

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 September 30, 1995

Commission file number 0-14948

FISERV, INC.

(Exact name of Registrant as specified in its charter)

WISCONSIN

39-1506125

(State or other jurisdiction of
incorporation or organization)(I. R. S. Employer
Identification No.)

255 FISERV DRIVE, BROOKFIELD, WI.

53045

(Address of principal executive office)

(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 September 30, 1995, 44,858,000 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 Nine-Month Periods Ended September 30, 1995 and 1994

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1995	1994	1995	1994
	(In thousands except per share amounts)			
Revenues	\$176,922	\$143,661	\$507,571	\$423,314
Cost of revenues:				
Salaries, commissions and payroll related costs	84,069	69,277	240,144	205,278
Data processing expenses, rentals and telecommunication costs	22,829	19,360	69,506	61,096
Other operating expenses	28,731	27,573	89,379	78,494
Depreciation and amortization of property and equipment	9,731	7,975	28,525	22,893
Amortization of intangible assets	4,805	2,649	11,156	8,056
Capitalization of internally generated computer software-net	(1,879)	(2,140)	(5,411)	(7,093)
Total cost of revenues	148,286	124,694	433,299	368,724
Operating income	28,636	18,967	74,272	54,590
Interest expense - net	6,413	1,813	12,687	5,019
Income before income taxes	22,223	17,154	61,585	49,571
Income tax provision	9,111	6,861	25,250	19,828
Net income	\$13,112	\$10,293	\$36,335	\$29,743
Net income per common and common equivalent share	\$0.29	\$0.25	\$0.84	\$0.73
Shares used in computing net income per share	45,864	40,640	43,395	40,564

See notes to consolidated financial statements.

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FISERV, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 1995	December 31, 1994
	(In thousands)	
ASSETS		
Cash and cash equivalents	\$82,654	\$29,683
Accounts receivable	142,790	122,984
Prepaid expenses and other assets	47,450	34,760
Trust account investments	1,020,825	1,041,474
Other investments	50,841	64,777
Property and equipment-net	131,623	114,966
Internally generated computer software-net	72,890	67,820
Identifiable intangible assets relating to acquisitions-net	35,705	36,487
Goodwill-net	515,789	148,394
Total	<u>\$2,100,567</u> =====	<u>\$1,661,345</u> =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$33,539	\$22,060
Accrued expenses	53,064	59,742
Accrued income taxes	2,879	1,952
Deferred revenues	33,661	10,836
Trust account deposits	1,045,469	1,035,217
Long-term debt	372,885	143,864
Other long-term obligations	2,265	6,152
Deferred income taxes	31,800	22,800
Total liabilities	<u>1,575,562</u>	<u>1,302,623</u>
Stockholders' equity:		
Common stock outstanding, 44,858,000 and 39,997,000 shares, respectively	449	400
Additional paid-in capital	313,847	184,748
Unrealized gain on investments	11,756	11,054
Accumulated earnings	198,953	162,520
Total stockholders' equity	<u>525,005</u>	<u>358,722</u>
Total	<u>\$2,100,567</u> =====	<u>\$1,661,345</u> =====

See notes to consolidated financial statements.

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

	Nine Months Ended September 30, 1995 1994	
	(In thousands)	
Cash flows from operating activities:		
Net income	\$36,335	\$29,743
Adjustments to reconcile income to net cash provided by operating activities:		
Deferred income taxes	13,638	10,456
Depreciation and amortization of property and equipment	28,525	22,893
Amortization of intangible assets	11,156	8,056
Capitalization of internally generated computer software-net	(5,411)	(7,093)
	<u>84,243</u>	<u>64,055</u>
Cash provided (used) by changes in assets and liabilities, net of effects from acquisitions of businesses:		
Accounts receivable	(1,818)	317
Prepaid expenses and other assets	(8,877)	(7,413)
Accounts payable and accrued expenses	(14,045)	(13,024)
Deferred revenue	2,225	834
Income taxes payable	1,012	1,079
Net cash provided by operating activities	<u>62,740</u>	<u>45,848</u>
Cash flows from investing activities:		
Capital expenditures	(33,563)	(42,905)

Investments and other assets	19,432	(10,849)
Payment for acquisition of businesses	(253,082)	(6,699)
Trust account investments	20,973	(154,016)
Net cash used by investing activities	<u>(246,240)</u>	<u>(214,469)</u>
Cash flows from financing activities:		
Borrowings and other long-term obligations-net	225,135	13,122
Issuance of common stock	1,083	2,448
Trust account deposits	10,253	155,102
Net cash provided by financing activities	<u>236,471</u>	<u>170,672</u>
Change in cash	52,971	2,051
Beginning balance	29,683	36,349
Ending balance	<u>\$82,654</u>	<u>\$38,400</u>
	=====	=====

