

FIRST DATA CORP
Form 8-K
July 23, 2003

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **July 23, 2003**

FIRST DATA CORPORATION

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-11073
(Commission
File Number)

47-0731996
(IRS Employer
Identification No.)

6200 South Quebec Street, Greenwood Village, Colorado
(Address of Principal Executive Offices)

80111
(Zip Code)

Registrant's Telephone Number, Including Area Code: **(303) 967-8000**

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Item 5. Other Events and Required FD Disclosure.

Pro Forma Financial Information

On April 1, 2003, First Data Corporation and its wholly owned subsidiary, Monaco Subsidiary Corporation, entered into an Agreement and Plan of Merger with Concord EFS, Inc., pursuant to which Monaco will be merged with and into Concord and Concord will become a wholly owned subsidiary of First Data. Consummation of the merger is subject to various conditions, including approval by the stockholders of First Data and Concord and the receipt of all requisite antitrust, banking and other regulatory approvals. Upon completion of the merger, First Data's shareholders immediately prior to the merger will own approximately 79% of First Data's outstanding shares on a fully diluted basis, and Concord's former shareholders will own approximately 21% of First Data's outstanding shares on a fully diluted basis.

**PRO FORMA FINANCIAL DATA
FIRST DATA AND CONCORD UNAUDITED PRO FORMA CONDENSED
COMBINED CONSOLIDATED FINANCIAL STATEMENTS**

Presented below is selected unaudited pro forma condensed combined consolidated financial information that reflects the purchase method of accounting and is intended to provide a better picture of what the combined business of First Data and Concord might have looked like had the businesses actually been combined at the beginning of each period presented. The unaudited pro forma condensed combined consolidated financial information has been prepared assuming that 0.40 of a share of First Data common stock had been issued in exchange for each outstanding share of Concord common stock. The unaudited pro forma condensed combined consolidated financial information may have been different had the companies actually been combined at the beginning of each period presented. The selected unaudited pro forma condensed combined consolidated financial information does not reflect the effect of asset dispositions, if any, any restructuring activities or cost savings that may result from the proposed merger.

The unaudited pro forma condensed combined consolidated statements of income combine the historical consolidated statements of income of First Data and Concord giving effect to the proposed merger as if it had occurred on January 1 of each period presented. The unaudited pro forma condensed combined consolidated balance sheet combines the historical consolidated balance sheet of First Data and the historical consolidated balance sheet of Concord, giving effect to the proposed merger as if it had been completed on March 31, 2003. The historical consolidated financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable and (3) with respect to the statements of income, expected to have a continuing impact on the combined results. This information should be read in conjunction with:

the notes to the unaudited pro forma condensed combined consolidated financial statements included herewith;

First Data's separate historical unaudited financial statements as of and for the three months ended March 31, 2003 included in First Data's Quarterly Report on Form 10-Q for the three month period ended March 31, 2003;

First Data's separate historical financial statements of and for the year ended December 31, 2002 included in First Data's Annual Report on Form 10-K for the year ended December 31, 2002;

separate historical unaudited financial statements of Concord as of and for the three months ended March 31, 2003 included in Concord's Quarterly Report on Form 10-Q for the three month period ended March 31, 2003; and

separate historical financial statements of Concord as of and for the year ended December 31, 2002 included in Concord's Annual Report on Form 10-K for the year ended December 31, 2002.

The unaudited pro forma condensed combined consolidated financial information is presented for informational purposes only. The unaudited pro forma information is not necessarily indicative of what First Data's financial position or results of operations actually would have been had the merger been completed at the dates indicated. In addition, the unaudited pro forma condensed combined consolidated financial information does not purport to project the future financial position or operating results of the combined company.

The unaudited pro forma condensed combined consolidated financial information has been prepared using the purchase method of accounting with First Data treated as the acquirer. As described in Note 1, "Basis of Pro Forma Presentation," First Data's cost to acquire Concord will be allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of acquisition. The allocation is dependent upon certain valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the purchase price allocation pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined consolidated financial information.

**UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED
STATEMENT OF INCOME
For the Year Ended December 31, 2002**

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	First Data Corporation	Concord EFS, Inc.	Reclassifi- cations	(4)	Pro Forma Adjustments	(4)	Pro Forma Combined
(in millions, except per share data)							
REVENUES							
Transaction and processing service fees	\$ 6,566.2	\$ 1,966.6	\$ (809.8)	(a)	\$ (20.5)	(c)	\$ 7,628.0
			(74.5)	(b)			
Other non-transaction based revenue(1)	275.7		1.7	(b)			277.4
Product sales and other	275.3		45.1	(b)			320.4
Reimbursable postage and other	519.0		29.8	(b)			548.8
	7,636.2	1,966.6	(807.7)		(20.5)		8,774.6
EXPENSES							
Cost of services	3,809.6	1,366.5	(796.9)	(a)	142.4	(d)	4,454.0
			(47.1)	(b)	(20.5)	(c)	
Cost of products sold	189.5		13.5	(b)			203.0
Selling, general and administrative	1,282.7	123.9	(12.9)	(a)	(2.2)	(e)	1,391.5
Reimbursable postage and other	519.0		29.8	(b)			548.8
Other operating expenses(2)	73.9	86.2					160.1
	5,874.7	1,576.6	(813.6)		119.7		6,757.4
Operating profit	1,761.5	390.0	5.9		(140.2)		2,017.2
Other income/(expense)(3)	9.9	86.4	(5.9)	(b)	(2.5)	(f)	86.5
					(1.4)	(g)	
Interest expense	(117.1)	(11.6)			3.8	(f)	(124.9)
Income before income taxes, minority interest and equity earnings in affiliates	1,654.3	464.8			(140.3)		1,978.8
Income taxes	432.2	163.1			(52.3)	(h)	543.0
Minority interest	(102.8)	(0.9)					(103.7)
Equity earnings in affiliates	118.6						118.6
Net income	\$ 1,237.9	\$ 300.8			\$ (88.0)		\$ 1,450.7
Earnings per share basic	\$ 1.63	\$ 0.59				(i)	\$ 1.51
Earnings per share diluted	\$ 1.61	\$ 0.57				(i)	\$ 1.48
Weighted average shares outstanding:							
Basic	757.5	507.3				(i)	960.4
Diluted	771.8	524.7				(i)	981.7

(1) Other non-transaction based revenue includes investment income, professional services and software licensing and maintenance.

(2) Other operating expenses include restructuring charges, net, impairments and litigation and regulatory settlements.

(3) Other income / (expense) includes interest income, investment gains and (losses) and divestitures, net.

(4)

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Refer to the "Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Statements Note 2. Pro Forma Adjustments."

See "Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Statements," which are an integral part of these statements.

**UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED
STATEMENT OF INCOME
For the Three Months Ended March 31, 2003**

