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, 1997      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 June 30, 1997, 52,293,258 shares of common stock of the Registrant were outstanding.

Exhibit Index appears at page 9.



## PART I. FINANCIAL INFORMATION

<TABLE>

FISERV, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
for the Three and Six-Month Periods Ended June 30,1997 and 1996

<CAPTION>

| | Three Months Ended June 30, 1997 | Three Months Ended June 30, 1996 | Six Months Ended June 30, 1997 | Six Months Ended June 30, 1996 |
|---|---|---|---|---|
| | (In thousands except per share amounts) | | | |
| <S> | <C> | <C> | <C> | <C> |
| Revenues ............................ | $ 238,386 | $ 217,516 | $ 466,705 | $ 432,575 |
| Cost of revenues: | | | | |
| Salaries, commissions and payroll related costs ....................... | 113,404 | 96,712 | 219,162 | 193,213 |
| Data processing expenses, rentals and telecommunication costs ......... | 24,439 | 26,271 | 49,205 | 52,150 |
| Other operating expenses ............ | 47,137 | 39,904 | 88,448 | 78,499 |
| Depreciation and amortization of property and equipment ............. | 12,187 | 10,743 | 23,750 | 21,471 |
| Amortization of intangible assets .... | 3,545 | 5,342 | 7,190 | 10,761 |
| Capitalization of internally generated computer software-net .............. | (964) | (687) | (1,485) | (1,483) |
| Total cost of revenues .............. | 199,748 | 178,285 | 386,270 | 354,611 |
| Operating income .................... | 38,638 | 39,231 | 80,435 | 77,964 |
| Interest expense - net .............. | 3,341 | 5,076 | 6,828 | 10,731 |
| Income before income taxes .......... | 35,297 | 34,155 | 73,607 | 67,233 |
| Income tax provision ................ | 14,472 | 13,957 | 30,179 | 27,402 |
| Net income .......................... | $ 20,825 | $ 20,198 | $ 43,428 | $ 39,831 |

| | | | | |
|---|---|---|---|---|
| Net income per common and common equivalent share ............ | $ 0.39 | $ 0.39 | $ 0.82 | $ 0.77 |
| Shares used in computing net income per share ............... | 53,363 | 51,937 | 52,867 | 51,934 |

See notes to consolidated financial statements.

</TABLE>



FISERV, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| | (In thousands) | |
| ASSETS | | |
| Cash and cash equivalents ................ | $ 71,763 | $ 101,282 |
| Accounts receivable ...................... | 177,880 | 160,747 |
| Securities processing receivables ........ | 857,136 | 729,354 |
| Prepaid expenses and other assets ........ | 72,609 | 64,410 |
| Trust account investments ................ | 944,653 | 970,553 |
| Other investments ........................ | 143,891 | 72,952 |
| Deferred income taxes .................... | 31,784 | 34,144 |
| Property and equipment-net ............... | 148,611 | 148,413 |
| Internally generated computer software-net | 72,747 | 70,487 |
| Identifiable intangible assets relating to acquisitions, etc.-net ............... | 51,251 | 54,548 |
| Goodwill-net ............................. | 288,975 | 292,089 |
| Total .................................... | $2,861,300 | $2,698,979 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable ......................... | $ 51,772 | $ 43,486 |
| Securities processing payables ........... | 788,457 | 636,215 |
| Short-term borrowings .................... | 20,000 | 33,200 |
| Accrued expenses ......................... | 85,363 | 80,866 |
| Accrued income taxes ..................... | 2,276 | 9,808 |
| Deferred revenues ........................ | 56,401 | 46,089 |
| Trust account deposits ................... | 943,504 | 970,553 |
| Long-term debt ........................... | 253,424 | 272,864 |
| Total liabilities ........................ | 2,201,197 | 2,093,081 |
| Stockholders' equity: | | |
| Common stock outstanding, 52,293,000 and 51,032,000 shares, respectively ........ | 523 | 510 |
| Additional paid-in capital ............... | 363,904 | 352,916 |
| Unrealized gain on investments ........... | 18,545 | 18,621 |
| Accumulated earnings ..................... | 277,131 | 233,851 |
| Total stockholders' equity ............... | 660,103 | 605,898 |
| Total ....................... | $2,861,300 | $2,698,979 |

See notes to consolidated financial statements.



