

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2002

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 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)

(262) 879 5000

-----  
(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 (X) No ( )

As of July 15, 2002, there were 192,256,689 shares of common stock, \$.01 par value, of the Registrant outstanding.

PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

FISERV, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	----	----	----	----
Revenues:				
Processing and services	\$563,032	\$ 481,355	\$1,122,856	\$ 943,518
Customer reimbursements	69,394	62,269	141,498	127,757
	-----	-----	-----	-----
Total revenues	632,426	543,624	1,264,354	1,071,275
Cost of revenues:				
Salaries, commissions and payroll related costs	267,606	230,638	539,238	452,851
Customer reimbursement expenses	69,394	62,269	141,498	127,757
Data processing costs and equipment rentals	41,665	36,213	80,773	70,551
Other operating expenses	117,676	98,490	234,026	190,400
Depreciation and amortization	25,220	27,635	49,440	54,732
	-----	-----	-----	-----
Total cost of revenues	521,561	455,245	1,044,975	896,291
	-----	-----	-----	-----
Operating income	110,865	88,379	219,379	174,984
Interest expense - net	(2,178)	(3,237)	(4,865)	(7,054)
Realized gain from sale of investment	567	1,506	1,482	3,327
	-----	-----	-----	-----
Income before income taxes	109,254	86,648	215,996	171,257
Income tax provision	42,609	34,659	84,238	68,503
	-----	-----	-----	-----
Net income	\$ 66,645	\$ 51,989	\$ 131,758	\$ 102,754
	=====	=====	=====	=====
Net income per share:				
Basic	\$ 0.35	\$ 0.28	\$ 0.69	\$ 0.55
	=====	=====	=====	=====
Diluted	\$ 0.34	\$ 0.27	\$ 0.67	\$ 0.54
	=====	=====	=====	=====
Shares used in computing net income per share:				
Basic	191,420	186,558	191,044	186,360
	=====	=====	=====	=====
Diluted	195,474	191,252	195,313	191,051
	=====	=====	=====	=====

See notes to consolidated financial statements.

FISERV, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)  
(Unaudited)

	June 30, 2002	December 31, 2001
	-----	-----
<b>ASSETS</b>		
Cash and cash equivalents	\$ 188,329	\$ 136,088
Accounts receivable-net	296,338	311,217
Securities processing receivables	1,461,555	1,427,051
Prepaid expenses and other assets	104,105	108,003
Investments	1,998,332	1,885,063
Property and equipment-net	262,678	247,748
Internally generated computer software for external customers-net	100,339	97,250
Intangible assets-net	1,165,095	1,109,822
	-----	-----
<b>Total</b>	<b>\$ 5,576,771</b>	<b>\$ 5,322,242</b>
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable	\$ 88,298	\$ 83,303
Securities processing payables	1,281,074	1,289,479
Short-term borrowings	137,390	112,800
Accrued expenses	215,265	241,904
Accrued income taxes	38,262	15,373
Deferred revenues	159,002	171,101
Customer retirement account deposits	1,585,516	1,420,956
Deferred income taxes	55,841	39,407
Long-term debt	262,503	343,093
	-----	-----
<b>Total liabilities</b>	<b>3,823,151</b>	<b>3,717,416</b>
	-----	-----
Shareholders' equity:		
Common stock issued, 191,773,000 and 190,281,000 shares, respectively	1,918	1,903
Additional paid-in capital	591,282	564,959
Accumulated other comprehensive income	66,914	76,216
Accumulated earnings	1,093,506	961,748
	-----	-----
<b>Total shareholders' equity</b>	<b>1,753,620</b>	<b>1,604,826</b>
	-----	-----
<b>Total</b>	<b>\$ 5,576,771</b>	<b>\$ 5,322,242</b>
	=====	=====

See notes to consolidated financial statements.

