

FIRST DATA CORP
Form 10-Q
August 08, 2014
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

OR

**o 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 001-11073

FIRST DATA CORPORATION

(Exact name of registrant as specified in its charter)

www.firstdata.com

DELAWARE
(State or other jurisdiction of
incorporation or organization)

47-0731996
(I.R.S. Employer
Identification No.)

225 LIBERTY STREET

29th FLOOR
NEW YORK, NEW YORK
(Address of principal executive offices)

10281
(Zip Code)

Registrant's telephone number, including area code **(800) 735-3362**

5565 GLENRIDGE CONNECTOR, N.E., SUITE 2000, ATLANTA, GEORGIA 30342

(Former name, former address and former fiscal year, if changed since last report)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2014
Common Stock, \$0.01 par value per share	1,000 shares

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****FIRST DATA CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues:				
Transaction and processing service fees:				
Merchant related services (a)	\$ 1,053.5	\$ 1,023.7	\$ 1,995.4	\$ 1,966.8
Check services	66.5	71.3	132.6	143.7
Card services (a)	449.6	419.7	887.1	826.5
Other services	126.3	113.9	242.5	235.3
Product sales and other (a)	211.3	204.9	415.0	407.3
Reimbursable debit network fees, postage and other	929.9	875.3	1,804.8	1,720.1
Total revenue	2,837.1	2,708.8	5,477.4	5,299.7
Expenses:				
Cost of services (exclusive of items shown below)	686.8	691.9	1,332.6	1,410.6
Cost of products sold	82.5	83.4	162.6	166.0
Selling, general and administrative	489.8	493.2	976.0	956.5
Reimbursable debit network fees, postage and other	929.9	875.3	1,804.8	1,720.1
Depreciation and amortization	262.2	274.7	527.5	546.9
Other operating expenses:				
Restructuring, net	3.8	20.0	7.3	38.2
Total expenses	2,455.0	2,438.5	4,810.8	4,838.3
Operating profit	382.1	270.3	666.6	461.4
Interest income	3.6	2.6	6.6	5.3
Interest expense	(463.1)	(472.2)	(930.2)	(941.2)
Other income	82.5	15.0	83.4	15.3
	(377.0)	(454.6)	(840.2)	(920.6)
Income (loss) before income taxes and equity earnings in affiliates	5.1	(184.3)	(173.6)	(459.2)
Income tax expense	40.0	11.5	76.6	73.1
Equity earnings in affiliates	58.0	51.0	108.4	88.7
Net income (loss)	23.1	(144.8)	(141.8)	(443.6)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest				
	57.6	44.3	93.2	82.9
Net loss attributable to First Data Corporation	\$ (34.5)	\$ (189.1)	\$ (235.0)	\$ (526.5)

(a) Includes processing fees, administrative service fees and other fees charged to merchant alliances accounted for under the equity method of \$45.7 million and \$90.0 million for the three and six months ended June 30, 2014, respectively, and \$41.2 million and \$81.7 million for the comparable periods in 2013.

See Notes to Consolidated Financial Statements.

Table of Contents**FIRST DATA CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)**

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net income (loss)	\$ 23.1	\$ (144.8)	\$ (141.8)	\$ (443.6)
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities	(0.5)	1.1		0.9
Foreign currency translation adjustment	2.3	(66.2)	(15.7)	(147.8)
Pension liability adjustments	0.3	0.9	0.7	2.3
Total other comprehensive income (loss), net of tax	2.1	(64.2)	(15.0)	(144.6)
Comprehensive income (loss)	25.2	(209.0)	(156.8)	(588.2)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest	56.5	46.2	92.9	80.9
Comprehensive loss attributable to First Data Corporation	\$ (31.3)	\$ (255.2)	\$ (249.7)	\$ (669.1)

See Notes to Consolidated Financial Statements.