<TABLE>

FISERV, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the Six-Month Periods Ended June 30, 1997 and 1996

<CAPTION>

| | Six Months Ended June 30, 1997 | 1996 |
|---|---|---|
| | (In thousands) | |
| <S> | <C> | <C> |
| Cash flows from operating activities: | | |
| Net income ................................................ | $ 43,428 | $ 39,831 |
| Adjustments to reconcile income to net cash provided by operating activities: | | |
| Deferred income taxes .................................... | 2,183 | 3,214 |
| Depreciation and amortization of property and equipment .... | 23,750 | 21,471 |
| Amortization of intangible assets ......................... | 7,190 | 10,761 |
| Capitalization of internally generated computer software-net | (1,485) | (1,483) |

| | | |
|---|---|---|
| | 75,066 | 73,794 |
| Cash provided (used) by changes in assets and liabilities, net of effects from acquisitions of businesses: | | |
| Accounts receivable | (4,882) | (4,120) |
| Securities processing receivables | (127,783) | (119,980) |
| Prepaid expenses and other assets | (5,898) | 9,098 |
| Accounts payable and accrued expenses | 6,639 | (5,271) |
| Securities processing payables | 152,242 | 95,533 |
| Deferred revenue | 7,821 | 11,684 |
| Income taxes payable | (7,532) | 2,255 |
| Net cash provided by operating activities | 95,673 | 62,993 |
| Cash flows from investing activities: | | |
| Capital expenditures | (19,486) | (18,124) |
| Investments and other assets | (67,550) | 16,343 |
| Payment for acquisition of businesses | (10,715) | (7,683) |
| Trust account investments | 25,848 | (39,760) |
| Net cash provided (used) by investing activities | (71,903) | (49,224) |
| Cash flows from financing activities: | | |
| Borrowings and other long-term obligations-net | (32,722) | (51,619) |
| Issuance of common stock | 6,483 | 3,788 |
| Trust account deposits | (27,050) | 38,765 |
| Net cash provided (used) by financing activities | (53,289) | (9,066) |
| Change in cash | (29,519) | 4,703 |
| Beginning balance | 101,282 | 76,556 |
| Ending balance | $ 71,763 | $ 81,259 |

</TABLE>

See notes to consolidated financial statements.



FISERV, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. Principles of Consolidation

The consolidated balance sheet as of June 30, 1997 and the related consolidated statements of income and cash flows for the three and six-month periods ended June 30, 1997 and 1996 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. lnterim 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).

2. Acquisitions
The Company completed the acquisition of BHC Financial, Inc. (BHC) on May 30, 1997. The Company acquired all of the outstanding common stock of BHC in exchange for 5,683,769 shares of Common Stock of the Company. The transaction is being accounted for as a pooling of interests and accordingly, the accompanying financial statements include the accounts of BHC for all periods presented. The following summary compares restated results of operations for 1997 to results as originally presented for 1996.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| | (In thousands) | | | |
| Revenues | 238,386 | 196,464 | 466,705 | 391,174 |
| Income before taxes | 35,297 | 25,776 | 73,607 | 50,626 |
| Net Income | 20,825 | 15,208 | 43,428 | 29,869 |
| Net Income per share | 0.39 | 0.33 | 0.82 | 0.65 |
| Shares used in computing net income per share | 53,363 | 46,096 | 52,867 | 46,008 |

3. Revenue Recognition
The Company provides item processing services in the Canadian market through a joint venture with Canadian Imperial Bank of Commerce. Revenues from this business are recorded on a fee basis. If the gross revenues from this activity were recognized, the Company's revenues for the second quarter would increase by

approximately $29 million or an additional 13%. Revenues for the first six months of 1997 would have increased $58 million or an additional 13%.



