

Western Union CO  
Form 10-Q  
November 06, 2012  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q

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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: 001-32903

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THE WESTERN UNION COMPANY

(Exact name of registrant as specified in its charter)

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DELAWARE

(State or Other Jurisdiction of  
Incorporation or Organization)

20-4531180

(I.R.S. Employer  
Identification No.)

12500 EAST BELFORD AVENUE

ENGLEWOOD, CO

(Address of Principal Executive Offices)

80112

(Zip Code)

Registrant's telephone number, including area code (866) 405-5012

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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

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. (Check one):

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

As of October 31, 2012, 596,579,004 shares of our common stock were outstanding.



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FINANCIAL INFORMATION

## Item 1. Financial Statements

THE WESTERN UNION COMPANY  
CONDENSED 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:				
Transaction fees	\$1,052.5	\$1,083.2	\$3,152.8	\$3,138.2
Foreign exchange revenues	338.5	294.2	995.7	829.5
Other revenues	30.6	33.4	91.6	92.4
Total revenues	1,421.6	1,410.8	4,240.1	4,060.1
Expenses:				
Cost of services	796.3	800.0	2,376.8	2,309.6
Selling, general and administrative	259.7	247.8	819.3	723.9
Total expenses	1,056.0	1,047.8	3,196.1	3,033.5
Operating income	365.6	363.0	1,044.0	1,026.6
Other income/(expense):				
Interest income	1.4	1.1	4.1	3.6
Interest expense	(44.6	) (46.7	) (134.1	) (134.3
Derivative gains/(losses), net	0.1	(5.3	) 1.0	(4.7
Other income, net	1.3	1.8	9.0	30.8
Total other expense, net	(41.8	) (49.1	) (120.0	) (104.6
Income before income taxes	323.8	313.9	924.0	922.0
Provision for income taxes	54.3	74.2	136.0	208.9
Net income	\$269.5	\$239.7	\$788.0	\$713.1
Earnings per share:				
Basic	\$0.45	\$0.38	\$1.29	\$1.12
Diluted	\$0.45	\$0.38	\$1.29	\$1.12
Weighted-average shares outstanding:				
Basic	601.5	624.9	610.5	634.3
Diluted	604.2	627.1	613.1	638.3
Cash dividends declared per common share	\$0.10	\$0.08	\$0.30	\$0.23

See Notes to Condensed Consolidated Financial Statements.

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## THE WESTERN UNION COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2012	2011	2012	2011	
Net income	\$269.5	\$239.7	\$788.0	\$713.1	
Other comprehensive income/(loss):					
Unrealized gains on investment securities:					
Unrealized gains	2.2	5.2	10.7	12.2	
Tax expense	(0.7	) (2.0	) (4.0	) (4.6	)
Reclassification of gains into earnings	(1.4	) (4.1	) (5.1	) (5.2	)
Tax expense	0.5	1.6	1.9	2.0	
Net unrealized gains on investment securities	0.6	0.7	3.5	4.4	
Unrealized gains/(losses) on hedging activities:					
Unrealized gains/(losses)	(16.7	) 41.4	(7.2	) (16.2	)
Tax (expense)/benefit	3.1	(2.8	) 1.9	6.0	)
Reclassification of (gains)/losses into earnings	(4.9	) 12.7	(8.9	) 33.9	)
Tax expense/(benefit)	0.3	(2.2	) 0.3	(6.2	)
Net unrealized gains/(losses) on hedging activities	(18.2	) 49.1	(13.9	) 17.5	)
Foreign currency translation adjustments:					
Foreign currency translation adjustments	(2.2	) 12.8	(1.8	) 15.2	)
Tax (expense)/benefit	0.7	(2.0	) 1.3	(2.6	)
Net foreign currency translation adjustments	(1.5	) 10.8	(0.5	) 12.6	)
Defined benefit pension plan:					
Reclassification of losses into earnings	2.6	2.0	7.9	6.1	
Tax benefit	(1.0	) (0.8	) (3.0	) (2.5	)
Net defined benefit pension plan adjustments	1.6	1.2	4.9	3.6	
Total other comprehensive income/(loss)	(17.5	) 61.8	(6.0	) 38.1	)
Comprehensive income	\$252.0	\$301.5	\$782.0	\$751.2	

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in millions, except per share amounts)

	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$1,433.0	\$1,370.9
Settlement assets	3,326.6	3,091.2
Property and equipment, net of accumulated depreciation of \$372.8 and \$429.7, respectively	196.7	198.1
Goodwill	3,185.7	3,198.9
Other intangible assets, net of accumulated amortization of \$495.9 and \$462.5, respectively	848.5	847.4
Other assets	364.6	363.4
Total assets	\$9,355.1	\$9,069.9
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$579.1	\$535.0
Settlement obligations	3,326.6	3,091.2
Income taxes payable	233.3	302.4
Deferred tax liability, net	377.8	389.7
Borrowings	3,433.0	3,583.2
Other liabilities	258.6	273.6
Total liabilities	8,208.4	8,175.1
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 2,000 shares authorized; 598.6 shares and 619.4 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively	6.0	6.2
Capital surplus	324.9	247.1
Retained earnings	940.3	760.0
Accumulated other comprehensive loss	(124.5	) (118.5
Total stockholders' equity	1,146.7	894.8
Total liabilities and stockholders' equity	\$9,355.1	\$9,069.9



See Notes to Condensed Consolidated Financial Statements.

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THE WESTERN UNION COMPANY  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (in millions)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities		
Net income	\$788.0	\$713.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	46.0	45.1
Amortization	138.1	92.1
Gain on revaluation of equity interest (Note 3)	—	(29.4)
Other non-cash items, net	37.8	22.0
Increase/(decrease) in cash, excluding the effects of acquisitions, resulting from changes in:		
Other assets	(30.4)	) 1.2
Accounts payable and accrued liabilities	(23.9)	) (9.8)
Income taxes payable (Note 12)	(69.1)	) 99.7
Other liabilities	(26.9)	) (51.2)
Net cash provided by operating activities	859.6	882.8
Cash flows from investing activities		
Capitalization of contract costs	(117.1)	)