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FIRST DATA CORPORATION
CONSOLIDATED BALANCE SHEETS

(in millions, except common stock share amounts)	As of June 30, 2014 (Unaudited)	As of December 31, 2013 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 547.7	\$ 425.3
Accounts receivable, net of allowance for doubtful accounts of \$46.0 (2014) and \$32.4 (2013)	1,711.9	1,763.9
Settlement assets	9,794.3	7,541.8
Other current assets	349.9	345.1
Total current assets	12,403.8	10,076.1
Property and equipment, net of accumulated depreciation of \$1,262.1 (2014) and \$1,149.9 (2013)	920.4	849.4
Goodwill	17,252.7	17,247.8
Customer relationships, net of accumulated amortization of \$4,652.4 (2014) and \$4,418.3 (2013)	2,895.0	3,162.3
Other intangibles, net of accumulated amortization of \$1,873.5 (2014) and \$1,743.5 (2013)	1,737.2	1,719.6
Investment in affiliates	1,161.0	1,334.3
Long-term settlement assets	15.2	15.2
Other long-term assets	846.0	835.1
Total assets	\$ 37,231.3	\$ 35,239.8
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 270.7	\$ 287.8
Short-term and current portion of long-term borrowings	155.0	146.3
Settlement obligations	9,806.0	7,553.4
Other current liabilities	1,538.0	1,630.5
Total current liabilities	11,769.7	9,618.0
Long-term borrowings	22,619.8	22,556.8
Long-term deferred tax liabilities	574.8	553.0
Other long-term liabilities	783.6	750.1
Total liabilities	35,747.9	33,477.9
Commitments and contingencies (See Note 8)		
Redeemable noncontrolling interest	70.0	69.1
First Data Corporation shareholder's deficit:		
Common stock, \$0.01 par value; 1,000 shares authorized and issued (2014 and 2013)		
Additional paid-in capital	7,410.7	7,384.0
Paid-in capital	7,410.7	7,384.0
Accumulated loss	(8,535.2)	(8,284.9)
Accumulated other comprehensive loss	(603.4)	(588.7)
Total First Data Corporation shareholder's deficit	(1,727.9)	(1,489.6)
Noncontrolling interests	3,141.3	3,182.4
Total equity	1,413.4	1,692.8
Total liabilities and equity	\$ 37,231.3	\$ 35,239.8

See Notes to Consolidated Financial Statements.

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FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Six months ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (141.8)	\$ (443.6)
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	581.6	606.7
(Earnings) charges related to other operating expenses and other income	(76.0)	22.9
Other non-cash and non-operating items, net	(38.4)	(18.6)
Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:		
Accounts receivable, current and long-term	41.9	267.7
Other assets, current and long-term	29.6	36.4
Accounts payable and other liabilities, current and long-term	(23.5)	(183.5)
Income tax accounts	9.7	21.4
Net cash provided by operating activities	383.1	309.4
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments related to other businesses previously acquired		0.2
Proceeds from dispositions, net of expenses paid	258.9	9.6
Proceeds from sale of property and equipment	2.3	3.8
Additions to property and equipment	(133.1)	(89.1)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(111.6)	(86.1)
Other investing activities		7.1
Net cash provided by (used in) investing activities	16.5	(154.5)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings, net	11.7	(147.8)
Accrued interest funded upon issuance of notes	(55.2)	(6.5)
Debt modification payments and related financing costs, net	(35.4)	(49.0)
Principal payments on long-term debt	(38.5)	(36.8)
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest	(135.2)	(102.1)
Redemption of Parent's redeemable common stock	(4.0)	(5.9)
Purchase of noncontrolling interest		(23.7)
Cash dividends	(15.3)	(17.5)
Net cash used in financing activities	(271.9)	(389.3)
Effect of exchange rate changes on cash and cash equivalents	(5.3)	(10.7)
Change in cash and cash equivalents	122.4	(245.1)
Cash and cash equivalents at beginning of period	425.3	608.3
Cash and cash equivalents at end of period	\$ 547.7	\$ 363.2

See Notes to Consolidated Financial Statements.

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FIRST DATA CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

Six months ended June 30, 2014 (in millions)	Common Shares	First Data Corporation Shareholder Accumulated Other Loss	Accumulated Loss	Paid-In Capital	Noncontrolling Interests	Total
Balance, December 31, 2013		\$ (8,284.9)	\$ (588.7)	\$ 7,384.0	\$ 3,182.4	\$ 1,692.8
Dividends and distributions paid to noncontrolling interests					(117.4)	(117.4)
Net (loss) income (a)		(235.0)			76.6	(158.4)
Other comprehensive (loss) income			(14.7)		(0.3)	(15.0)
Adjustment to noncontrolling interest and redemption value of redeemable noncontrolling interest				(3.1)		(3.1)
Stock compensation expense and other				29.8		29.8
Cash dividends paid by First Data Corporation to Parent		(15.3)				(15.3)
Balance, June 30, 2014		\$ (8,535.2)	\$ (603.4)	\$ 7,410.7	\$ 3,141.3	\$ 1,413.4
Six months ended June 30, 2013						
(in millions)						
Balance, December 31, 2012		\$ (7,387.8)	\$ (552.2)	\$ 7,341.5	\$ 3,224.9	\$ 2,626.4
Dividends and distributions paid to noncontrolling interests					(84.8)	(84.8)
Net (loss) income (a)		(526.5)			66.8	(459.7)
Other comprehensive loss			(142.6)		(2.0)	(144.6)
Adjustment to redemption value of redeemable noncontrolling interest				(2.0)		(2.0)
Stock compensation expense and other				26.6		26.6
Cash dividends paid by First Data Corporation to Parent		(17.5)				(17.5)
Purchase of noncontrolling interest				5.8	3.2	9.0
Balance, June 30, 2013		\$ (7,931.8)	\$ (694.8)	\$ 7,371.9	\$ 3,208.1	\$ 1,953.4

(a) The total net loss presented in the Consolidated Statements of Equity for the six months ended June 30, 2014 and 2013 is \$16.6 million and \$16.1 million, respectively, greater than the amount presented on the Consolidated Statements of Operations due to the net income attributable to the redeemable noncontrolling interest not included in equity.