4. Shares Used in Computing Net Income per Share

| | Three Months Ended June 30, 1997 | Three Months Ended June 30, 1996 | Six Months Ended June 30, 1997 | Six Months Ended June 30, 1996 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Weighted average number of common shares outstanding .................... | 51,854 | 50,965 | 51,467 | 50,961 |
| Shares issuable upon exercise of options reduced by the number of shares which could have been purchased with the proceeds of such exercise ............. | 1,509 | 972 | 1,400 | 973 |
| Shares used ......... | 53,363 | 51,937 | 52,867 | 51,934 |

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 BHC Financial, Inc. accounted for as a pooling of interests.

5. 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 asset as of June 30, 1997 and December 31, 1996 are as follows:

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| | (in thousands) | |
| Allowance for doubtful accounts ........... | $ 1,529 | $ 1,529 |
| Accrued expenses not currently deductible . | 9,975 | 7,574 |
| Deferred revenue .......................... | 8,120 | 9,815 |
| Other ..................................... | 1,341 | 77 |
| Net operating loss and credit carryforwards | 3,408 | 3,871 |
| Purchased incomplete software technology .. | 59,154 | 61,500 |
| Deferred costs ............................ | (4,702) | (4,963) |
| Internally generated capitalized software . | (29,826) | (28,900) |
| Excess of tax over book depreciation and amortization ............................ | (4,328) | (3,419) |
| Unrealized gain on investments ............ | (12,887) | (12,940) |
| Total deferred income taxes ............... | $ 31,784 | $ 34,144 |

6. Supplemental Cash Flow Information

| | Six Months Ended June 30, 1997 | Six Months Ended June 30, 1996 |
|---|---|---|
| | (In thousands) | |
| Income taxes paid .................... | $35,709 | $18,954 |
| Interest paid ........................ | 9,531 | 12,394 |
| Liabilities assumed in acquisitions of businesses ......................... | 8,639 | 1,236 |



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, 1997 to give effect to the acquisition of BHC Financial, Inc. (BHC), accounted for as a pooling of interests.

| | Three Months Ended June 30, 1997 | Three Months Ended June 30, 1996 | Six Months Ended June 30, 1997 | Six Months Ended June 30, 1996 |
|---|---|---|---|---|
| | (Percent of Revenues) | | | |
| Revenues ....................... | 100.00% | 100.00% | 100.00% | 100.00% |
| Salaries and related costs ...... | 47.57 | 44.46 | 46.96 | 44.67 |
| Data processing costs ........... | 10.25 | 12.08 | 10.54 | 12.05 |

| | | | | |
|---|---|---|---|---|
| Other operating expenses ........ | 19.77 | 18.34 | 18.95 | 18.15 |
| Depreciation and amortization ... | 5.11 | 4.94 | 5.09 | 4.96 |
| Amortization of intangible assets | 1.49 | 2.46 | 1.54 | 2.49 |
| Capitalization of software-net .. | (0.40) | (0.32) | (0.32) | (0.34) |
| Total cost of revenues .......... | 83.79 | 81.96 | 82.76 | 81.98 |
| Operating income ............... | 16.21 | 18.04 | 17.24 | 18.02 |

Revenues

Revenues increased 9.6% from $217.5 million in the second quarter of 1996 to $238.4 million in the current second quarter and 7.9% from $432.6 million in the first six months of 1996 to $466.7 million in the comparable current period. Approximately 30% of the year to date growth resulted from the inclusion of revenues from the date of purchase of acquired companies and approximately 70% from increases in revenue from the addition of new clients, growth in the transaction volume experienced by existing clients and price increases. As indicated in Note 3, the Company provides item processing services in the Canadian market through a joint venture with Canadian Imperial Bank of Commerce, the revenues from which are recorded on a fee basis. If the gross revenues from this activity were recognized, the Company's revenues for the three months ended June 30, 1997 would have increased by approximately $50 million or 23%. Revenues for the first six months of 1997 would have increased by $92 million or 21%.