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 September 30, 1995 and the related consolidated statements of income and cash flows for the three and nine-month periods ended September 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 Lincoln Holdings, Inc. on August 1, 1995 in a transaction accounted for as a pooling of interests. Accordingly, the accompanying financial statements include the accounts of LHI for all periods presented. The results of operations of Information Technology, Inc. are also included from the date of acquisition, May 17, 1995. The following summary compares restated results of operations for 1995 to results as originally presented for 1994.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1995	1994	1995	1994
	(In thousands)			
Revenues	\$176,922	\$139,431	\$507,571	\$411,120
Income before taxes	22,223	15,903	61,585	45,998
Net income	\$13,112	\$9,542	\$36,335	\$27,599
Net income per share	\$0.29	\$0.24	\$0.84	\$0.70
Shares used in computing net income per share	45,864	39,762	43,395	39,686

3. Shares Used in Computing Net Income per Share

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1995	1994	1995	1994
	(In thousands)			
Weighted average number of common shares outstanding	44,844	39,855	42,450	39,786
Shares issuable upon exercise of options reduced by the number of shares which could have been purchased with the proceeds of such exercise	1,020	785	945	778
Shares used	<u>45,864</u>	<u>40,640</u>	<u>43,395</u>	<u>40,564</u>
	=====	=====	=====	=====

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.

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 September 30, 1995 and December 31, 1994 are as follows:

	September 30, 1995	December 31, 1994
Allowance for doubtful accounts	\$1,420,000	\$1,571,000
Accrued expenses not currently deductible	6,816,000	11,392,000
Other	6,727,000	1,931,000
Net operating loss and credit carryforwards	6,339,000	5,901,000
Deferred costs	(7,931,000)	(4,911,000)
Internally generated capitalized software	(29,878,000)	(27,120,000)
Excess of tax over book depreciation and amortization	(7,123,000)	(4,069,000)
Unrealized gain on investments	(8,170,000)	(7,495,000)
Total	(\$31,800,000)	(\$22,800,000)
	=====	=====

5. Supplemental Cash Flow Information

	Nine Months Ended	
	September 30, 1995	1994
	(In thousands)	
Income taxes paid	\$8,424	\$7,840
Interest paid	10,914	6,027
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		Nine Months Ended	
	September 30, 1995	1994	September 30, 1995	1994
	(Percent of Revenues)			
Revenues	100.00%	100.00%	100.00%	100.00%
Salaries and related costs	47.51	48.22	47.32	48.49
Data processing costs	12.90	13.48	13.69	14.43
Other operating expenses	16.24	19.19	17.61	18.54
Depreciation and amortization	5.50	5.55	5.62	5.41
Amortization of intangible assets	2.72	1.85	2.20	1.90
Capitalization of software-net	(1.06)	(1.49)	(1.07)	(1.67)
Total cost of revenues	83.81	86.80	85.37	87.10
Operating income	16.19	13.20	14.63	12.90
	=====	=====	=====	=====

Revenues

Revenues increased 23.2% from \$143.7 million in the third quarter of 1994 to \$176.9 million in the current third quarter and 19.9% from \$423.3 million in the first nine months of 1994 to \$507.6 million in the comparable current period. Approximately 60% 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 18.9% from \$124.7 million in the third quarter of 1994 to \$148.3 million in the current third quarter, and 17.5% from \$368.7 million in the first nine months of 1994 to \$433.3 million in the first nine months of 1995.

Operating Income

Operating income increased 51.0% from \$19.0 million in the third quarter of 1994 to \$28.6 million in the current third quarter, and 36.1% from \$54.6 million in the first nine months of 1994 to \$74.3 million in the first nine months of 1995. As a percentage of revenues, operating margins improved during the third quarter and first nine months of 1995 when compared to the comparable prior year periods due primarily 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 \$4.6 million in the third quarter and \$7.7 million in the first nine 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 27% from \$10.3 million in the third quarter of 1994 to \$13.1 million in the comparable 1995 quarter and 22% from \$29.7 million in the first nine months of 1994 to \$36.3 million in the comparable current period. Net income per share increased \$.04 from \$.25 in the third quarter of 1994 to \$.29 in the current third quarter and \$.11 from \$.73 in the first nine months of 1994 to \$.84 in the first nine months of 1995. Net income per share increased \$.05 and \$.14, respectively, in the third quarter and first nine 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 nine months ended September 30, 1995, cash increased \$53.0 million comprising primarily \$62.7 million net cash provided by operating activities, \$225.1 million net borrowings, \$50.7 million decrease in investments and \$1.1 million from issuance of common stock, which was partially offset by \$253.1 million for the acquisition of businesses and \$33.5 million for capital expenditures. Long-term obligations amounted to \$375.2 million at September 30, 1995. The majority of this debt comprises \$126.4 million of senior notes due 1995 to 2001 and \$240.5 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 0.25% 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.

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 September 30, 1995, the Registrant filed a report on Form 8-K, dated August 11, 1995, relating to the acquisition of Lincoln Holdings, 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.

(Registrant)

Date October 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 NINE MONTHS ENDED SEPTEMBER 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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