FISERV, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)  
(Unaudited)

	Six Months Ended June 30,	
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 131,758	\$ 102,754
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized gain from sale of investment	(1,482)	(3,327)
Deferred income taxes	19,572	4,990
Depreciation and amortization	49,440	54,732
Amortization of internally generated computer software for external customers	18,674	16,656
	-----	-----
	217,962	175,805
Changes in assets and liabilities, net of effects from acquisitions of businesses:		
Accounts receivable	14,414	11,189
Prepaid expenses and other assets	2,461	(616)
Accounts payable and accrued expenses	(24,538)	(20,853)
Deferred revenues	(11,890)	(3,718)
Accrued income taxes	45,628	27,466
Securities processing receivables and payables - net	(42,909)	(2,170)
	-----	-----
Net cash provided by operating activities	201,128	187,103
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(57,211)	(34,115)
Capitalization of internally generated computer software for external customers	(21,105)	(16,546)
Payment for acquisitions of businesses, net of cash acquired	(59,304)	(93,121)
Investments	(124,005)	14,184
	-----	-----
Net cash used in investing activities	(261,625)	(129,598)
	-----	-----
Cash flows from financing activities:		
Proceeds from short-term borrowings - net	25,104	16,400
Repayment of long-term debt - net	(80,749)	(24,775)
Issuance of common stock	3,338	9,092
Customer retirement account deposits	165,045	(79,115)
	-----	-----
Net cash provided by (used in) financing activities	112,738	(78,398)
	-----	-----
Change in cash and cash equivalents	52,241	(20,893)
Beginning balance	136,088	98,856
	-----	-----
Ending balance	\$ 188,329	\$ 77,963
	=====	=====

See notes to consolidated financial statements.

FISERV, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of Consolidation

The consolidated financial statements for the three and six month periods ended June 30, 2002 and 2001 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such consolidated 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 consolidated financial statements and notes of Fiserv, Inc. and subsidiaries (the "Company"). Certain amounts reported in prior periods have been reclassified to conform to the 2002 presentation.

2. Recent Accounting Pronouncements

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. The Company has completed its transitional impairment test for goodwill and intangible assets with indefinite lives and has determined that no potential impairment exists. Proforma net income and net income per share for the three month and six month periods ended June 30, 2001, adjusted to eliminate historical amortization of goodwill and related tax effects, are as follows:

	Three Months Ended June 30, 2001 -----	Six Months Ended June 30, 2001 -----
	(In thousands)	
Reported net income	\$51,989	\$102,754
Add: goodwill amortization, net of tax	4,626	9,199
	-----	-----
Pro forma net income	\$56,615	\$111,953
	=====	=====
Reported net income per share:		
Basic	\$0.28	\$0.55
Diluted	\$0.27	\$0.54
Pro forma net income per share:		
Basic	\$0.30	\$0.60
Diluted	\$0.30	\$0.59

In addition, effective January 1, 2002, the Company adopted Emerging Issues Task Force Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out of Pocket' Expenses Incurred" which requires that customer reimbursements received for direct costs paid to third parties and related expenses be characterized as revenue. Comparative financial statements for prior periods have been reclassified to provide consistent presentation. The Company has presented customer reimbursement revenue and expenses of \$69.4 million and \$62.3 million for the three months ended June 30, 2002 and 2001, respectively, and \$141.5 million and \$127.8 million for the six months ended June 30, 2002 and 2001, respectively, in accordance with Issue No. 01-14. Customer reimbursements represent direct costs paid to third parties primarily for postage and data communication costs. In addition, processing and services revenues and salaries/data processing expenses were increased by \$9.7 million and \$8.7 million for the three months ended June 30, 2002 and 2001, respectively and \$18.7 million and \$17.0 million for the six months ended June 30, 2002 and 2001, respectively. The adoption of Issue No. 01-14 did not impact the Company's financial position, operating income or net income.

ITEM 2. 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 table and the following discussion exclude the revenues and expenses associated with customer reimbursements as discussed in Note 2.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	----	----	----	----
	(Percent of Revenues)			
Processing and services revenues	100.0%	100.0%	100.0%	100.0%
	-----	-----	-----	-----
Salaries and related costs	47.5	47.9	48.0	48.0
Data processing costs	7.4	7.5	7.2	7.5
Other operating expenses	20.9	20.5	20.9	20.2
Depreciation and amortization	4.5	5.7	4.4	5.8
	-----	-----	-----	-----
Total cost of revenues	80.3	81.6	80.5	81.5
	-----	-----	-----	-----
Operating income	19.7	18.4	19.5	18.5
	=====	=====	=====	=====

Processing and Services Revenues

Processing and services revenues increased \$81.7 million, or 17.0%, from \$481.4 million in the second quarter of 2001 to \$563.0 million in the current second quarter, and \$179.3 million, or 19.0%, from \$943.5 million in the first six months of 2001 to \$1,122.9 million in the comparable current period.