See Notes to Consolidated Financial Statements.

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FIRST DATA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Basis of Presentation and Summary of Significant Accounting Policies

Business Description

First Data Corporation (FDC or the Company) operates electronic commerce businesses providing services that include merchant transaction processing and acquiring services; credit, retail and debit card issuing and processing services; prepaid card services; and check verification, settlement and guarantee services. The Company has designated its principal executive offices as 225 Liberty Street, 29th Floor, New York City, New York 10281. However, the Company s headquarters remain in Atlanta, Georgia.

Basis of Presentation

The accompanying Consolidated Financial Statements of FDC should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2013. Significant accounting policies disclosed therein have not changed.

The accompanying Consolidated Financial Statements are unaudited; however, in the opinion of management, they include all normal recurring adjustments necessary for a fair presentation of the consolidated financial position of the Company as of June 30, 2014 and the consolidated results of its operations and comprehensive income (loss) for the three and six months ended June 30, 2014 and 2013 and the consolidated cash flows and changes in equity for the six months ended June 30, 2014 and 2013. Results of operations reported for interim periods are not necessarily indicative of results for the entire year due in part to the seasonality of certain business units.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Actual results could differ from these estimates.

Presentation

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Depreciation and amortization presented as a separate line item on the Company's Consolidated Statements of Operations does not include amortization of initial payments for new contracts which is recorded as a contra-revenue within Transaction and processing service fees. Also not included is amortization related to equity method investments which is netted within the Equity earnings in affiliates line. The following table presents the amounts associated with such amortization for the periods presented:

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Amortization of initial payments for new contracts	\$ 11.4	\$ 10.1	\$ 22.4	\$ 20.3
Amortization related to equity method investments	\$ 15.8	\$ 19.8	\$ 31.7	\$ 39.5

Revenue Recognition

The Company recognizes revenues from its processing services as such services are performed. Revenue is recorded net of certain costs such as credit and offline debit interchange fees and assessments charged by credit card associations. Debit network fees related to acquired personal identification number based debit (PIN-debit) transactions are recognized in the Reimbursable debit network fees, postage and other revenue and expense lines of the Consolidated Statements of Operations. The following table presents the amounts associated with processing services revenue for the periods presented:

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Interchange fees and assessments	\$ 5,152.2	\$ 4,884.1	\$ 9,873.4	\$ 9,394.7
Debit network fees	\$ 773.2	\$ 731.9	\$ 1,492.4	\$ 1,429.1

Table of Contents**FIRST DATA CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****New Accounting Guidance**

In May 2014, the Financial Accounting Standards Board issued guidance that requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. It also requires enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively, and improves guidance for multiple-element arrangements. The guidance applies to any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The guidance is effective for public companies for annual periods beginning after December 15, 2016 as well as interim periods within those annual period using either the full retrospective approach or modified retrospective approach. Early adoption is not permitted. The Company is currently evaluating the impacts of the new guidance on its consolidated financial statements.

Note 2: Supplemental Financial Information**Supplemental Statement of Operations Information**

The following table details the components of Other income on the Consolidated Statements of Operations for the periods presented:

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Investment gains	\$ 89.0	\$ 1.1	\$ 89.0	\$ 2.3
Derivative financial instruments (losses) and gains	(7.4)	10.4	(4.1)	14.2
Divestiture gains	1.6		1.6	
Non-operating foreign currency (losses) and gains	(0.7)	3.5	(3.1)	(1.2)
Other income	\$ 82.5	\$ 15.0	\$ 83.4	\$ 15.3

Supplemental Cash Flow Information

On March 14, 2014, FDC completed an offer to exchange all of its 10.625% senior unsecured notes due 2021, 11.25% senior unsecured notes due 2021, and 11.75% senior notes due 2021 for publicly tradable notes having substantially identical terms and guarantees, except that the exchange notes are freely tradable.

During the six months ended June 30, 2014 and 2013, the Company entered into capital leases, net of trade-ins, totaling approximately \$91 million and \$104 million, respectively.

Refer to Note 10 Stock Compensation Plans of these Consolidated Financial Statements for information concerning the Company's stock-based compensation plans.

Note 3: Acquisitions and Dispositions

On May 29, 2014, the Company completed the sale of its 30% minority interest in a transportation payments business, Electronic Funds Source LLC (EFS), which was reported as part of the Merchant Solutions segment. The Company recognized a gain on sale of \$88.9 million recorded in

Other income in the Consolidated Statements of Operations, comprised of \$255.1 million in cash reduced by its investment and associated deal costs of \$166.2 million, and recorded an income tax provision of \$8.8 million. The sales price is subject to normal closing settlements, which are expected to be completed during the third quarter and could result in incremental proceeds and gain on sale of up to \$16.6 million.

