

GLOBAL PAYMENTS INC
Form 10-Q
October 05, 2016
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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 August 31, 2016

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: 001-16111
GLOBAL PAYMENTS INC.
(Exact name of registrant as specified in charter)

Georgia 58-2567903
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
10 Glenlake Parkway, North Tower, Atlanta, Georgia 30328
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (770) 829-8000

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 (§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 (Do not check if a smaller reporting company) 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

The number of shares of the issuer's common stock, no par value, outstanding as of October 3, 2016 was 153,697,386.

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FORM 10-Q
For the quarterly period ended August 31, 2016

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PART 1 - FINANCIAL INFORMATION

ITEM 1—FINANCIAL STATEMENTS

GLOBAL PAYMENTS INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Three Months Ended	
	August 31, 2016	August 31, 2015
Revenues	\$939,492	\$748,796
Operating expenses:		
Cost of service	462,626	272,666
Selling, general and administrative	355,760	338,358
	818,386	611,024
Operating income	121,106	137,772
Interest and other income	42,473	1,142
Interest and other expense	(43,077)	(13,243)
	(604)	(12,101)
Income before income taxes	120,502	125,671
Provision for income taxes	(28,044)	(32,623)
Net income	92,458	93,048
Less: Net income attributable to noncontrolling interests, net of income tax	(7,365)	(6,402)
Net income attributable to Global Payments	\$85,093	\$86,646
Earnings per share attributable to Global Payments:		
Basic earnings per share	\$0.55	\$0.66
Diluted earnings per share	\$0.55	\$0.66

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended	
	August 31,	August 31,
	2016	2015
Net income	\$92,458	\$93,048
Other comprehensive income (loss):		
Foreign currency translation adjustments	(18,781)	(37,017)
Income tax benefit related to foreign currency translation adjustments	—	11,100
Unrealized losses on hedging activities	(3,205)	(32)
Reclassification of losses on hedging activities to interest expense	1,897	1,734
Income tax benefit (expense) related to hedging activities	518	(622)
Other	108	—
Other comprehensive loss, net of tax	(19,463)	(24,837)
Comprehensive income	72,995	68,211
Comprehensive income attributable to noncontrolling interests	(7,363)	(8,300)
Comprehensive income attributable to Global Payments	\$65,632	\$59,911
See Notes to Unaudited Consolidated Financial Statements.		

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GLOBAL PAYMENTS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	August 31, 2016 (Unaudited)	May 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$977,776	\$1,044,728
Accounts receivable, net of allowances for doubtful accounts of \$326 and \$353, respectively	286,645	281,612
Claims receivable, net of allowances for doubtful accounts of \$5,106 and \$4,868, respectively	7,974	6,799
Settlement processing assets	1,105,470	1,336,326
Prepaid expenses and other current assets	206,964	181,848
Total current assets	2,584,829	2,851,313
Goodwill	4,849,015	4,829,405
Other intangible assets, net	2,211,954	2,264,708
Property and equipment, net	512,079	493,678
Deferred income taxes	20,921	22,719
Other	58,982	48,129
Total assets	\$10,237,780	\$10,509,952
LIABILITIES AND EQUITY		
Current liabilities:		
Settlement lines of credit	\$332,078	\$378,436
Current portion of long-term debt	182,012	135,542
Accounts payable and accrued liabilities	702,277	696,414
Settlement processing obligations	1,015,805	1,220,315
Total current liabilities	2,232,172	2,430,707
Long-term debt	4,289,666	4,379,744
Deferred income taxes	724,023	744,862