

CONVERGYS CORP
Form 10-Q
October 30, 2012

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 September 30, 2012

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 1-14379

CONVERGYS CORPORATION
(Exact name of registrant as specified in its charter)

Incorporated under the laws of the State of Ohio
201 East Fourth Street, Cincinnati, Ohio 45202
I.R.S. Employer Identification Number 31-1598292
Telephone - Area Code (513) 723-7000

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

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

At September 30, 2012, there were 109,144,845 common shares, without par value, outstanding, excluding amounts held in Treasury of 77,967,504.

Table of Contents

CONVERGYS CORPORATION
Form 10-Q
For the Period Ended
September 30, 2012
INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
ITEM 1. <u>Financial Statements:</u>	
<u>Consolidated Statements of Income - Three and Nine Months Ended September 30, 2012 and 2011 (Unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income - Three and Nine Months Ended September 30, 2012 and 2011 (Unaudited)</u>	<u>4</u>
<u>Consolidated Balance Sheets - September 30, 2012 and December 31, 2011 (Unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flow - Nine Months Ended September 30, 2012 and 2011 (Unaudited)</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>39</u>
ITEM 4. <u>Controls and Procedures</u>	<u>40</u>
<u>PART II. OTHER INFORMATION</u>	
ITEM 1 <u>Legal Proceedings</u>	<u>41</u>
ITEM 1A. <u>Risk Factors</u>	<u>41</u>
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>41</u>
ITEM 6. <u>Exhibits</u>	<u>42</u>
<u>SIGNATURE</u>	<u>43</u>

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues	\$507.6	\$493.3	\$1,496.2	\$1,432.7
Costs and Expenses:				
Cost of providing services and products sold	325.7	316.7	959.9	916.8
Selling, general and administrative	118.0	123.1	356.8	362.5
Research and development costs	2.3	3.4	8.7	10.9
Depreciation	19.7	18.9	60.5	56.5
Amortization	1.4	1.9	5.1	5.6
Restructuring charges	1.4	1.2	9.0	1.2
Asset impairments	—	—	88.6	—
Total costs and expenses	468.5	465.2	1,488.6	1,353.5
Operating Income	39.1	28.1	7.6	79.2
Earnings and gain from Cellular Partnerships, net	—	265.0	—	285.2
Other income, net	0.8	1.2	2.9	9.0
Interest expense	(2.8	) (3.6	) (10.8	) (12.5
Income (Loss) before Income Taxes	37.1	290.7	(0.3	) 360.9
Income tax expense	6.8	99.4	1.7	117.7
Income (Loss) from Continuing Operations, net of tax	30.3	191.3	(2.0	) 243.2
(Loss) Income from Discontinued Operations, net of tax	(2.4	) 22.4	70.6	37.1
Net Income	\$27.9	\$213.7	\$68.6	\$280.3
Basic Earnings (Loss) Per Common Share:				
Continuing operations	\$0.27	\$1.59	\$(0.02	) \$2.01
Discontinued operations	(0.02	) 0.19	0.62	0.31
Basic Earnings per Common Share	\$0.25	\$1.78	\$0.60	\$2.32
Diluted Earnings (Loss) Per Common Share:				
Continuing operations	\$0.26	\$1.57	\$(0.02	) \$1.98
Discontinued operations	(0.02	) 0.18	0.62	0.30
Diluted Earnings per Common Share	\$0.24	\$1.75	\$0.60	\$2.28
Weighted Average Common Shares Outstanding:				
Basic	111.2	120.1	114.2	120.9
Diluted	115.5	121.8	114.2	123.0
Cash dividends declared per share	\$0.05			