On July 30, 2014, the Company announced the acquisition of Gyft, Inc. (Gyft). Gyft is the leading digital platform that enables consumers to buy, send, manage and redeem gift cards using mobile devices. The transaction is expected to close in August pending Gyft shareholders approval.

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FIRST DATA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 4: Restructuring**Restructuring Charges and Reversal of Restructuring Accruals**

The Company recorded restructuring charges during the three and six months ended June 30, 2014 and 2013, in connection with management's alignment of the business with strategic objectives and cost savings initiatives as well as refinements of estimates. During the six months ended June 30, 2013, the Company also recorded restructuring charges in connection with the departure of executive officers.

A summary of net pretax benefits (charges), incurred by segment, was as follows for the periods presented:

(in millions)	Pretax Benefit (Charge)				
	Merchant Solutions	Financial Services	International	All Other and Corporate	Totals
<u>Three months ended June 30, 2014</u>					
Restructuring charges	\$ (0.9)	\$	\$	\$ (4.9)	\$ (5.8)
Restructuring accrual reversals	0.5		0.9	0.6	2.0
Total pretax charge, net of reversals	\$ (0.4)	\$	\$ 0.9	\$ (4.3)	\$ (3.8)
<u>Six months ended June 30, 2014</u>					
Restructuring charges	\$ (1.7)	\$ (0.4)	\$	\$ (7.5)	\$ (9.6)
Restructuring accrual reversals	0.6	0.2	0.9	0.6	2.3
Total pretax charge, net of reversals	\$ (1.1)	\$ (0.2)	\$ 0.9	\$ (6.9)	\$ (7.3)
<u>Three months ended June 30, 2013</u>					
Restructuring charges	\$ (10.6)	\$ (4.5)	\$	\$ (5.8)	\$ (20.9)
Restructuring accrual reversals	0.7			0.2	0.9
Total pretax charge, net of reversals	\$ (9.9)	\$ (4.5)	\$	\$ (5.6)	\$ (20.0)
<u>Six months ended June 30, 2013</u>					
Restructuring charges	\$ (15.1)	\$ (4.9)	\$ (0.8)	\$ (18.3)	\$ (39.1)
Restructuring accrual reversals	0.7			0.2	0.9
Total pretax charge, net of reversals	\$ (14.4)	\$ (4.9)	\$ (0.8)	\$ (18.1)	\$ (38.2)

The following table summarizes the Company's utilization of restructuring accruals during the period presented:

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(in millions)		Employee Severance
Remaining accrual as of January 1, 2014	\$	21.1
Expense provision		9.6
Cash payments and other		(11.5)
Changes in estimates		(2.3)
Remaining accrual as of June 30, 2014	\$	16.9

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FIRST DATA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 5: Borrowings

The following table presents the Company's outstanding borrowings as of the dates indicated:

(in millions)	As of June 30, 2014 (Unaudited)	As of December 31, 2013 (Audited)
Short-term borrowings:		
Senior secured revolving credit facility	\$	\$
Foreign lines of credit and other arrangements	81.0	68.7
Total short-term borrowings	81.0	68.7
Current portion of long-term borrowings (a):		
4.85% Unsecured notes due 2014, net of unamortized discount of \$0.0 and \$0.1	3.8	3.7
Capital lease obligations	70.2	73.9
Total current portion of long-term borrowings	74.0	77.6
Long-term borrowings (a):		
Senior secured term loan facility due March 2017, net of unamortized discount of \$12.4 and \$23.3	1,452.8	2,657.8
Senior secured term loan facility due March 2018 (b), net of unamortized discount of \$19.5 and \$22.1	4,656.6	4,655.6
Senior secured term loan facility due September 2018 (b), net of unamortized discount of \$24.6 and \$27.5	983.4	980.5
Senior secured term loan facility due March 2021, net of unamortized discount of \$11.3	1,203.6	
7.375% Senior secured first lien notes due 2019, net of unamortized discount of \$20.8 and \$22.9	1,574.2	1,572.1
8.875% Senior secured first lien notes due 2020, net of unamortized discount of \$10.9 and \$11.8	499.1	498.2
6.75% Senior secured first lien notes due 2020 (c), net of unamortized discount of \$23.8 and \$25.7	2,126.2	2,124.3
8.25% Senior secured second lien notes due 2021, net of unamortized discount of \$11.6 and \$12.5	1,988.1	1,987.2
8.75%/10.00% Payment In-Kind toggle senior secured second lien notes due 2022, net of unamortized discount of \$6.1 and \$6.5	993.9	993.5
12.625% Senior unsecured notes due 2021, net of unamortized discount of \$17.5 and \$18.8	2,982.5	2,981.2
10.625% Senior unsecured notes due 2021 (c), net of unamortized discount of \$25.6 and \$27.4	789.4	787.6
11.25% Senior unsecured notes due 2021 (c), net of unamortized discount of \$25.1 and \$27.0	759.9	758.0
11.25% Senior unsecured subordinated notes due 2016		750.0

