

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 MARCH 31, 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 March 31, 1995, 39,325,842 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 Month Periods Ended March 31, 1995 and 1994

| | Three Months Ended March 31, | |
|--|--|-----------|
| | 1995 | 1994 |
| | ----- | |
| | (In thousands except per share amounts) | |
| REVENUES | \$152,605 | \$135,896 |
| | ----- | ----- |
| COST OF REVENUES: | | |
| Salaries, commissions and payroll related costs | 73,430 | 66,777 |
| Data processing expenses, rentals and telecommunication costs | 22,388 | 21,048 |
| Other operating expenses | 27,287 | 25,146 |
| Depreciation and amortization of property and equipment | 8,961 | 6,446 |
| Amortization of intangible assets | 2,746 | 2,665 |
| Capitalization of internally generated computer software | (1,649) | (2,112) |
| | ----- | ----- |
| Total cost of revenues | 133,163 | 119,970 |
| | ----- | ----- |
| OPERATING INCOME | 19,442 | 15,926 |
| Interest expense-net | 1,731 | 1,446 |
| | ----- | ----- |

| | | |
|--|----------|---------|
| INCOME BEFORE INCOME TAXES | 17,711 | 14,480 |
| | ----- | ----- |
| Income tax provision | 7,262 | 5,792 |
| | ----- | ----- |
| NET INCOME | \$10,449 | \$8,688 |
| | ===== | ===== |
| Net income per common and common equivalent share | \$0.26 | \$0.22 |
| | ===== | ===== |
| Shares used in computing net income per share | 40,065 | 39,605 |
| | ===== | ===== |

See notes to consolidated financial statements.

FISERV, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | MARCH 31, 1995 | December 31, 1994 |
|---|--------------------|----------------------|
| | ----- | ----- |
| | (In thousands) | |
| ASSETS | | |
| Cash and cash equivalents | \$30,626 | \$28,294 |
| Accounts receivable | 117,837 | 120,033 |
| Prepaid expenses and other assets | 35,851 | 34,391 |
| Trust account investments | 714,641 | 807,819 |
| Other investments | 62,965 | 64,777 |
| Property and equipment-net | 121,004 | 113,448 |
| Internally generated computer software-net | 69,388 | 67,820 |
| Identifiable intangible assets relating to acquisitions-net | 32,401 | 34,090 |
| Goodwill-net | 152,532 | 147,686 |
| | ----- | ----- |
| TOTAL | \$1,337,245 | \$1,418,358 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable | \$22,054 | \$21,440 |
| Accrued expenses | 45,807 | 59,126 |
| Accrued income taxes | 3,075 | 1,851 |
| Deferred revenues | 22,881 | 10,836 |
| Trust account deposits | 714,796 | 809,324 |
| Long-term debt | 136,458 | 139,864 |
| Other long-term obligations | 2,578 | 2,314 |
| Deferred income taxes | 27,266 | 22,800 |
| | ----- | ----- |
| TOTAL LIABILITIES | 974,915 | 1,067,555 |
| | ----- | ----- |
| STOCKHOLDERS' EQUITY: | | |
| Common stock outstanding, 39,326,000 and 39,157,000 shares, respectively | 393 | 392 |
| Additional paid-in capital | 184,811 | 184,574 |
| Unrealized gain on investments | 11,623 | 11,054 |
| Accumulated earnings | 165,503 | 154,783 |
| | ----- | ----- |
| TOTAL STOCKHOLDERS' EQUITY | 362,330 | 350,803 |
| | ----- | ----- |
| TOTAL | \$1,337,245 | \$1,418,358 |
| | ===== | ===== |

See notes to consolidated financial statements.

