

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR QUARTER ENDED JUNE 30, 1995 COMMISSION FILE NUMBER 0-14948

FISERV, INC.

(Exact name of Registrant as specified in its charter)

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 office)

53045  
(Zip Code)

Registrant's telephone number, including area code: (414) 879 5000

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 (X) No ( )

At June 30, 1995, 44,776,000 shares of common stock of the Registrant were outstanding.

Exhibit Index appears at page 8.

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PART I. FINANCIAL INFORMATION

FISERV, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
for the Three and Six-Month Periods Ended June 30, 1995 and 1994

	Three Months Ended June 30,		Six Months Ended June 30,	
	1995	1994	1995	1994
	(In thousands except per share amounts)			
Revenues	\$173,470	\$139,801	\$330,649	\$279,653
Cost of revenues:				
Salaries, commissions and payroll related costs	80,855	67,763	156,075	136,001
Data processing expenses, rentals and telecommunication costs	24,060	20,504	46,677	41,736
Other operating expenses	32,656	25,065	60,648	50,921
Depreciation and amortization of property and equipment	9,432	8,146	18,794	14,918
Amortization of intangible assets	3,605	2,742	6,351	5,407
Capitalization of internally generated computer software-net	(1,883)	(2,841)	(3,532)	(4,953)
Total cost of revenues	148,725	121,379	285,013	244,030
Operating income	24,745	18,422	45,636	35,623
Interest expense - net	4,437	1,632	6,274	3,206
Income before income taxes	20,308	16,790	39,362	32,417
Income tax provision	8,326	6,716	16,138	12,967
Net income	\$11,982	\$10,074	\$23,224	\$19,450
Net income per common and common equivalent share	\$0.28	\$0.25	\$0.55	\$0.48
Shares used in computing net income per share	43,409	40,532	42,157	40,489

See notes to consolidated financial statements.

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FISERV, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 1995	December 31, 1994
	-----	-----
	(In thousands)	
<b>ASSETS</b>		
Cash and cash equivalents	\$60,250	\$29,683
Accounts receivable	138,491	122,984
Prepaid expenses and other assets	43,645	34,760
Trust account investments	905,113	1,041,474
Other investments	67,292	64,777
Property and equipment-net	129,925	114,966
Internally generated computer software-net	71,128	67,820
Identifiable intangible assets relating to acquisitions-net	37,650	36,487
Goodwill-net	519,807	148,394
	-----	-----
Total	\$1,973,301	\$1,661,345
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$25,019	\$22,060
Accrued expenses	50,271	59,742
Accrued income taxes	2,289	1,952
Deferred revenues	36,309	10,836
Trust account deposits	923,732	1,035,217
Long-term debt	391,761	143,864
Other long-term obligations	7,112	6,152
Deferred income taxes	25,275	22,800
	-----	-----
Total liabilities	1,461,768	1,302,623
	-----	-----
Stockholders' equity:		
Common stock outstanding, 44,776,000 and 39,997,000 shares, respectively	448	400
Additional paid-in capital	313,372	184,748
Unrealized gain on investments	11,674	11,054
Accumulated earnings	186,039	162,520
	-----	-----
Total stockholders' equity	511,533	358,722
	-----	-----
Total	\$1,973,301	\$1,661,345
	=====	=====

See notes to consolidated financial statements.

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FISERV, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
for the Six-Month Periods Ended June 30, 1995 and 1994

	Six Months Ended June 30,	
	1995	1994
	-----	-----
	(In thousands)	
<b>Cash flows from operating activities:</b>		
Net income	\$23,224	\$19,450
Adjustments to reconcile income to net cash provided by operating activities:		
Deferred income taxes	7,783	7,648
Depreciation and amortization of property and equipment	18,794	14,918
Amortization of intangible assets	6,351	5,407
Capitalization of internally generated computer software-net	(3,532)	(4,953)
	-----	-----
	52,620	42,470
<b>Cash provided (used) by changes in assets and liabilities, net of effects from acquisitions of businesses:</b>		
Accounts receivable	2,107	8,180
Prepaid expenses and other assets	(5,221)	(1,025)
Accounts payable and accrued expenses	(24,350)	(12,804)
Deferred revenue	4,859	1,572
Income taxes payable	325	(41)

Net cash provided by operating activities	30,340	38,352
Cash flows from investing activities:		
Capital expenditures	(22,709)	(32,062)
Investments and other assets	2,982	(11,868)
Payment for acquisition of businesses	(252,836)	(4,684)
Trust account investments	136,547	(118,608)
Net cash used by investing activities	(136,016)	(167,222)
Cash flows from financing activities:		
Borrowings and other long-term obligations-net	247,138	7,594
Issuance of common stock	590	2,081
Trust account deposits	(111,485)	118,137
Net cash provided by financing activities	136,243	127,812
Change in cash	30,567	(1,058)
Beginning balance	29,683	36,349
Ending balance	\$60,250	\$35,291

See notes to consolidated financial statements.