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11.75% Senior unsecured subordinated notes due 2021 (c), net of unamortized discount of \$18.0 and \$38.0	2,457.0	1,712.0
4.95% Unsecured notes due 2015, net of unamortized discount of \$0.4 and \$0.6	9.4	9.2
Capital lease obligations	143.7	89.6
Total long-term borrowings	22,619.8	22,556.8
Total borrowings	\$ 22,774.8	\$ 22,703.1

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- (a) Unamortized discount amounts are as of June 30, 2014 and December 31, 2013, respectively.
- (b) Repriced and amended on July 18, 2014. See Debt Transaction Subsequent to June 30, 2014 below for additional information.
- (c) Partially redeemed with proceeds of private placement on July 11, 2014 and July 21, 2014. See Debt Transactions Subsequent to June 30, 2014 below for additional information.

Short-Term Borrowings

As of June 30, 2014 and December 31, 2013, FDC had approximately \$225 million and \$265 million available, respectively, under short-term lines of credit and other arrangements with foreign banks and alliance partners primarily to fund settlement activity.

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These arrangements are primarily associated with international operations and are in various functional currencies, the most significant of which are the Australian dollar, the Polish zloty and the euro. Certain of these arrangements are uncommitted, but FDC had \$55.7 million and \$68.6 million of borrowings outstanding against them as of June 30, 2014 and December 31, 2013, respectively.

Senior Secured Credit Facilities

Senior Secured Revolving Credit Facility As of June 30, 2014, FDC's senior secured revolving credit facility had commitments from financial institutions to provide approximately \$1.0 billion of credit. Up to \$500 million of the senior secured revolving credit facility is available for letters of credit, of which \$43.0 million and \$46.3 million were issued as of June 30, 2014 and December 31, 2013, respectively. FDC had no borrowings outstanding against this facility as of June 30, 2014 or December 31, 2013, other than the letters of credit discussed above. As of June 30, 2014, \$973 million remained available under this facility after considering the outstanding letters of credit.

Senior Secured Term Loan Facility On January 30, 2014, FDC amended its senior secured term loan facility. Under the amendment, FDC extended the maturity of approximately \$941 million of its existing U.S. dollar denominated term loans and approximately 154 million of its existing euro denominated term loans, in each case, from March 24, 2017 to March 24, 2021 (the 2021 Extended Term Loans). The interest rate applicable to the 2021 Extended Term Loans is a rate equal to, at the Company's option, either (a) LIBOR for deposits in the applicable currency plus 400 basis points or (b) solely with respect to term loans denominated in U.S. dollars, a base rate plus 300 basis points.

The Company also incurred an aggregate principal amount of approximately \$1.4 billion in new U.S. dollar denominated term loans and approximately 25 million in new euro denominated term loans maturing on March 24, 2017 (the 2017 Second New Term Loans). The interest rate applicable to the 2017 Second New Term Loans is a rate equal to, at the Company's option, either (a) LIBOR for deposits in the applicable currency plus 350 basis points or (b) solely with respect to term loans denominated in U.S. dollars, a base rate plus 250 basis points. The Company used the proceeds from the incurrence of the 2017 Second New Term Loans to repay an equal amount of its outstanding term loan borrowings maturing on March 24, 2017.

Additionally, the Company incurred an aggregate principal amount of approximately \$63 million in new U.S. dollar denominated term loans maturing on March 24, 2021 (the 2021 New Term Loans). The interest rate applicable to the 2021 New Term Loans is a rate equal to, at the Company's option, either (a) LIBOR for deposits in U.S. dollars plus 400 basis points or (b) solely with respect to term loans denominated in U.S. dollars, a base rate plus 300 basis points. The Company used the proceeds from the incurrence of the 2021 New Term Loans to repay an equal amount of its outstanding U.S. dollar denominated term loan borrowings maturing on March 24, 2017.

11.75% Senior Unsecured Subordinated Notes Due 2021

On January 6, 2014, the Company issued and sold \$725 million aggregate principal amount of additional 11.75% senior subordinated notes due August 15, 2021. The notes were issued at 103.5% of par for a premium of \$25.4 million. The additional notes were treated as a single series with the existing 11.75% notes and will have the same terms as those of the existing 11.75% notes. The additional notes and the existing 11.75% notes will vote as one class under the indenture. FDC used the proceeds from the issue and sale of the additional notes, together with cash on hand, to redeem all of its outstanding 11.25% senior subordinated notes due 2016 and to pay related fees and expenses.

Related Financing Costs

In connection with the debt offering and debt repurchase discussed above, the Company incurred lender fees and other expenses of approximately \$8 million.