Approximately 25% of the year-to-date revenue growth (excluding a business disposition and a \$12.0 million termination fee in 2001) was derived from sales to new clients, cross-sales to existing clients, increases in transaction volumes from existing clients and price increases, with the remaining revenue growth from acquired businesses. Revenue growth was positively impacted by strong growth of \$216.6 million, or 28.8%, for the first six months of 2002 compared to 2001 in the Financial institution outsourcing, systems and services segment which is the Company's main operating segment. In addition, revenue growth was negatively impacted by the Securities processing and trust services segment, primarily due to lower transaction volumes from continued weakness in the United States retail financial markets. Revenues for the Securities processing and trust services segment declined \$29.2 million for the first six months of 2002 compared to 2001, excluding a \$12.0 million termination fee received from a broker-dealer customer acquired by a third party in the second quarter of 2001.

Cost of Revenues

Cost of revenues increased 15.1% from \$393.0 million in the second quarter of 2001 to \$452.2 million in the current second quarter, and 17.6% from \$768.5 million in the first six months of 2001 to \$903.5 million in the first six months of 2002.

Depreciation and Amortization

Depreciation and amortization decreased \$2.4 million from \$27.6 million in the second quarter of 2001 to \$25.2 million in the current second quarter, and \$5.3 million from \$54.7 million in the first six months of 2001 to \$49.4 in the first six months of 2002. The decrease was primarily attributable to the adoption of SFAS No. 142 that resulted in a reduction of goodwill amortization expense of approximately \$12.0 million for the first six months of 2002, offset primarily by incremental depreciation expense from capital expenditures.

Operating Income

Operating income increased 25.4% from \$88.4 million in the second quarter of 2001 to \$110.9 million in the current second quarter, and increased 25.4% from \$175.0 million in the first six months of 2001 to \$219.4 million in the first six months of 2002.

## Realized Gain from Sale of Investment

During the first six months of 2002 and 2001, the Company recorded a pre-tax realized gain from sale of investment of \$1.5 million and \$3.3 million, respectively.

## Income Tax Provision

The effective income tax rate was 39% in 2002 and 40% in 2001. The effective income tax rate for 2002 has declined from 2001 due to the impact of adopting SFAS No. 142.

## Net Income

Net income for the second quarter increased 28.2% from \$52.0 million in 2001 to \$66.6 million in 2002. Net income for the first six months increased 28.2% from \$102.8 million in 2001 to \$131.8 million in 2002. Net income per share-diluted (excluding realized gains from sale of investment) for the second quarter was \$.34 in 2002 compared to \$.27 in 2001. Net income per share-diluted (excluding realized gains from sale of investment) for the first six months of 2002 was \$.67 compared to \$.53 in the comparable 2001 period. The impact of adopting SFAS No. 142 would have increased 2001 diluted net income per share (excluding realized gain from sale of investment) by approximately \$.02 per share in the second quarter and \$.04 per share on a year-to-date basis due to the elimination of goodwill amortization.

## Business Segment Information

The Company is a leading independent provider of financial data processing systems and related information management services and products to financial institutions and other financial intermediaries. The Company's operations have been classified into three business segments: Financial institution outsourcing, systems and services; Securities processing and trust services; and All other and corporate. Financial information for the six months ended June 30, 2001 has been restated to reflect the transfer of one business unit representing \$7.2 million in revenue and \$.6 million in operating income from the Securities and trust services segment to the Financial institution outsourcing, systems and services segment. Summarized financial information by business segment has been restated and is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	----- (In thousands) -----			
Processing and services revenues:				
Financial institution outsourcing, systems and services	\$487,061	\$383,461	\$ 968,764	\$ 752,184
Securities processing and trust services	54,513	78,049	109,276	150,443
All other and corporate	21,458	19,845	44,816	40,891
	-----	-----	-----	-----
Total	\$563,032	\$481,355	\$1,122,856	\$ 943,518
	=====	=====	=====	=====
Operating income:				
Financial institution outsourcing, systems and services	\$107,667	\$ 78,848	\$ 209,456	\$ 158,710
Securities processing and trust services	5,924	11,803	13,490	19,925
All other and corporate	(2,726)	(2,272)	(3,567)	(3,651)
	-----	-----	-----	-----
Total	\$110,865	\$ 88,379	\$ 219,379	\$ 174,984
	=====	=====	=====	=====

Processing and services revenues in the Financial institution outsourcing, systems and services business segment increased from \$383.5 million in the second quarter of 2001 to \$487.1 million in the current second quarter, and increased from \$752.2 million in the first six months of 2001 to \$968.8 million in the comparable current period. Operating income in the Financial institution outsourcing, systems and services business segment increased from \$78.8 million in the second quarter of 2001 to \$107.7 million in the current second quarter and increased from \$158.7 million in the first six months of 2001 to \$209.5 million in the first six months of 2002. Year-to-date operating income was positively impacted in 2002 by the elimination of goodwill amortization of approximately \$10.0 million.

