

SUNGARD DATA SYSTEMS INC

Form 10-Q

August 09, 2011

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**United States**  
**Securities and Exchange Commission**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended June 30, 2011

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 numbers:

SunGard Capital Corp. 000-53653

SunGard Capital Corp. II 000-53654

SunGard Data Systems Inc. 001-12989

**SunGard<sup>®</sup> Capital Corp.**

**SunGard<sup>®</sup> Capital Corp. II**

# SunGard<sup>®</sup> Data Systems Inc.

(Exact name of registrant as specified in its charter)

<b>Delaware</b>	<b>20-3059890</b>
<b>Delaware</b>	<b>20-3060101</b>
<b>Delaware</b>	<b>51-0267091</b>
(State or other jurisdiction of	(IRS Employer

incorporation or organization)	Identification No.)
<b>680 East Swedesford Road, Wayne, Pennsylvania 19087</b>	

(Address of principal executive offices, including zip code)

**484-582-2000**

(Registrants 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.

SunGard Capital Corp.	Yes	<input checked="" type="checkbox"/>	No
		..	
SunGard Capital Corp. II	Yes	<input checked="" type="checkbox"/>	No
		..	
SunGard Data Systems Inc.	Yes	<input checked="" type="checkbox"/>	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).

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SunGard Capital Corp.	Yes	<input checked="" type="checkbox"/>	No
		<input type="checkbox"/>	
SunGard Capital Corp. II	Yes	<input checked="" type="checkbox"/>	No
		<input type="checkbox"/>	
SunGard Data Systems Inc.	Yes	<input checked="" type="checkbox"/>	No
		<input type="checkbox"/>	

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.

SunGard Capital Corp. Large accelerated filer . Accelerated filer . Non-accelerated filer . Smaller reporting company .

SunGard Capital Corp. II Large accelerated filer . Accelerated filer . Non-accelerated filer . Smaller reporting company .

SunGard Data Systems Inc. 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).

SunGard Capital Corp.	Yes	<input type="checkbox"/>	No
		<input checked="" type="checkbox"/>	
SunGard Capital Corp. II	Yes	<input type="checkbox"/>	No
		<input checked="" type="checkbox"/>	
SunGard Data Systems Inc.	Yes	<input type="checkbox"/>	No
		<input checked="" type="checkbox"/>	

The number of shares of the registrants common stock outstanding as of June 30, 2011:

SunGard Capital Corp.	255,870,461 shares of Class A common stock and 28,429,970 shares of Class L common stock
SunGard Capital Corp. II	100 shares of common stock
SunGard Data Systems Inc.	100 shares of common stock

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SUNGARD CAPITAL CORP.

SUNGARD CAPITAL CORP. II

SUNGARD DATA SYSTEMS INC.

AND SUBSIDIARIES

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**PART I. FINANCIAL INFORMATION**

Explanatory Note

This Form 10-Q is a combined quarterly report being filed separately by three registrants: SunGard Capital Corp. ( SCC ), SunGard Capital Corp. II ( SCCII ) and SunGard Data Systems Inc. ( SunGard ). SCC and SCC II are collectively referred to as the Parent Companies . Unless the context indicates otherwise, any reference in this report to the Company, we, us and our refer to the Parent Companies together with their direct and indirect subsidiaries, including SunGard. Each registrant hereto is filing on its own behalf all of the information contained in this quarterly report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

**Table of Contents****ITEM 1. FINANCIAL STATEMENTS****SunGard Capital Corp.****Consolidated Balance Sheets****(In millions except share and per-share amounts)****(Unaudited)**