Debt Exchange

On March 14, 2014, FDC completed an offer to exchange all of its 10.625% senior unsecured notes due 2021, 11.25% senior unsecured notes due 2021, and 11.75% senior unsecured notes due 2021 for publicly tradable notes having substantially identical terms and guarantees, except that the exchange notes are freely tradable. There was no expenditure or receipt of cash associated with this exchange, other than professional fees incurred in connection with the registration statement itself.

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Debt Transactions Subsequent to June 30, 2014

Debt Repurchase On July 11, 2014, First Data Holdings Inc., the direct parent company of the Company (Holdings), completed a \$3.5 billion issuance of its common equity in a private placement. \$2.5 billion of the net proceeds were contributed to the Company as a capital contribution and the funds were used to repay certain tranches of the Company's debt.

On July 11, 2014, the Company used proceeds from the private placement to redeem \$866 million aggregate principal of its 11.75% senior unsecured subordinated notes due 2021, plus accrued and unpaid interest. In addition, on July 21, 2014, the Company redeemed \$753 million aggregate principal of its 6.75% senior secured first lien notes due 2020, \$285 million aggregate principal of its 10.625% senior unsecured notes due 2021, and \$275 million aggregate principal of its 11.25% senior unsecured notes due 2021, plus accrued and unpaid interest. In connection with these transactions, the Company incurred call premiums and deferred financing costs of approximately \$214 million.

Repricing Amendments to the Senior Secured Credit Facilities On July 18, 2014, the Company incurred an aggregate principal amount of approximately \$4.6 billion in new U.S. dollar denominated loans and approximately \$311 million in new euro denominated loans maturing on March 24, 2018 (the 2018 New Term Loans). The interest rate applicable to the 2018 New Term Loans is a rate equal to, at the Company's option, either (a) LIBOR for deposits in the applicable currency plus 350 basis points or (b) solely with respect to term loans denominated in U.S. dollars, a base rate plus 250 basis points. The Company used a portion of the proceeds from the incurrence of the 2018 New Term Loans to repay its outstanding term loans borrowings maturing on March 24, 2018, with approximately \$350 million in remaining aggregate principal amount of 2018 New Term Loans to be used for general corporate purposes.

The Company also incurred an aggregate principal amount of approximately \$1.0 billion in new U.S. dollar denominated term loans maturing on September 24, 2018 (the 2018B Second New Term Loans). The interest rate applicable to the 2018B Second New Term Loans is a rate equal to, at the Company's option, either (a) LIBOR for the deposits in U.S. dollars plus 350 basis points or (b) a base rate plus 250 basis points. The Company used the proceeds from the incurrence of the 2018B Second New Term Loans to repay outstanding U.S. dollar denominated term loan borrowings maturing on September 24, 2018.

The Company also modified certain other provisions of its credit agreement to provide for greater operational flexibility.

Note 6: Segment Information

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For a detailed discussion of the Company's principles regarding its operating segments refer to Note 15 "Segment Information" in the Company's Consolidated Financial Statements in "Item 8: Financial Statements and Supplementary Data" of the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

During the first quarter of 2014, the Company renamed its Retail and Alliance Services segment to Merchant Solutions to better reflect its transformation from a processor to a solutions and technology provider. For a detailed discussion of the Company's segments, refer to "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

The following tables present the Company's operating segment results for the periods presented:

(in millions)	Three months ended June 30, 2014				Totals
	Merchant Solutions	Financial Services	International	All Other and Corporate	
Revenues:					
Transaction and processing service fees	\$ 844.3	\$ 345.2	\$ 351.7	\$ 19.4	\$ 1,560.6
Product sales and other	100.9	12.2	87.8	12.7	213.6
Equity earnings in affiliates (a)			8.3		8.3
Total segment reporting revenues	\$ 945.2	\$ 357.4	\$ 447.8	\$ 32.1	\$ 1,782.5
Internal revenue	\$ 5.9	\$ 9.1	\$ 1.9	\$	\$ 16.9
External revenue	\$ 939.3	\$ 348.3	\$ 445.9	\$ 32.1	\$ 1,765.6
Depreciation and amortization	\$ 100.8	\$ 76.4	\$ 62.9	\$ 17.0	\$ 257.1
Segment EBITDA	\$ 455.7	\$ 183.1	\$ 110.8	\$ (80.5)	\$ 669.1
Other operating expenses and other income excluding divestitures	\$ 82.2	\$	\$ (6.2)	\$ 1.0	\$ 77.0