FISERV, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the Three-Month Periods Ended March 31, 1995 and 1994

| | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 1995 | 1994 |
| | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$10,449 | \$8,688 |
| Adjustments to reconcile income to net cash provided by operating activities: | | |
| Deferred income taxes | 4,073 | 4,500 |
| Depreciation and amortization of property and equipment | 8,961 | 6,446 |
| Amortization of intangible assets | 2,746 | 2,665 |
| Capitalization of internally generated computer software-net | (1,649) | (2,112) |
| | 24,580 | 20,187 |
| Cash provided (used) by changes in assets and liabilities, net of effects from acquisitions of businesses: | | |
| Accounts receivable | 2,521 | 7,884 |
| Prepaid expenses and other assets | (1,047) | 726 |
| Accounts payable and accrued expenses | (13,424) | (10,936) |
| Deferred revenue | 10,484 | 3,565 |
| Income taxes payable | 1,224 | 711 |
| | 24,338 | 22,137 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (15,589) | (16,642) |
| Investments and other assets | 2,674 | (2,252) |
| Payment for acquisition of businesses | (4,934) | 2,677 |
| Trust account investments | 93,278 | (182,682) |
| | 75,429 | (198,899) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings and other long-term obligations-net | (3,140) | 4,573 |
| Issuance of common stock | 233 | (5) |
| Trust account deposits | (94,528) | 180,655 |
| | (97,435) | 185,223 |
| Change in cash | 2,332 | 8,461 |
| Beginning balance | 28,294 | 35,934 |
| | \$30,626 | \$44,395 |
| | ===== | ===== |

See notes to consolidated financial statements.

FISERV, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated balance sheet as of March 31, 1995, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 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. SHARES USED IN COMPUTING NET INCOME PER SHARE

| | Three Months Ended | |
|---|--------------------|--------|
| | March 31, | |
| | 1995 | 1994 |
| | ----- | |
| | (In thousands) | |
| Weighted average number of common shares outstanding | 39,251 | 38,834 |
| Shares issuable upon exercise of options reduced by the number of shares which could have been purchased with the proceeds of such exercise | 814 | 771 |
| | ----- | ----- |
| Shares used | 40,065 | 39,605 |
| | ----- | ----- |

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.

3. 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 March 31, 1995 and December 31, 1994 are as follows:

| | MARCH, 31 1995 | December 31, 1994 |
|---|-------------------|----------------------|
| | ----- | ----- |
| Allowance for doubtful accounts | \$1,610,000 | \$1,571,000 |
| Accrued expenses not currently deductible | 8,995,000 | 11,392,000 |
| Other | 2,134,000 | 1,931,000 |
| Net operating loss and credit carryforwards | 6,850,000 | 5,901,000 |
| Deferred costs | (5,638,000) | (4,911,000) |
| Internally generated capitalized software | (28,443,000) | (27,120,000) |
| Excess of tax over book depreciation and amortization | (4,697,000) | (4,069,000) |
| Unrealized gain on investments | (8,077,000) | (7,495,000) |
| | ----- | ----- |
| Total | (\$27,266,000) | (\$22,800,000) |
| | ===== | ===== |

4. SUPPLEMENTAL CASH FLOW INFORMATION

| | Quarter Ended March 31, | |
|---|-------------------------|-------|
| | 1995 | 1994 |
| | ----- | |
| | (In thousands) | |
| Income taxes paid | \$1,379 | \$745 |
| Interest paid | 1,690 | 619 |
| Liabilities assumed in acquisitions of businesses | 2,639 | |
| | ----- | ----- |

5. SUBSEQUENT EVENT

Subsequent to March 31, 1995, the Company announced an agreement to acquire Information Technology, Inc., a privately held company, in a transaction to be accounted for as a purchase. The purchase price of \$373 million will be paid two-thirds in cash and one-third in shares of FIServ stock. The transaction is expected to close in the second quarter of 1995.