Cost of Revenues

Cost of revenues increased 12.0% from $178.3 million in the second quarter of 1996 to $199.7 million in the current second quarter, and 8.9% from $354.6 million in the first six months of 1996 to $386.3 million in the first six months of 1997. The increase in cost of revenues for the six months was disproportionate to the increase in revenues due to approximately $3.6 million of severance payments in connection with restructuring of the item processing contract with Chase Manhattan Bank and merger related expenses of $3.7 million associated with the acquisition of BHC. Amortization of intangible assets decreased due to reduced amortization of intangible assets recorded in the acquisition of Information Technology, Inc.

Operating Income

Operating income decreased 1.5% from $39.2 million in the second quarter of 1996 to $38.6 million in the current second quarter, and increased 3.2% from $78.0 million in the first six months of 1996 to $80.4 million in the first six months of 1997. As a percentage of revenues, operating margins were lower during the current second quarter and the first six months of 1997 when compared to the comparable prior year periods. This decrease resulted primarily from charges related to one-time merger expenses and reduced impact of termination fees. Without the merger charges, operating margins would have been 17.5% in the second quarter and 18.0% for the first six months, approximating prior year levels.



Interest Expense - Net

As a result of substantial debt reductions and slightly lower effective rates, interest expense decreased $1.7 million in the second quarter of 1997 and $3.9 million for the first six months of 1997 when compared to amounts incurred for the comparable 1996 periods.

Income Tax Provision

Income taxes were computed at 41% in both 1997 and 1996. The 41% rate is expected to apply throughout the current year.

Net Income

Net income for the second quarter, which was reduced by $2.5 million associated with the acquisition costs of BHC, increased 3% from $20.2 million in 1996 to $20.8 million in 1997. Net income for the first six months, which was reduced by $3.1 million for acquisition costs of BHC, increased 9% from $39.8 million in 1996 to $43.4 million in 1997. Net income per share for the second quarter, after merger related expenses of $.05, was $.39 in 1997 compared to $.39 in 1996. Net income per share for the first six months, after merger related expenses of $.06, increased $.05 from $.77 in 1996 to $.82 in 1997. Net income per share increased $.06 and $.17, respectively, in the second quarter and first six months of 1997 after the charges associated with the acquisition of BHC, when compared with net income per share as originally presented for the comparable 1996 periods. The increase in net income per share over 1996 as originally presented was consistent with management's expectations.

Liquidity and Capital Resources

During the six months ended June 30, 1997, cash decreased $29.5 million comprising primarily $95.7 million net cash provided by operating activities and $6.5 million from issuance of common stock, which was more than offset by $68.8

million increase in investments, $10.7 million for the acquisition of businesses, $32.7 million net repayment of debt and $19.5 million for capital expenditures. Long-term obligations amounted to $253.4 million at June 30, 1997. The majority of this debt comprises $112.8 million of senior notes due 1997 to 2001 and $113.2 million advanced under a $225 million unsecured line of credit and commercial paper facility expiring May 17, 2000. A facility fee of .1% to .2% per annum is required on the entire bank line regardless of usage.

The Company has historically applied a significant portion of its cash flow from operating activities and proceeds of its common stock offerings and long-term borrowings to acquisitions. 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 6, Part 1).

(b) Reports on Form 8-K
   During the quarter ended June 30, 1997, the Registrant filed reports on Form 8-K and Form 8, dated June 13, 1997 and June 25, 1997, respectively, regarding the completed acquisition of BHC Financial, 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.
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(Registrant)

Date July 22, 1997

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 the June 1997 10-Q and is qualified in its entirety by reference to such information.
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