Processing and services revenues in the Securities processing and trust services business segment, excluding a \$12.0 million termination fee received in the second quarter of 2001, decreased from \$66.0 million in the second quarter of 2001 to \$54.5 million in the current second quarter, and decreased from \$138.4 million in the first six months of 2001 to \$109.3 million in the comparable current period. The revenue decrease in 2002 was primarily related to lower transaction volumes in the Securities processing and trust services segment due to continued weakness in the United States retail financial markets. Operating income in this business segment decreased from \$11.8 million in the second quarter of 2001 to \$5.9 million in the current second quarter, and decreased from \$19.9 million in the first six months of 2001 to \$13.5 million in the first six months of 2002 primarily as a result of lower revenues. In the second quarter of 2002, the segment recorded a net charge of \$3.2 million related

to the write-down of WorldCom, Inc. debt securities to market value. The WorldCom, Inc. debt securities were acquired by the Company through the acquisition of Resources Trust Company in 2000 and the securities were classified as held-to-maturity. As of June 30, 2002, the Company's remaining held-to-maturity corporate debt securities had an aggregate fair market value in excess of carrying value of \$4.1 million. In the second quarter of 2001, the segment recorded \$12.3 million in restructuring charges.

#### Liquidity and Capital Resources

The following table summarizes the Company's primary sources (uses) of funds from operating activities for the six months ended June 30, 2002 and 2001:

	2002 -----	2001 -----
	(In thousands)	
Cash provided by operating activities		
before changes in securities processing		
receivables and payables	\$ 244,037	\$ 189,273
Securities processing receivables and payables		
- net	(42,909)	(2,170)
	-----	-----
Cash provided by operating activities	201,128	187,103
Decrease in net borrowings	(55,645)	(8,375)
	-----	-----
TOTAL	\$ 145,483	\$ 178,728
	=====	=====

The Company has historically used a significant portion of its cash flow from operations for acquisitions and capital expenditures with any remainder used to reduce long-term debt.

The Company's strategy includes the acquisition of complementary businesses financed by a combination of internally generated funds and borrowings from the Company's credit facilities. The Company believes that its cash flow from operations together with other available sources of funds will be adequate to meet its funding requirements. In the event that the Company makes significant future acquisitions, however, it may raise funds through additional borrowings or the issuance of securities.

#### Critical Accounting Policies

The Company does not consider any specific accounting policies to be critical to the economic success of the entity. The Company does not participate in, nor has created, any off-balance sheet special purpose entities or other off-balance sheet financing, other than operating leases. In addition, the Company does not enter into any derivative financial instruments for speculative purposes and uses derivative financial instruments primarily for managing its exposure to changes in interest rates.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995 Except for the historical information contained herein, the matters discussed in this Form 10-Q are forward-looking statements that involve risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, services and related products, prices and other factors discussed in the Company's prior filings with the Securities and Exchange Commission. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate. Therefore, there can be no assurance that the forward-looking statements included in this Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

The Company's quantitative and qualitative disclosures about market risk are incorporated by reference in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and have not materially changed since that report was filed.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company has initiated legal action against E\*TRADE Securities, Inc. ("E\*TRADE") as the result of E\*TRADE refusing to accept delivery of a \$27 million bond in violation of the terms of a contract between E\*TRADE and a subsidiary of the Company. The Company intends to vigorously enforce its rights under the terms of its agreement with E\*TRADE and expects to prevail and recover the carrying value of the bond.

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

(a) Exhibits

No exhibits are filed as part of this Quarterly Report on Form 10-Q.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended June 30, 2002.

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 22, 2002

by /s/ Kenneth R. Jensen

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KENNETH R. JENSEN  
Senior Executive Vice President, Chief  
Financial Officer, Treasurer and Assistant  
Secretary