

MASTERCARD INC
Form 10-Q
November 03, 2009
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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 September 30, 2009

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: 001-32877

MasterCard Incorporated

(Exact name of registrant as specified in its charter)

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Delaware
*(State or other jurisdiction of
incorporation or organization)*

13-4172551
*(IRS Employer
Identification Number)*

2000 Purchase Street

Purchase, NY
(Address of principal executive offices)

10577
(Zip Code)

(914) 249-2000

(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 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 the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

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 by Rule 12b-2 of the Act) Yes No

As of October 28, 2009, there were 109,773,787 shares outstanding of the registrant's Class A common stock, par value \$.0001 per share, 19,977,657 shares outstanding of the registrant's Class B common stock, par value \$.0001 per share, and 1,812 shares outstanding of the registrant's Class M common stock, par value \$.0001 per share.

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MASTERCARD INCORPORATED
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2009	December 31, 2008
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 2,316,391	\$ 1,505,160
Investment securities, at fair value:		
Available-for-sale	629,678	588,095
Municipal bonds held-to-maturity		154,000
Accounts receivable	503,472	639,482
Income taxes receivable		198,308
Settlement due from customers	427,075	513,191
Restricted security deposits held for customers	260,769	183,245
Prepaid expenses	268,213	213,612
Deferred income taxes	277,967	283,795
Other current assets	69,102	32,619
Total Current Assets	4,752,667	4,311,507
Property, plant and equipment, at cost (less accumulated depreciation of \$311,497 and \$278,269)	450,915	306,798
Deferred income taxes	358,781	567,567
Goodwill	314,430	297,993
Other intangible assets (less accumulated amortization of \$412,170 and \$377,570)	410,533	394,282
Auction rate securities available-for-sale, at fair value	196,350	191,760
Municipal bonds held-to-maturity	36,400	37,450
Prepaid expenses	322,014	302,095
Other assets	97,258	66,397
Total Assets	\$ 6,939,348	\$ 6,475,849
LIABILITIES AND EQUITY		
Accounts payable	\$ 277,715	\$ 253,276
Settlement due to customers	424,383	541,303
Restricted security deposits held for customers	260,769	183,245
Obligations under litigation settlements (Note 16)	614,220	713,035
Accrued expenses	1,048,064	1,032,061
Short-term debt		149,380
Other current liabilities	166,181	118,151
Total Current Liabilities	2,791,332	2,990,451
Deferred income taxes	76,186	74,518
Obligations under litigation settlements (Note 16)	396,117	1,023,263
Long-term debt	21,690	19,387
Other liabilities	428,787	436,255
Total Liabilities	3,714,112	4,543,874
Commitments (Note 15)		
Stockholders Equity		
Class A common stock, \$.0001 par value; authorized 3,000,000,000 shares, 116,466,176 and 105,126,588 shares issued and 109,725,586 and 98,385,998 outstanding, respectively	11	10

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Class B common stock, \$.0001 par value; authorized 1,200,000,000 shares, 19,977,657 and 30,848,778 issued and outstanding, respectively	3	4
Class M common stock, \$.0001 par value; authorized 1,000,000 shares, 1,803 and 1,728 shares issued and outstanding, respectively		
Additional paid-in-capital	3,384,280	3,304,604
Class A treasury stock, at cost, 6,740,590 shares, respectively	(1,250,000)	(1,250,000)
Retained earnings (accumulated deficit)	873,424	(236,100)
Accumulated other comprehensive income:		
Cumulative foreign currency translation adjustments	254,004	175,040
Defined benefit pension and other postretirement plans, net of tax	(40,084)	(43,207)
Investment securities available-for-sale, net of tax	(4,115)	(22,996)
Total accumulated other comprehensive income	209,805	108,837
Total Stockholders Equity	3,217,523	1,927,355
Non-controlling interests	7,713	4,620
Total Equity	3,225,236	1,931,975
Total Liabilities and Equity	\$ 6,939,348	\$ 6,475,849

The accompanying notes are an integral part of these consolidated financial statements.

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MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2008	
	2009	2008	2009	2008
	(In thousands, except per share data)			
Revenues, net	\$ 1,364,275	\$ 1,338,178	\$ 3,800,266	\$ 3,766,766
Operating Expenses				
General and administrative	474,457	515,046	1,428,314	1,498,028
Advertising and marketing	173,828	246,154	470,275	706,798
Litigation settlements	6,245	827,500	6,745	2,476,845
Depreciation and amortization	36,242	28,742	102,950	81,956
Total operating expenses	690,772	1,617,442	2,008,284	4,763,627
Operating income (loss)	673,503	(279,264)	1,791,982	(996,861)
Other Income (Expense)				
Investment income, net	10,665	22,626	41,696	163,081
Interest expense	(24,098)	(36,319)	(91,667)	(67,075)
Other income (expense), net	13,324	(715)	17,707	72,582
Total other income (expense)	(109)	(14,408)	(32,264)	168,588
Income (loss) before income taxes	673,394	(293,672)	1,759,718	(828,273)
Income tax expense (benefit)	221,254	(100,090)	591,489	(334,916)
Net income (loss)	452,140	(193,582)	1,168,229	(493,357)
Loss attributable to non-controlling interests	59		302	
Net Income (Loss) Attributable to MasterCard	\$ 452,199	\$ (193,582)	\$ 1,168,531	\$ (493,357)
Basic Earnings (Loss) per Share (Note 2)	\$ 3.46	\$ (1.48)	\$ 8.95	\$ (3.76)
Basic Weighted Average Shares Outstanding (Note 2)	129,936	129,536	129,773	130,342
Diluted Earnings (Loss) per Share (Note 2)	\$ 3.45	\$ (1.48)	\$ 8.92	\$ (3.76)
Diluted Weighted Average Shares Outstanding (Note 2)	130,359	129,536	130,152	130,342

The accompanying notes are an integral part of these consolidated financial statements.

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MASTERCARD INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2009	2008
	(In thousands)	
Operating Activities		
Net income (loss)	\$ 1,168,229	\$ (493,357)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	102,950	81,956
Gain on sale of Redecard S.A. available-for-sale securities		(85,903)
Share based payments (Note 13)	69,487	44,217
Stock units withheld for taxes	(27,884)	(66,095)
Tax benefit for share based compensation	(32,249)	(48,901)
Impairment of assets	15,991	10,600
Accretion of imputed interest on litigation settlements	72,573	47,490
Deferred income taxes	204,298	(531,454)
Other		