	December 31, 2010	June 30, 2011
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 778	\$ 821
Trade receivables, less allowance for doubtful accounts of \$41 and \$50	894	863
Earned but unbilled receivables	167	188
Prepaid expenses and other current assets	178	184
Clearing broker assets	230	277
Deferred income taxes	10	10
<b>Total current assets</b>	<b>2,257</b>	<b>2,343</b>
Property and equipment, less accumulated depreciation of \$1,135 and \$1,255	918	926
Software products, less accumulated amortization of \$1,301 and \$1,434	809	713
Customer base, less accumulated amortization of \$1,158 and \$1,280	2,000	1,889
Other intangible assets, less accumulated amortization of \$23 and \$21	187	170
Trade name, less accumulated amortization of \$7 and \$10	1,023	1,020
Goodwill	5,774	5,825
<b>Total Assets</b>	<b>\$ 12,968</b>	<b>\$ 12,886</b>
<b>Liabilities and Equity</b>		
Current:		
Short-term and current portion of long-term debt	\$ 9	\$ 10
Accounts payable	64	47
Accrued compensation and benefits	302	260
Accrued interest expense	103	92
Other accrued expenses	421	366
Clearing broker liabilities	210	250
Deferred revenue	997	999
<b>Total current liabilities</b>	<b>2,106</b>	<b>2,024</b>
Long-term debt	8,046	8,068
Deferred income taxes	1,212	1,197
<b>Total liabilities</b>	<b>11,364</b>	<b>11,289</b>
Commitments and contingencies		
Noncontrolling interest in preferred stock of SCCII subject to a put option	54	31
Class L common stock subject to a put option	87	55
Class A common stock subject to a put option	11	7

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Stockholders' equity:

Class L common stock, convertible, par value \$.001 per share; cumulative 13.5% per annum, compounded quarterly; aggregate liquidation preference of \$4,699 million and \$5,033 million; 50,000,000 shares authorized, 28,670,331 and 28,761,476 shares issued		
Class A common stock, par value \$.001 per share; 550,000,000 shares authorized, 258,037,523 and 258,858,048 shares issued		
Capital in excess of par value	2,703	<b>2,746</b>
Treasury stock, 326,329 and 331,506 shares of Class L common stock; and 2,940,981 and 2,987,587 shares of Class A common stock	(34)	<b>(35)</b>
Accumulated deficit	(2,970)	<b>(3,175)</b>
Accumulated other comprehensive income (loss)	(29)	<b>51</b>
<b>Total SunGard Capital Corp. stockholders' equity (deficit)</b>	<b>(330)</b>	<b>(413)</b>
Noncontrolling interest in preferred stock of SCCII	1,782	<b>1,917</b>
<b>Total equity</b>	<b>1,452</b>	<b>1,504</b>
<b>Total Liabilities and Equity</b>	<b>\$ 12,968</b>	<b>\$ 12,886</b>

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



**Table of Contents****SunGard Capital Corp.****Consolidated Statements of Operations****(In millions)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2011	2010	2011
<b>Revenue:</b>				
Services	\$ 1,112	\$ <b>1,126</b>	\$ 2,216	\$ <b>2,230</b>
License and resale fees	103	<b>109</b>	171	<b>183</b>
Total products and services	1,215	<b>1,235</b>	2,387	<b>2,413</b>
Reimbursed expenses	38	<b>31</b>	66	<b>63</b>
	1,253	<b>1,266</b>	2,453	<b>2,476</b>
<b>Costs and expenses:</b>				
Cost of sales and direct operating	581	<b>573</b>	1,173	<b>1,158</b>
Sales, marketing and administration	286	<b>313</b>	557	<b>597</b>
Product development	69	<b>83</b>	141	<b>164</b>
Depreciation and amortization	72	<b>72</b>	146	<b>144</b>
Amortization of acquisition-related intangible assets	120	<b>119</b>	240	<b>244</b>
	1,128	<b>1,160</b>	2,257	<b>2,307</b>
Operating income (loss)	125	<b>106</b>	196	<b>169</b>
Interest income	1	<b>1</b>	1	<b>2</b>
Interest expense and amortization of deferred financing fees	(160)	<b>(129)</b>	(319)	<b>(266)</b>
Other income (expense)	14	<b>1</b>	14	<b>(1)</b>
Income (loss) from continuing operations before income taxes	(20)	<b>(21)</b>	(108)	<b>(96)</b>
Benefit from (provision for) income taxes	(1)	<b>(52)</b>	31	
Income (loss) from continuing operations	(21)	<b>(73)</b>	(77)	<b>(96)</b>
Income (loss) from discontinued operations, net of tax			2	
Net income (loss)	(21)	<b>(73)</b>	(75)	