

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 March 31, 2001

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 April 16, 2001, there were 124,340,000 shares of common stock, \$.01 par value, of the Registrant outstanding.

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

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

	Three Months Ended March 31,	
	2001	2000
Revenues	\$453,912	\$396,402
Cost of revenues:		
Salaries, commissions and payroll related costs	218,695	189,572
Data processing expenses, rentals and telecommunication costs	29,605	28,112
Other operating expenses	92,392	75,227
Depreciation and amortization of property and equipment	18,305	16,749
Amortization of intangible assets	8,792	7,176
Amortization (capitalization) of internally generated computer software-net	(482)	612
Total cost of revenues	367,307	317,448
Operating income	86,605	78,954
Interest expense - net	(3,817)	(5,806)
Realized gain from sale of investment	1,821	-
Income before income taxes	84,609	73,148
Income tax provision	33,844	29,991
Net income	\$ 50,765	\$ 43,157
Net income per share:		
Basic	\$ 0.41	\$ 0.35
Diluted	\$ 0.40	\$ 0.34
Shares used in computing net income per share:		
Basic	124,108	122,622
Diluted	127,233	125,543

See notes to consolidated financial statements.

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

	March 31, 2001	December 31, 2000

	(Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 82,146	\$ 98,856
Accounts receivable - net	273,002	265,640
Securities processing receivables	2,068,965	2,193,291
Prepaid expenses and other assets	86,077	91,077
Investments	1,891,734	1,796,899
Property and equipment-net	218,134	205,555
Internally generated computer software-net	88,681	88,263
Intangible assets-net	928,360	846,739

Total	\$5,637,099	\$5,586,320
	=====	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 72,813	\$ 80,633
Securities processing payables	1,849,830	1,977,323
Short-term borrowings	13,000	19,725
Accrued expenses	163,094	182,090
Accrued income taxes	25,557	22,207
Deferred revenues	163,113	156,668
Customer retirement account deposits	1,622,884	1,525,652
Deferred income taxes	48,814	34,992
Long-term debt	362,562	334,958

Total liabilities	4,321,667	4,334,248

Shareholders' equity:		
Common stock issued, 125,387,700 shares	1,254	1,254
Additional paid-in capital	460,391	455,444
Accumulated other comprehensive income	73,749	78,869
Accumulated earnings	804,296	753,531
Treasury stock, at cost, 1,059,800 and 1,581,900 shares, respectively	(24,258)	(37,026)

Total shareholders' equity	1,315,432	1,252,072

Total	\$5,637,099	\$5,586,320
	=====	

See notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 50,765	\$ 43,157
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized gain from sale of investment	(1,821)	-
Deferred income taxes	16,416	17,605
Depreciation and amortization of property and equipment	18,305	16,749
Amortization of intangible assets	8,792	7,176
Amortization of internally generated computer software	8,612	10,253
	101,069	94,940
Changes in assets and liabilities, net of effects from acquisitions of businesses:		
Accounts receivable	673	(8,802)
Prepaid expenses and other assets	8,307	(4,292)
Accounts payable and accrued expenses	(46,776)	(23,151)
Deferred revenues	2,314	8,118
Accrued income taxes	7,009	7,300
Securities processing receivables and payables - net	(3,167)	(223,273)
	69,429	(149,160)
Cash flows from investing activities:		
Capital expenditures	(16,708)	(22,094)
Capitalization of internally generated computer software	(9,094)	(9,641)
Payment for acquisitions of businesses, net of cash acquired	(90,903)	(6,515)
Investments	(90,751)	15,808
	(207,456)	(22,442)
Cash flows from financing activities:		
Proceeds from (repayment of) short-term borrowings - net	(6,725)	214,671
Proceeds from (repayment of) long-term debt-net	27,604	(39,463)
Issuance of common stock	3,206	13,269
Purchases of treasury stock	-	(9,884)
Customer retirement account deposits	97,232	(12,890)
	121,317	165,703
Change in cash and cash equivalents	(16,710)	(5,899)
Beginning balance	98,856	80,554
Ending balance	\$ 82,146	\$ 74,655

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 month periods ended March 31, 2001 and 2000 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 consolidated 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").

