

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

SUNGARD DATA SYSTEMS INC

CIK: **789388** | IRS No.: **510267091** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-14232** | Film No.: **94528306**
SIC: **7374** Computer processing & data preparation

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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 March 31, 1994 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 0-14232

SunGard/(R)/ Data Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware

51-0267091

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

1285 Drummers Lane, Wayne, Pennsylvania 19087

(Address of principal executive offices, including zip code)

(610) 341-8700

(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 X No

--- ---

There were 18,830,944 shares of the registrant's common stock, par value \$.01 per share, outstanding at March 31, 1994.

SunGard Data Systems Inc.
And Subsidiaries

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

SunGard Data Systems Inc.
Consolidated Balance Sheets
(In thousands, except per share amounts)

<TABLE>
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	March 31, 1994 (Unaudited)	Dec. 31, 1993
	-----	-----
<S>	<C>	<C>
Assets		
Current:		
Cash and equivalents.....	\$ 57,310	\$ 51,955
Short-term investments, at cost, which approximates market.....	39,703	32,824
Trade receivables, less allowance for doubtful accounts of \$7,387 and \$6,969.....	72,995	74,053
Earned but unbilled receivables.....	11,493	12,213
Prepaid expenses and other current assets.....	15,142	13,895
Deferred income taxes.....	5,983	5,690
	-----	-----
Total current assets.....	202,626	190,630
Property and equipment, less accumulated depreciation of \$90,125 and \$85,098.....	80,326	77,556
Software products, less accumulated amortization of \$40,247 and \$37,931.....	26,115	27,615
Goodwill, less accumulated amortization of \$12,623 and \$11,888.....	84,196	84,852
Other assets, less accumulated amortization of \$16,224 and \$14,535.....	36,233	37,482
	-----	-----
	\$ 429,496	\$ 418,135
	=====	=====
Liabilities and Stockholders' Equity		
Current:		
Current portion of long-term debt.....	\$ 2,927	\$ 3,162
Accounts payable.....	5,912	7,191
Accrued compensation and benefits.....	13,499	19,466
Other accrued expenses.....	13,495	11,528
Accrued income taxes.....	10,146	4,069
Deferred revenues.....	46,613	45,633
	-----	-----
Total current liabilities.....	92,592	91,049
	-----	-----
Long-term debt.....	3,422	3,361
	-----	-----
Deferred income taxes.....	5,741	6,765
	-----	-----
Stockholders' equity:		
Preferred stock, par value \$.01 per share; 5,000 shares authorized.....	-	-
Common stock, par value \$.01 per share; 30,000 shares authorized; 18,831 and 18,801 issued.....	188	188

Capital in excess of par value.....	161,528	161,149
Restricted stock plans.....	(1,795)	(2,156)
Retained earnings.....	171,457	162,034
Foreign translation adjustment.....	(3,637)	(4,041)
	-----	-----
Treasury stock, at cost, 0 and 6 shares.....	327,741	317,174
	-	(214)
	-----	-----
Total stockholders' equity.....	327,741	316,960
	-----	-----
	\$ 429,496	\$ 418,135
	=====	=====

</TABLE>

See accompanying notes
1

SunGard Data Systems Inc.
Consolidated Statements of Income
(In thousands, except per share amounts)
Unaudited

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1994	1993
	-----	-----
<S>	<C>	<C>
Revenues.....	\$102,152	\$ 87,514
	-----	-----
Costs and expenses:		
Cost of sales and direct operating.....	45,898	40,682
Sales, marketing and administration.....	21,168	17,795
Product development.....	9,195	7,868
Depreciation of property and equipment.....	5,569	4,642
Amortization of intangible assets.....	4,811	3,631
	-----	-----
	86,641	74,618
	-----	-----
Income from operations.....	15,511	12,896
Gain on sale of product line.....	-	4,071
Interest income.....	683	711
Interest expense.....	(222)	(2,036)
	-----	-----
Income before income taxes.....	15,972	15,642
Income taxes.....	6,549	5,501
	-----	-----
Net income.....	\$ 9,423	\$ 10,141
	=====	=====
Net income per common share:		
Primary.....	\$ 0.49	\$ 0.64
	=====	=====
Fully diluted.....	\$ 0.49	\$ 0.59
	=====	=====
Shares used to compute net income per common share:		
Primary.....	19,262	15,788
	=====	=====
Fully diluted.....	19,262	19,106
	=====	=====

</TABLE>

SunGard Data Systems Inc.
Supplemental Income Statement Information
(In thousands)
Unaudited

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1994	1993
	-----	-----

	----- <C>	----- <C>
Revenues:		
Investment support systems.....	\$ 64,568	\$ 56,047
Disaster recovery services.....	31,205	25,023
Computer services and other.....	6,379	6,444
	-----	-----
	\$102,152	\$ 87,514
	=====	=====
Income from operations:		
Investment support systems.....	\$ 10,658	\$ 8,900
Disaster recovery services.....	5,847	5,097
Computer services and other.....	977	713
Corporate administration.....	(1,971)	(1,814)
	-----	-----
	\$ 15,511	\$ 12,896
	=====	=====
Operating margin:		
Investment support systems.....	16.5%	15.9%
	=====	=====
Disaster recovery services.....	18.7%	20.4%
	=====	=====
Computer services and other.....	15.3%	11.1%
	=====	=====
Total.....	15.2%	14.7%
	=====	=====