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(in millions)	Merchant Solutions	Financial Services	International	All Other and Corporate	Totals
Revenues:					
Transaction and processing service fees	\$ 829.3	\$ 327.6	\$ 327.3	\$ 18.9	\$ 1,503.1
Product sales and other	98.9	9.6	88.5	9.9	206.9
Equity earnings in affiliates (a)			9.1		9.1
Total segment reporting revenues	\$ 928.2	\$ 337.2	\$ 424.9	\$ 28.8	\$ 1,719.1
Internal revenue	\$ 5.8	\$ 8.3	\$ 2.6	\$	\$ 16.7
External revenue	\$ 922.4	\$ 328.9	\$ 422.3	\$ 28.8	\$ 1,702.4
Depreciation and amortization	\$ 118.1	\$ 82.9	\$ 63.3	\$ 14.3	\$ 278.6
Segment EBITDA	\$ 429.3	\$ 150.7	\$ 115.2	\$ (62.5)	\$ 632.7
Other operating expenses and other income excluding divestitures and other items	\$ 34.4	\$ (4.5)	\$ 31.9	\$ (66.8)	\$ (5.0)

Six months ended June 30, 2014

(in millions)	Merchant Solutions	Financial Services	International	All Other and Corporate	Totals
Revenues:					
Transaction and processing service fees	\$ 1,605.7	\$ 683.0	\$ 679.0	\$ 37.6	\$ 3,005.3
Product sales and other	195.9	23.1	174.7	26.4	420.1
Equity earnings in affiliates (a)			15.4		15.4
Total segment reporting revenues	\$ 1,801.6	\$ 706.1	\$ 869.1	\$ 64.0	\$ 3,440.8
Internal revenue	\$ 11.6	\$ 17.8	\$ 3.7	\$	\$ 33.1
External revenue	\$ 1,790.0	\$ 688.3	\$ 865.4	\$ 64.0	\$ 3,407.7
Depreciation and amortization	\$ 208.9	\$ 156.0	\$ 126.0	\$ 27.9	\$ 518.8
Segment EBITDA	\$ 825.3	\$ 356.1	\$ 239.2	\$ (138.0)	\$ 1,282.6
Other operating expenses and other income excluding divestitures	\$ 63.0	\$ (0.2)	\$ (12.7)	\$ 24.3	\$ 74.4

Six months ended June 30, 2013

(in millions)	Merchant Solutions	Financial Services	International	All Other and Corporate	Totals
Revenues:					
Transaction and processing service fees	\$ 1,594.8	\$ 648.4	\$ 641.6	\$ 38.2	\$ 2,923.0
Product sales and other	194.8	19.4	176.7	20.3	411.2
Equity earnings in affiliates (a)			15.2		15.2
Total segment reporting revenues	\$ 1,789.6	\$ 667.8	\$ 833.5	\$ 58.5	\$ 3,349.4
Internal revenue	\$ 10.9	\$ 16.4	\$ 4.9	\$	\$ 32.2
External revenue	\$ 1,778.7	\$ 651.4	\$ 828.6	\$ 58.5	\$ 3,317.2
Depreciation and amortization	\$ 224.1	\$ 163.2	\$ 133.5	\$ 25.3	\$ 546.1
Segment EBITDA	\$ 783.5	\$ 283.8	\$ 215.6	\$ (129.8)	\$ 1,153.1

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Other operating expenses and other income excluding divestitures	\$	27.6	\$	(4.9)	\$	25.4	\$	(71.0)	\$	(22.9)
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(a) Excludes equity losses that were recorded in expense and the amortization related to the excess of the investment balance over the Company's proportionate share of the investee's net book value for the International segment.

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A reconciliation of reportable segment amounts to the Company's consolidated balances was as follows for the periods presented:

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Segment Revenues:				
Total reported segments	\$ 1,750.4	\$ 1,690.3	\$ 3,376.8	\$ 3,290.9
All Other and Corporate	32.1	28.8	64.0	58.5
Adjustment to reconcile to Adjusted revenue:				
Official check and money order revenues (a)	(1.1)	(0.7)	(2.1)	(2.4)
Eliminations of intersegment revenues	(16.9)	(16.7)	(33.1)	(32.2)
Adjusted revenue	1,764.5	1,701.7	3,405.6	3,314.8
Adjustments to reconcile to Consolidated revenues:				
Adjustments for non-wholly-owned entities (b)	15.5	7.8	16.3	23.3
Official check and money order revenues (a)	1.1	0.7	2.1	2.4
ISO commission expense	126.1	123.3	248.6	239.1
Reimbursable debit network fees, postage and other	929.9	875.3	1,804.8	1,720.1
Consolidated revenues	\$ 2,837.1	\$ 2,708.8	\$ 5,477.4	\$ 5,299.7
Segment EBITDA:				
Total reported segments	\$ 749.6	\$ 695.2	\$ 1,420.6	\$ 1,282.9
All Other and Corporate	(80.5)	(62.5)	(138.0)	(129.8)
Adjusted EBITDA	669.1	632.7	1,282.6	1,153.1
Adjustments to reconcile to Net loss attributable to First Data Corporation :				
Adjustments for non-wholly-owned entities (b)	5.1	(0.4)	8.8	2.7
Depreciation and amortization	(262.2)	(274.7)	(527.5)	(546.9)
Interest expense	(463.1)	(472.2)	(930.2)	(941.2)
Interest income	3.6	2.6	6.6	5.3
Other items (c)	69.9	(14.6)	63.1	(36.6)
Income tax expense	(40.0)	(11.5)	(76.6)	(73.1)
Stock based compensation	(4.6)	(21.4)	(33.7)	(30.6)
Official check and money order EBITDA (a)	0.5	0.2	1.1	1.5
Costs of alliance conversions	(6.0)	(18.7)	(12.8)	(41.3)
KKR related items	(7.4)	(8.0)	(13.8)	(16.1)
Debt issuance costs	0.6	(3.1)	(2.6)	(3.3)
Net loss attributable to First Data Corporation	\$ (34.5)	\$ (189.1)	\$ (235.0)	\$ (526.5)