2. Accounting Change and Derivative Instruments

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended, which requires that all derivative instruments be reported on the balance sheet at fair value. If the derivative instrument is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative instrument are either recognized in net income or in other comprehensive income until the hedged item is recognized in net income. The adoption of SFAS 133 on January 1, 2001, resulted in a cumulative after-tax reduction to accumulated other comprehensive income included in Shareholders' equity of \$2.7 million.

3. Business Combinations

During the first three months of 2001, the Company completed four acquisitions accounted for by the purchase method for total cash consideration of approximately \$90.9 million. In addition to cash consideration, the Company also issued approximately 220,000 unregistered shares of its common stock in conjunction with one of the acquisitions. The operations of these acquisitions are included in the consolidated results of operations from the dates of acquisition. Pro forma information for acquisitions is not presented as the impact was not material.

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) asset consisted of the following:

	March 31, 2001	December 31, 2000

(In thousands)		
Purchased incomplete software technology	\$ 41,898	\$ 43,051
Accrued expenses not currently deductible	32,968	27,380
Deferred revenues	14,081	15,494
Internally generated capitalized software	(36,054)	(35,306)
Excess of tax over book depreciation and amortization	(20,654)	(20,480)
Unrealized gains on investments	(54,940)	(53,722)
Other	(26,113)	(11,409)

Total	(\$48,814)	(\$34,992)
=====		

5. Supplemental Cash Flow Information

	2001	2000

(In thousands)		
Interest paid	\$ 4,457	\$5,663
Income taxes paid	10,624	5,959
Liabilities assumed in acquisitions of businesses	13,600	1,549

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 and the percentage change in these items.

	2001	2000	Percentage Increase
	(Percent of Revenues)		
Revenues	100.0	100.0	14.5
Salaries and related costs	48.2	47.8	15.4
Data processing costs	6.5	7.1	5.3
Other operating expenses	20.4	19.0	22.8
Depreciation and amortization	4.0	4.2	9.3
Amortization of intangible assets	1.9	1.8	N/A
Amortization (capitalization) of software-net	(0.1)	0.2	N/A
Total cost of revenues	80.9	80.1	15.7
Operating income	19.1	19.9	9.7

Revenues

Revenues increased 14.5% from \$396.4 million in the first quarter of 2000 to \$453.9 million in the current first quarter. Revenue growth was primarily derived from sales to new clients, cross-sales to existing clients, price increases and revenues from acquired businesses. Revenue growth was negatively impacted by lower transaction volumes in the Securities processing and trust services segment primarily due to overall weakness in the United States retail financial markets in the first quarter of 2001. Revenues from acquired businesses approximated 60% of total revenue growth in the first quarter of 2001.

Cost of Revenues

Cost of revenues increased 15.7% from \$317.4 million in the first quarter of 2000 to \$367.3 million in the current first quarter. The make up of cost of revenues has been affected by business acquisitions, changes in the mix of the Company's business and operational efficiencies. In 2001, the Company recorded a litigation reserve of \$7.8 million due to an unfavorable arbitration award relating to actions that occurred at Hanifen, Imhoff Holdings, Inc. prior to being acquired by the Company in 1997.

Operating Income

Operating income increased 9.7% from \$79.0 million in the first quarter of 2000 to \$86.6 million in the current first quarter.

Realized Gain from Sale of Investment

During the first quarter of 2001, the Company sold 100,000 shares of Knight Trading Group, Inc. resulting in a pre-tax realized gain of \$1.8 million.

Income Tax Provision

The effective income tax rate was 41% in 2000 and 40% in 2001. The effective income tax rate is expected to remain at 40% for the remainder of the current year.

Net Income

Net income for the first quarter increased 17.6% from \$43.2 million in 2000 to \$50.8 million in 2001. Net income per share-diluted for the first quarter was \$0.39 in 2001, before recognizing a \$0.01 per share realized gain from sale of investment, compared to \$0.34 in 2000.