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 results of operations as a percentage of revenues represented by certain income and expense items and the percentage change in those items.

| | Three Months Ended | | Percentage Increase (Decrease) |
|-----------------------------------|---------------------|---------|--------------------------------------|
| | March 31, | | |
| | 1995 | 1994 | |
| | ----- | | |
| | Percent of Revenues | | |
| Revenues | 100.00% | 100.00% | 12.30% |
| Salaries and related costs | 48.12 | 49.14 | 9.96 |
| Data processing costs | 14.67 | 15.49 | 6.37 |
| Other operating expenses | 17.88 | 18.50 | 8.51 |
| Depreciation and amortization | 5.87 | 4.74 | 39.02 |
| Amortization of intangible assets | 1.80 | 1.96 | 3.04 |
| Capitalization of software-net | (1.08) | (1.55) | (21.92) |
| | ----- | ----- | |
| Total cost of revenues | 87.26 | 88.28 | 11.00 |
| | ----- | ----- | |
| Operating income | 12.74 | 11.72 | 22.08 |
| | ===== | ===== | |

REVENUES

Revenues increased 12.3% from \$135.9 million in the first quarter of 1994 to \$152.6 in the current first quarter. Approximately 30% of this 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.

COST OF REVENUES

Cost of revenues increased 11.0% from \$120.0 million in the first quarter of 1994 to \$133.2 million in the current first quarter. Salaries, data processing and other operating expenses all increased at a rate that was lower than the rate of increase for revenues. Depreciation and amortization increased at a higher rate than revenues due to substantial capital expenditures incurred in 1994. Capitalization of software decreased as a percentage of revenue, a trend which is expected to continue.

OPERATING INCOME

Operating income increased 22.1% from \$15.9 million in the first quarter of 1994 to \$19.4 million in the current first quarter. As a percentage of revenues, operating income improved 1.0% in the first quarter of 1995 as compared to the prior year period.

NET INTEREST EXPENSE

As a result of acquisitions since the first quarter of 1994, which were funded through borrowing, net interest expense increased from \$1.4 million in the first quarter of 1994 to \$1.7 million in the current first quarter.

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 20% from \$8.7 million in the first quarter of 1994 to \$10.4 million in the first quarter of 1995, and net income per share increased 18% from \$.22 per share in the first quarter of 1994 to \$.26 in the corresponding period of 1995.

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended March 31, 1995, cash and cash equivalents increased \$2.3 million comprising primarily \$24.3 million net cash provided from operating activities, \$.2 million sale of common stock and \$1.4 million net decrease in investments, offset by \$15.6 million capital expenditures, \$4.9 million for acquisition of businesses and \$3.1 million net decrease in long-term debt.

Long-term obligations amounted to \$139.0 million at March 31, 1995. The majority of this debt comprises \$43.2 million senior notes due 1994 to 2001 and \$86.2 million advanced under a \$125 million unsecured line of credit and commercial paper facility expiring March 31, 1997. A facility fee ranging from .175% to .325% 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 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. In connection with the pending acquisition referred to in Note 5 above, the Company proposes to borrow additional funds and issue shares of its common stock as stated therein.

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 March 31, 1995, the Registrant did not file any reports on Form 8-K.

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 April 25, 1995

by K.R. JENSEN

KENNETH R. JENSEN
Senior Executive Vice President
and Chief Financial Officer

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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| 3-MOS | |
|-------------|-------------|
| DEC-31-1995 | MAR-31-1995 |
| | 30,626 |
| | 714,641 |
| | 117,837 |
| | 0 |
| | 0 |
| 898,955 | 121,004 |
| | 0 |
| 1,337,245 | |
| 808,613 | 0 |
| | 393 |
| 0 | 0 |
| | 361,937 |
| 1,337,245 | 0 |
| | 0 |
| 152,605 | |
| | 0 |
| | 132,066 |
| | 1,097 |
| | 0 |
| | 1,731 |
| | 17,711 |
| | 7,262 |
| 10,449 | |
| | 0 |
| | 0 |
| | 0 |
| | 10,449 |
| | .26 |
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