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FISERV, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated balance sheet as of June 30, 1995 and the related consolidated statements of income and cash flows for the three and six-month periods ended June 30, 1995 and 1994 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted only of normal recurring items. Interim results are not necessarily indicative of results for a full year. The financial statements and notes are presented as permitted by Form 10-Q, and do not contain certain information included in the annual financial statements and notes of FIServ, Inc. and subsidiaries (the Company or the Registrant).

2. ACQUISITIONS

The Company completed the acquisition of Information Technology, Inc. (ITI) on May 17, 1995. The transaction was accomplished through the payment of cash and the issuance of 4,574,000 shares of Common Stock of the Company and has been accounted for as a purchase. Accordingly, the accompanying financial statements include the results of operations of ITI from the date of acquisition. The Company has also agreed to acquire Lincoln Holdings, Inc. (LHI) for approximately 840,000 shares of Common Stock of the Company in a transaction being accounted for as a pooling of interests. The acquisition is subject to FDIC approval, which is expected to be forthcoming. Accordingly, the accompanying financial statements include the accounts of LHI for all periods presented. The following summary compares restated results of operations for 1995 to results as originally presented for 1994.

	Three Months Ended June 30,		Six Months Ended June 30,	
	1995	1994	1995	1994
	-----			
	(In thousands)			
Revenues	\$173,470	\$135,793	\$330,649	\$271,689
	-----			
Income before taxes	20,308	15,615	39,362	30,095
	-----			
Net income	\$11,982	\$9,369	\$23,224	\$18,057
	=====			
Net income per share	\$0.28	\$0.24	\$0.55	\$0.46
	=====			
Shares used in computing net income per share	43,409	39,692	42,157	39,649

3. SHARES USED IN COMPUTING NET INCOME PER SHARE

	Three Months Ended June 30,		Six Months Ended June 30,	
	1995	1994	1995	1994
	-----			
	(In thousands)			
Weighted average number of common shares outstanding	42,409	39,757	41,251	39,716
Shares issuable upon exercise of options reduced by the number of shares which				

could have been purchased with the proceeds of such exercise	1,000	775	906	773
Shares used	43,409	40,532	42,157	40,489

Income per common and common equivalent share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the periods, after restatement for shares issued in the acquisition of Lincoln Holdings, Inc. accounted for as a pooling of interests.

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#### 4. ACCOUNTING FOR INCOME TAXES

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating and tax credit carryforwards. Significant components of the Company's net deferred tax liability as of June 30, 1995 and December 31, 1994 are as follows:

	June 30, 1995	December 31, 1994
Allowance for doubtful accounts	\$1,610,000	\$1,571,000
Accrued expenses not currently deductible	7,522,000	11,392,000
Other	7,456,000	1,931,000
Net operating loss and credit carryforwards	7,539,000	5,901,000
Deferred costs	(6,809,000)	(4,911,000)
Internally generated capitalized software	(29,158,000)	(27,120,000)
Excess of tax over book depreciation and amortization	(5,372,000)	(4,069,000)
Unrealized gain on investments	(8,063,000)	(7,495,000)
Total	(\$25,275,000)	(\$22,800,000)

#### 5. SUPPLEMENTAL CASH FLOW INFORMATION

	Six Months Ended June 30, 1995 1994	
	(In thousands)	
Income taxes paid	\$4,802	\$4,595
Interest paid	6,440	3,960
Liabilities assumed in acquisitions of businesses - Trust account deposits	225,893	
Other	48,784	1,638
Value of common shares issued in acquisitions of businesses	135,947	

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the relative percentage which certain items in the Company's consolidated statements of income bear to revenues. This data has been restated for all periods commencing prior to April 1, 1995 to give effect to the acquisition of Lincoln Holdings, Inc., accounted for as a pooling of interests.