Business Segment Information

The Company is a leading independent provider of 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. Summarized financial information by business segment is as follows:

	Three Months Ended March 31,	
	2001	2000
----- (In thousands)		
Revenues:		
Financial institution outsourcing, systems and services	\$360,362	\$293,088
Securities processing and trust services	76,022	86,447
All other and corporate	17,528	16,867
	-----	-----
Total	\$453,912	\$396,402
	=====	=====
Operating income:		
Financial institution outsourcing, systems and services	\$ 79,596	\$ 49,336
Securities processing and trust services	8,388	29,947
All other and corporate	(1,379)	(329)
	-----	-----
Total	\$ 86,605	\$ 78,954
	=====	=====

Revenues in the Financial institution outsourcing, systems and services business segment increased from \$293.1 million in the first quarter of 2000 to \$360.4 million in the current first quarter. Operating income in the Financial institution outsourcing, systems and services business segment increased from \$49.3 million in the first quarter of 2000 to \$79.6 million in the current first quarter. Operating margin improvement in the first quarter of 2001 when compared to 2000 was primarily due to continued revenue growth, operational efficiencies and increased operating leverage of existing operations.

Revenues in the Securities processing and trust services business segment decreased from \$86.4 million in the first quarter of 2000 to \$76.0 million in the current first quarter. The overall revenue decrease in the first quarter of 2001 was directly related to significantly lower transaction volumes in the Securities processing businesses due to overall weakness in the United States retail financial markets, partially offset by an increase in revenues associated with the acquisition of Resources Trust Company in May of 2000. Operating income in this business segment decreased from \$29.9 million in the first quarter of 2000 to \$8.4 million in the current first quarter. The decrease in operating income was primarily due to reduced transaction volumes for securities processing services and a litigation reserve of \$7.8 million. The litigation reserve was recorded as a result of an unfavorable arbitration award relating to actions that occurred at Hanifen, Imhoff Holdings, Inc. prior to being acquired by the Company in 1997.

Liquidity and Capital Resources

The following table summarizes the Company's primary sources (uses) of funds for the three months ended March 31, 2001 and 2000:

	2001	2000
	----- (In thousands)	
Cash provided by operating activities before changes in securities processing receivables and payables - net	\$72,596	\$ 74,113
Securities processing receivables and payables - net	(3,167)	(223,273)

Cash provided by (used in) operating activities	69,429	(149,160)
(Decrease) increase in short-term borrowings	(6,725)	214,671
Proceeds from (repayments) of long-term borrowings - net	27,604	(39,463)

TOTAL	\$90,308	\$ 26,048
	=====	

Long-term obligations amounted to \$362.6 million at March 31, 2001 and included \$273.4 million advanced under an aggregate of \$575.0 million in revolving credit facilities. The Company has 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 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 issuances of securities.

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.

PART II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

In connection with an acquisition consummated on January 2, 2001, the Company issued approximately 220,000 unregistered shares of its common stock to two individuals. The Company relied upon the exemption provided in Section 4(2) of the Securities Act of 1933 and Rule 505 of Regulation D, based upon the number of recipients of the shares, their positions and the aggregate value of the transaction. No underwriter was involved in the transaction and no commission was paid.

Item 3. Quantitative And Qualitative Disclosures About 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, 2000 and have not materially changed since that report was filed.

Item 4. Submission of Matters to a Vote of Security Holders.

At the Company's Annual Meeting of Shareholders held on March 29, 2001, the Company's Shareholders approved the following matters:

	For -----	Withheld -----
1. ELECTION OF TWO DIRECTORS TO SERVE FOR A THREE-YEAR TERM EXPIRING IN 2004:		
Kenneth R. Jensen	110,864,351	568,592
Thekla R. Shackelford	111,836,432	396,511

The other directors of the Company whose terms in office continued after the 2001 Annual Meeting of Shareholders are as follows: terms expiring at the 2002 Annual Meeting - Donald F. Dillon, Gerald J. Levy and Leslie M. Muma; and terms expiring at the 2003 Annual Meeting - George D. Dalton, Daniel P. Kearney and L. William Seidman.

	For -----	Against -----	Abstain -----	Non-Vote -----
2. APPROVAL OF THE FISERV, INC. EXECUTIVE INCENTIVE COMPENSATION PLAN	108,750,138	2,293,040	389,765	-
3. REAPPOINTMENT OF DELOITTE & TOUCHE LLP AS INDEPENDENT AUDITORS FOR 2001	107,725,462	3,640,674	66,807	-

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 March 31, 2001.

SIGNATURE

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 23, 2001

by /s/ Kenneth R. Jensen

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