	First Data Corporation	Concord EFS, Inc.	Reclassifi- cations	(4)	Pro Forma Adjustments	(4)	Pro Forma Combined
(in millions, except per share data)							
REVENUES							
Transaction and processing service fees	\$ 1,706.3	\$ 519.9	\$ (214.1)	(a)	\$ (7.0)	(c)	\$ 1,988.3
			(16.8)	(b)			
Other non-transaction based revenue(1)	67.4		0.2	(b)			67.6
Product sales and other	68.8		9.2	(b)			78.0
Reimbursable postage and other	166.5		7.4	(b)			173.9
	2,009.0	519.9	(214.1)		(7.0)		2,307.8
EXPENSES							
Cost of services	1,034.5	377.5	(210.1)	(a)	33.9	(d)	1,217.1
			(11.7)	(b)	(7.0)	(c)	
Cost of products sold	44.4		4.3	(b)			48.7
Selling, general and administrative	338.9	31.8	(4.0)	(a)	(1.7)	(j)	367.1
			2.4	(b)	(0.3)	(e)	
Reimbursable postage and other	166.5		7.4	(b)			173.9
Other operating expenses(2)		2.4	(2.4)	(b)			
	1,584.3	411.7	(214.1)		24.9		1,806.8
Operating profit	424.7	108.2			(31.9)		501.0
Other income/(expense)(3)	1.2	14.2			(0.1)	(f)	15.0
					(0.3)	(g)	
Interest expense	(26.4)	(2.4)			0.3	(f)	(28.5)
Income before income taxes, minority interest and equity earnings in affiliates	399.5	120.0			(32.0)		487.5
Income taxes	111.0	42.0			(11.9)	(h)	141.1
Minority interest	(24.9)	(0.3)					(25.2)
Equity earnings in affiliates	29.0						29.0
Net income	\$ 292.6	\$ 77.7			\$ (20.1)		\$ 350.2
Earnings per share basic	\$ 0.39	\$ 0.16				(i)	\$ 0.37
Earnings per share diluted	\$ 0.39	\$ 0.16				(i)	\$ 0.37

Weighted average shares outstanding:

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	First Data Corporation	Concord EFS, Inc.	Reclassifications	(4)	Pro Forma Adjustments	(4)	Pro Forma Combined
Basic	750.2	486.5				(i)	944.8
Diluted	760.0	495.2				(i)	958.1

- (1) Other non-transaction based revenue includes investment income, professional services and software licensing and maintenance.
- (2) Other operating expenses include restructuring charges, net, impairments and litigation and regulatory settlements.
- (3) Other income / (expense) includes interest income, investment gains and (losses) and divestitures, net.
- (4) Refer to the "Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Statements Note 2. Pro Forma Adjustments."

See "Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Statements," which are an integral part of these statements.

**UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED
STATEMENT OF INCOME
For the Three Months Ended March 31, 2002**

	First Data Corporation	Concord EFS, Inc.	Reclassifications	(4)	Pro Forma Adjustments	(4)	Pro Forma Combined
(in millions, except per share data)							
REVENUES							
Transaction and processing service fees	\$ 1,492.7	\$ 421.7	\$ (169.1)	(a)	\$ (4.4)	(c)	\$ 1,725.0
			(15.9)	(b)			
Other non-transaction based revenue(1)	60.3		0.3	(b)			60.6
Product sales and other	71.8		8.7	(b)			80.5
Reimbursable postage and other	115.5		6.4	(b)			121.9
	<u>1,740.3</u>	<u>421.7</u>	<u>(169.6)</u>		<u>(4.4)</u>		<u>1,988.0</u>

EXPENSES							
Cost of services	904.2	281.9	(166.3)	(a)	36.5	(d)	1,042.2
			(9.7)	(b)	(4.4)	(c)	
Cost of products sold	46.4		2.8	(b)			49.2
Selling, general and administrative	299.8	24.8	(2.8)	(a)	(0.1)	(e)	321.7
Reimbursable postage and other	115.5		6.4	(b)			121.9
	<u>8.9</u>	<u>47.5</u>					<u>56.4</u>

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	First Data Corporation	Concord EFS, Inc.	Reclassifi- cations	(4)	Pro Forma Adjustments	(4)	Pro Forma Combined
Other operating expenses(2)							
	1,374.8	354.2	(169.6)		32.0		1,591.4
Operating profit	365.5	67.5			(36.4)		396.6
Other income/(expense)(3)	(4.1)	20.1			(0.8) (f)		14.8
					(0.4) (g)		
Interest expense	(30.7)	(3.1)			1.3 (f)		(32.5)
Income before income taxes, minority interest and equity earnings in affiliates	330.7	84.5			(36.3)		378.9
Income taxes	89.9	30.0			(13.5) (h)		106.4
Minority interest	(20.6)	(0.3)					(20.9)
Equity earnings in affiliates	24.1						24.1
Net income	\$ 244.3	\$					