</TABLE>

See accompanying notes

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SunGard Data Systems Inc.
Consolidated Statements of Cash Flows
(In thousands)
Unaudited

<TABLE>

<CAPTION>

	Three Months Ended March 31,	
	----- 1994	----- 1993
	----- <C>	----- <C>
Cash flow from operations:		
Net income.....	\$ 9,423	\$10,141
Reconciliation of net income to cash flow from operations:		
Depreciation and amortization.....	10,380	8,273
Net gain on sale of product line.....	-	(3,371)
Charges for incentive stock plans.....	361	353
Other noncash charges (credits).....	89	(423)
Deferred income tax benefit.....	(503)	(44)
	-----	-----
	19,750	14,929
Cash provided by (used for) working capital, net of effect of acquired businesses and sale of product line:		
Accounts receivable and other current assets.....	553	144
Accounts payable and accrued expenses.....	(270)	5,528
Deferred revenues.....	885	(1,058)
	-----	-----
Cash flow from operations.....	20,918	19,543
	-----	-----
Financing activities:		
Proceeds from employee stock plans.....	433	17
Repayments of notes payable and long-term debt.....	(169)	(51)
	-----	-----
Total financing activities.....	264	(34)
	-----	-----
Long-term investment activities:		
Cash paid for acquired businesses.....	-	(2,931)
Cash paid for property and equipment.....	(8,153)	(5,400)
Cash paid for software and other assets.....	(795)	(183)
Proceeds from sale of assets.....	-	11,208
	-----	-----
Total long-term investment activities.....	(8,948)	2,694

Increase in cash and equivalents before short-term investment activities.....	12,234	22,203
Short-term investment activities:		
Purchase of short-term investments.....	(19,819)	(2,602)
Maturities of short-term investments.....	12,940	5,755
Increase in cash and equivalents.....	5,355	25,356
Beginning cash and equivalents.....	51,955	60,097
Ending cash and equivalents.....	\$57,310	\$85,453
Supplemental information:		
Acquired businesses:		
Property and equipment.....	-	1,776
Software products.....	-	969
Goodwill and other intangible assets.....	184	1,336
Net current assets acquired (liabilities assumed).....	(184)	(1,150)
Cash paid for acquired businesses.....	\$ -	\$ 2,931

</TABLE>

See accompanying notes

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SunGard Data Systems Inc.
Notes to Consolidated Financial Statements (Unaudited)

- The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1994 are not necessarily indicative of the results that may be expected for the year ending December 31, 1994. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1993.
- Effective April 30, 1994, the Company's disaster recovery business completed the acquisition of disaster recovery subscriber contracts and certain other assets of XL/DataComp Inc., a wholly-owned subsidiary of Storage Technology Corp. The acquisition is not expected to have a material effect on the Company's financial condition or results of operations.
- On May 9, 1994, stockholders approved an increase to the number of authorized shares of common stock by 30 million shares, bringing total authorized shares of common stock to 60 million shares.

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SunGard Data Systems Inc.
Calculation of Net Income Per Share
(In thousands, except per share amounts)
Unaudited

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
Primary:		
Average shares outstanding.....	18,801	15,302
Dilutive stock options, net of treasury shares.....	461	486
Adjusted shares outstanding.....	19,262	15,788

Net income.....	\$ 9,423	\$10,141
Net income per share.....	\$ 0.49	\$ 0.64

Filly Diluted:		
Average shares outstanding.....	18,801	15,302
Assumed conversion of 8.25% subordinated debentures.....	-	3,317
Dilutive stock options, net of treasury shares.....	461	487
Adjusted shares outstanding.....	19,262	19,106
Net income.....	\$ 9,423	\$10,141
Assumed interest expense savings on subordinated debentures, net of income taxes.....	-	1,084
Adjusted net income.....	\$ 9,423	\$11,225
Net income per share.....	\$ 0.49	\$ 0.59

</TABLE>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Income from Operations:

Investment Support Systems (ISS):

The ISS operating margin increased during the three month period ended March 31, 1994, compared to the corresponding period in 1993, due primarily to an increase in software license revenues and a net improvement in margins of businesses acquired since 1992. The Company expects that the full year 1994 ISS operating margin will continue to improve for the balance of the year.

Disaster Recovery Services (DRS):

The DRS operating margin decreased during the first three months of 1994, compared to the corresponding period in 1993, due primarily to disaster fees generated as a result of the bombing of the World Trade Center in February 1993. The Company expects that the DRS operating margin will be lower for the full year 1994 compared to 1993 due principally to an increase in spending in connection with disaster recovery computer system upgrades.

Computer Services and Other (CS):

The CS operating margin increased during the three month period ended March 31, 1994, compared to the corresponding period in 1993, due primarily to an increase in revenues (excluding 1993 revenues from the product line sold). The Company expects that the CS operating margin will be higher for the full year 1994 compared to 1993.

