 0.31
Shares used to compute diluted net income per common share	295,053	291,024	293,085	293,911

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

Table of Contents**SunGard Data Systems Inc.****Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	Nine Months Ended September 30,	
	2004	2003
<i>Cash flow from operations:</i>		
Net income	\$ 341,762	\$ 258,284
Reconciliation of net income to cash flow from operations:		
Gain on sale of Brut, net of tax	(47,049)	
Depreciation and amortization	252,180	232,429
Other noncash credits	(17,523)	(17,248)
Deferred income tax provision	30,356	11,361
Accounts receivable and other current assets	69,092	58,099
Accounts payable and accrued expenses	(124,864)	(78,190)
Clearing broker assets and liabilities, net	(19,161)	(9,937)
Deferred revenue	(20,381)	(16,776)
Cash flow from operations	464,412	438,022
<i>Financing activities:</i>		
Cash received from stock option and award plans	45,729	53,867
Cash used to purchase treasury stock		