

DST SYSTEMS INC
Form 10-Q
August 05, 2016
Table of Contents

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 June 30, 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 1-14036

DST Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware	43-1581814
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

333 West 11 th Street, Kansas City, Missouri	64105
(Address of principal executive offices)	(Zip Code)

(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.

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Large accelerated filer x

Accelerated filer o

Non-accelerated filer o

Smaller reporting company o

(do not check if a 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 x

Number of shares outstanding of the Company's common stock as of July 31, 2016:
Common Stock \$0.01 par value — 32,618,131

Table of Contents

DST Systems, Inc.
 Form 10-Q
 June 30, 2016
 Table of Contents

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Balance Sheet — June 30, 2016 and December 31, 2015</u>	3
<u>Condensed Consolidated Statement of Income — Three and six months ended June 30, 2016 and 2015</u>	4
<u>Condensed Consolidated Statement of Comprehensive Income — Three and six months ended June 30, 2016 and 2015</u>	5
<u>Condensed Consolidated Statement of Cash Flows — Six months ended June 30, 2016 and 2015</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	37
<u>Item 4. Controls and Procedures</u>	38
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	38
<u>Item 1A. Risk Factors</u>	38
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
<u>Item 3. Defaults Upon Senior Securities</u>	40
<u>Item 4. Mine Safety Disclosures</u>	40
<u>Item 5. Other Information</u>	40
<u>Item 6. Exhibits</u>	41

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 consolidated subsidiaries.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DST Systems, Inc.

Condensed Consolidated Balance Sheet

(in millions, except per share amounts)

(unaudited)

	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$72.7	\$ 79.5
Funds held on behalf of clients	287.2	480.2
Client funding receivable	63.4	53.2
Accounts receivable	218.4	214.8
Other assets	74.8	49.8
Current assets held for sale	272.8	178.0
	989.3	1,055.5
Investments	333.6	418.2
Unconsolidated affiliates	323.9	312.2
Properties, net	239.5	256.7
Intangible assets, net	151.2	135.8
Goodwill	517.9	458.3
Other assets	47.4	57.0
Noncurrent assets held for sale	—	119.5
Total assets	\$2,602.8	\$ 2,813.2
Liabilities		
Current liabilities		
Current portion of debt	\$152.6	\$ 5.6
Client funds obligations	350.6	533.4
Accounts payable	46.6	51.2
Accrued compensation and benefits	85.6	126.5
Deferred revenues and gains	32.7	50.4
Other liabilities	78.7	66.2
Current liabilities held for sale	140.9	115.4
	887.7	948.7
Long-term debt	559.6	556.5
Income taxes payable	71.0	73.8
Deferred income taxes	88.3	104.7
Other liabilities	28.6	23.9
Noncurrent liabilities held for sale	—	44.5
Total liabilities	1,635.2	1,752.1
Commitments and contingencies (Note 11)		
Redeemable Non-controlling Interest	20.5	15.1

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Stockholders' Equity		
Preferred stock, \$0.01 par; 10 million shares authorized and unissued	—	—
Common stock, \$0.01 par; 400 million shares authorized, 50.0 million shares issued	0.5	0.5
Additional paid-in capital	131.8	136.7
Retained earnings	2,085.0	1,996.6
Treasury stock (16.8 million and 15.7 million shares, respectively), at cost	(1,266.7)	(1,129.7)
Accumulated other comprehensive income (loss)	(3.5)	41.9
Total stockholders' equity	947.1	1,046.0
Total liabilities, redeemable non-controlling interest and stockholders' equity	\$2,602.8	\$ 2,813.2

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

3

Table of Contents

DST Systems, Inc.
Condensed Consolidated Statement of Income
(in millions, except per share amounts)
(unaudited)

	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Operating revenues \$				