	Three Months Ended June 30, 1995 1994		Six Months Ended June 30, 1995 1994	
	(Percent of Revenues)			
Revenues	100.00%	100.00%	100.00%	100.00%
Salaries and related costs	46.61	48.47	47.20	48.63
Data processing costs	13.87	14.67	14.12	14.92
Other operating expenses	18.83	17.93	18.34	18.21
Depreciation and amortization	5.44	5.83	5.68	5.21
Amortization of intangible assets	2.08	1.96	1.92	2.06
Capitalization of software-net	(1.09)	(2.03)	(1.07)	(1.77)
Total cost of revenues	85.74	86.83	86.19	87.26
Operating income	14.26	13.17	13.81	12.74

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##### REVENUES

Revenues increased 24.1% from \$139.8 million in the second quarter of 1994 to \$173.5 million in the current second quarter and 18.2% from \$279.7 million in the first six months of 1994 to \$330.6 million in the comparable current period. Approximately 45% of the year-to-date growth in revenue resulted from the inclusion of revenues from the date of purchase of acquired companies and the remainder from increases in revenue from the addition of new clients, growth in the transaction volume experienced by existing clients and price increases.

#### COST OF REVENUES

Cost of revenues increased 22.5% from \$121.4 million in the second quarter of 1994 to \$148.7 million in the current second quarter, and 16.8% from \$244.0 million in the first six months of 1994 to \$285.0 million in the first six months of 1995.

#### OPERATING INCOME

Operating income increased 34.3% from \$18.4 million in the second quarter of 1994 to \$24.7 million in the current second quarter, and 28.1% from \$35.6 million in the first six months of 1994 to \$45.6 million in the first six months of 1995. As a percentage of revenues, operating margins improved during the second quarter and first six months of 1995 when compared to the comparable prior year periods due to changes in the mix of business, including the impact of acquisitions referred to in Note 2, above.

#### INTEREST EXPENSE - NET

As a result of acquisitions in the last twelve months, which were only partially funded with common stock, net interest expense increased \$2.8 million in the second quarter and \$3.1 million in the first six months of 1995 over amounts incurred for the comparable 1994 periods.

#### INCOME TAX PROVISION

Income taxes were computed at 41% in 1995 and 40% in 1994. The 41% rate is expected to apply throughout the current year.

#### NET INCOME

Net income grew 19% from \$10.1 million in the second quarter of 1994 to \$12.0 million in the comparable 1995 quarter and 19% from \$19.5 million in the first six months of 1994 to \$23.2 million in the comparable current period. Net income per share increased \$.03 from \$.25 in the second quarter of 1994 to \$.28 in the current second quarter and \$.07 from \$.48 in the first six months of 1994 to \$.55 in the first six months of 1995. Net income per share increased \$.04 and \$.09, respectively, in the second quarter and first six months of 1995 when compared with net income per share as originally presented for the comparable 1994 periods. The increase in net income per share over 1994 as originally presented was consistent with management expectations and historical growth rates.

#### LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 1995, cash increased \$30.6 million comprising primarily \$30.3 million net cash provided by operating activities, \$247.1 million net borrowings, \$28.0 million decrease in investments and \$.6 million from issuance of common stock, which was partially offset by \$252.8 million for the acquisition of businesses and \$22.7 million for capital expenditures. Long-term obligations amounted to \$398.9 million at June 30, 1995. The majority of this debt comprises \$126.4 million of senior notes due 1995 to 2001 and \$254.3 million advanced under a \$300 million unsecured line of credit and commercial paper facility which reduces \$45 million in May 1997 and in May 1998, \$60 million in May 1999 and expires in May 2000. A facility fee of 0.2% per annum is required on the line.

The Company has historically applied a significant portion of its cash flow from operating activities and proceeds of its common stock offerings to acquisitions and the reduction of long-term debt and invests the remainder in short-term obligations until it is needed for further acquisitions or operating purposes. The Company believes that its cash flow from operating activities together with other available sources of funds will be adequate to meet its funding requirements. However, in the event that the Company makes significant future acquisitions, it may raise funds through additional borrowings or issuance of securities.

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#### PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Index to exhibits

(11) Statement regarding computation of per share earnings (included on page 5, Part 1).

(b) Reports on Form 8-K

During the quarter ended June 30, 1995, the Registrant filed a report on Form 8-K, dated May 17, 1995, relating to the acquisition of Information Technology, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Fiserv, Inc.  
-----  
(Registrant)

Date July 24, 1995  
-----

by /s/ EDWARD P. ALBERTS  
-----  
EDWARD P. ALBERTS  
Senior Vice President, Finance  
and Controller

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q FOR THE SIX MONTHS ENDED JUNE 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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