(a) Represents an adjustment to exclude the official check and money order businesses from revenue and EBITDA due to the Company's wind down of these businesses.

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(b) Represents the net adjustment to reflect First Data's proportionate share of alliance revenue and EBITDA within the Merchant Solutions segment, equity earnings in affiliates included in International segment revenue and amortization related to equity method investments not included in segment EBITDA.

(c) Includes restructuring, litigation and regulatory settlements, divestitures and impairments as applicable to the periods presented and Other income as presented in the Consolidated Statements of Operations.

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Segment assets were as follows as of the dates presented:

(in millions)	As of June 30, 2014		As of December 31, 2013	
Assets:				
Merchant Solutions	\$	25,598.8	\$	23,905.3
Financial Services		4,008.4		4,176.2
International		5,523.1		5,222.9
All Other and Corporate		2,101.0		1,935.4
Consolidated	\$	37,231.3	\$	35,239.8

A reconciliation of reportable segment depreciation and amortization amounts to the Company's consolidated balances in the Consolidated Statements of Cash Flows was as follows for the periods presented:

(in millions)	Three months ended June 30,			Six months ended June 30,		
	2014	2013	2014	2013	2013	2013
Depreciation and amortization:						
Total reported segments	\$	240.1	\$	264.3	\$	490.9
All Other and Corporate		17.0		14.3		27.9
		257.1		278.6		518.8
Adjustments to reconcile to consolidated depreciation and amortization:						
Adjustments for non-wholly-owned entities		20.9		15.9		40.4
Amortization of initial payments for new contracts		11.4		10.1		22.4
Total consolidated depreciation and amortization per Consolidated Statements of Cash Flows	\$	289.4	\$	304.6	\$	581.6
					\$	606.7

Note 7: Redeemable Noncontrolling Interest

The following table presents a summary of the redeemable noncontrolling interest activity during the periods presented:

(in millions)	2014		2013	
Balance as of January 1,	\$	69.1	\$	67.4

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Distributions		(17.8)		(17.3)
Share of income		16.6		16.1
Adjustment to redemption value of redeemable noncontrolling interest		2.1		2.0
Balance as of June 30,	\$	70.0	\$	68.2

Note 8: Commitments and Contingencies

The Company is involved in various legal proceedings. Accruals have been made with respect to these matters, where appropriate, which are reflected in the Company's Consolidated Financial Statements. The Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company. The matters discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in liability material to the Company's financial condition and/or results of operations.

Legal

There are asserted claims against the Company where an unfavorable outcome is considered to be reasonably possible. These claims can generally be categorized in the following areas: (1) patent infringement which results from claims that the Company is using technology that has been patented by another party; (2) merchant customer matters often associated with alleged processing errors or disclosure issues and claims that one of the subsidiaries of the Company has violated a federal or state requirement regarding credit reporting or collection in connection with its check verification guarantee, and collection activities; and (3) other matters which may include issues such as employment. The Company's estimates of the possible ranges of losses in excess of any amounts accrued

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are \$0 to \$30 million for patent infringement, \$0 to \$15 million for merchant customer matters and \$0 to \$5 million for other matters, resulting in a total estimated range of possible losses of \$0 to \$50 million for all of the matters described above.

The estimated range of reasonably possible losses is based on currently available information and involves elements of judgment and significant uncertainties. As additional information becomes available and the resolution of the uncertainties becomes more apparent, it is possible that actual losses may exceed even the high end of the estimated range.

Other

In the normal course of business, the Company is subject to claims and litigation, including indemnification obligations to purchasers of former subsidiaries. Management of the Company believes that such matters will not have a material adverse effect on the Company's results of operations, liquidity or financial condition.

Note 9: Employee Benefit Plans

The following table provides the components of net periodic benefit expense for the Company's defined benefit pension plans for the periods presented:

(in millions)	Three months ended		Six months ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Service costs	\$ 1.0	\$ 0.7	\$ 2.1	\$ 1.3
Interest costs	10.4	9.3	20.7	18.7
Expected return on plan assets	(12.7)	(10.9)	(25.3)	(21.9)
Amortization				