

DST SYSTEMS INC
Form 10-Q
August 06, 2010
Table of Contents

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 June 30, 2010

or

o **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 1-14036

DST SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

333 West 11th Street, Kansas City, Missouri
(Address of principal executive offices)

43-1581814
(I.R.S. Employer
Identification No.)

64105
(Zip Code)

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(816) 435-1000

(Registrant's telephone number, including area code)

No Changes

(Former name, former address and former fiscal year, if changed since last report)

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 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

Number of shares outstanding of the Company's common stock as of July 31, 2010:

Common Stock \$0.01 par value 46,741,260

Table of Contents

DST Systems, Inc.

Form 10-Q

June 30, 2010

Table of Contents

	Page(s)
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
	<u>Financial Statements (unaudited)</u>
	<u>Introductory Comments</u> 3
	<u>Condensed Consolidated Balance Sheet June 30, 2010 and December 31, 2009</u> 4
	<u>Condensed Consolidated Statement of Income Three and six months ended June 30, 2010 and 2009</u> 5
	<u>Condensed Consolidated Statement of Cash Flows Six months ended June 30, 2010 and 2009</u> 6
	<u>Notes to Condensed Consolidated Financial Statements</u> 7-23
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 24-56
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 56-57
<u>Item 4.</u>	<u>Controls and Procedures</u> 57
<u>Item 4T.</u>	<u>Controls and Procedures</u> 57
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u> 57
<u>Item 1A.</u>	<u>Risk Factors</u> 57-63
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 64
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u> 64
<u>Item 4.</u>	<u>(Removed and Reserved)</u> 64
<u>Item 5.</u>	<u>Other Information</u> 64-65
<u>Item 6.</u>	<u>Exhibits</u> 65

The brand, service or product names or marks referred to in this Report are trademarks or service marks, registered or otherwise, of DST Systems, Inc. or its subsidiaries or affiliates or of vendors to the Company.

Table of Contents

DST Systems, Inc.

Form 10-Q

June 30, 2010

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Introductory Comments

The Condensed Consolidated Financial Statements of DST Systems, Inc. ("DST" or the "Company") included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to enable a reasonable understanding of the information presented. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

The results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of the results to be expected for the full year 2010.

Table of Contents**DST Systems, Inc.****Condensed Consolidated Balance Sheet***(in millions, except per share amounts)**(unaudited)*

	June 30, 2010	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 78.7	\$ 106.2
Funds held on behalf of clients	261.5	208.3
Client funding receivable	58.7	103.8
Accounts receivable	285.9	167.2
Deferred income taxes	18.3	19.2
Other assets	36.6	74.2
	739.7	678.9
Investments	1,247.8	1,411.8
Properties	513.2	536.3
Goodwill	186.7	183.6
Intangible assets	40.5	43.0
Other assets	58.2	59.2
Total assets	\$ 2,786.1	\$ 2,912.8
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current portion of debt	\$ 313.7	\$ 658.1
Client funds obligations	320.2	312.1
Accounts payable	47.5	69.9
Accrued compensation and benefits	85.8	90.8
Deferred revenues and gains	56.7	59.1
Income tax payable	5.8	
Other liabilities	86.2	91.2
	915.9	1,281.2
Long-term debt	905.0	563.8
Income taxes payable	59.7	57.1
Deferred income taxes	255.7	312.0
Other liabilities	73.2	64.3
Total liabilities	2,209.5	2,278.4
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, \$0.01 par; 400 million shares authorized, 95.3 million shares issued	1.0	1.0
Additional paid-in capital	243.1	235.6
Retained earnings	2,906.2	2,749.6
Treasury stock (48.6 million and 46.2 million shares, respectively), at cost	(2,799.1)	(2,704.3)
Accumulated other comprehensive income	225.4	352.5
Total stockholders' equity	576.6	634.4
Total liabilities and stockholders' equity	\$ 2,786.1	\$ 2,912.8

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

Table of Contents

DST Systems, Inc.

Condensed Consolidated Statement of Income

(in millions, except per share amounts)

(unaudited)