The Company believes that its business is not seasonal; nevertheless, the timing and magnitude of software sales, commitments for equipment and facilities, product development efforts and disaster recovery activities may cause profitability to fluctuate from one quarter to another.

Revenues:

Total revenues for the three month period ended March 31, 1994 increased \$14.6 million, or 17%, compared to the corresponding period in 1993. Acquired businesses, net of the 1993 product line sale, account for approximately \$5.3 million of the increase. Recurring revenues derived from remote processing services, alternate-site services and software maintenance are \$87.2 million and \$75.7 million for the three month periods ended March 31, 1994 and 1993, respectively, representing 85% and 86% of consolidated revenues, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Continued)

Revenues:
(Continued)

Investment Support Systems:

ISS revenues for the three month period ended March 31, 1994 increased \$8.5 million, or 15%, compared to the corresponding period in 1993. Acquired businesses account for approximately \$3.3 million of the increase. The remaining increase is attributable to increases in data processing and software maintenance revenues of \$3.0 million and software license and professional services revenues of \$2.2 million. The increase in software license revenues was principally in the Capital Markets Systems group.

The Company expects that ISS revenues will increase during the remainder of 1994 compared to 1993. The Company believes that the trend of mergers in the financial services industry, especially banks and mutual funds, will continue, but it is unable to predict the overall effect, if any, future mergers may have.

Disaster Recovery Services:

DRS revenues for the three month period ended March 31, 1994 increased \$6.2 million, or 25%, compared to the corresponding period in 1993. Acquired businesses account for approximately \$3.0 million of the increase, and alternate-site services revenues resulting primarily from new contract signings and renewals account for the balance of the increase. The Company expects that DRS revenues will increase during the remainder of 1994 compared to 1993 due primarily to new contracts and acquired businesses.

The Company believes that mainframe computer platforms will continue to play an integral role in data processing solutions for the foreseeable future and, therefore, will continue to provide a market for the Company's principal DRS services. In addition, the Company believes that midrange and client/server and local- and wide-area-network technologies increasingly will become components of distributed data processing systems, and that they represent incremental market opportunities for the DRS business.

Computer Services and Other:

CS revenues for the three month period ended March 31, 1994 decreased \$0.1 million, or 1%, compared to the corresponding period in 1993. Excluding \$1.0 million of 1993 revenues from the product line sold in February 1993, revenues increased \$0.9 million due primarily to an increase in remote access computer services revenues. The Company expects that CS revenues will increase during the remainder of 1994 compared to 1993 as a result of the impact of new contracts.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Continued)

Costs and Expenses:

Total costs and expenses for the three month period ended March 31, 1994 increased \$12.0 million, or 16%, compared to the corresponding period in 1993.

Cost of sales and direct operating expenses for the three month period ended March 31, 1994 increased \$5.2 million, or 13%, compared to corresponding period in 1993. The increase is due primarily to acquired businesses, net of the product line sold, equipment upgrades, and servicing remote access customers.

Sales, marketing and administration expenses for the three month period ended March 31, 1994 increased \$3.4 million, or 19%, compared to the corresponding period in 1993. The increase is due primarily to acquired businesses, net of the product line sold, and expansion of sales and marketing efforts principally in the ISS and DRS businesses.

Product development expenses for the three month period ended March 31, 1994 increased \$1.3 million, or 17%, compared to the corresponding period in

1993. The increase is due primarily to acquired businesses and increased development spending in the Company's Capital Markets Systems and Trust and Shareholder Systems groups.

Depreciation of property and equipment for the three month period ended March 31, 1994 increased \$0.9 million, or 20%, compared to the corresponding period in 1993. The increase is due primarily to acquired businesses, net of the product line sold, and DRS and CS equipment additions.

Amortization of intangible assets for the three month period ended March 31, 1994 increased \$1.2 million, or 32%, compared to the corresponding period in 1993. The increase is due primarily to acquired businesses, net of the product line sold.

Interest expense for the three month period ended March 31, 1994 decreased \$1.8 million compared to the corresponding period in 1993 due primarily to the conversion of the Company's subordinated convertible debentures on May 12, 1993.

The Company's effective income tax rate is higher in 1994 compared to 1993 due primarily to a lower effective tax rate associated with the gain on the 1993 sale of the product line.

Liquidity and Capital Resources:

At March 31, 1994, cash and short-term investments increased \$12.2 million to \$97.0 million from \$84.8 million at December 31, 1993. Capital expenditures for property and equipment were \$8.2 million in the first quarter of 1994. The Company believes that existing cash resources and cash generated from operations will be sufficient to meet its operating requirements and ordinary capital spending needs for the foreseeable future. Furthermore, the Company believes that it has the capacity to borrow funds and use equity to finance additional capital needs.

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Part II. Other Information

Item 1. Legal Proceedings: None

Item 2. Changes in Securities: None

Item 3. Defaults Upon Senior Securities: None

Item 4. Submission of Matters to a Vote of Security Holders: None

Item 5. Other Information: None

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits:

Statement re: computation of per share earnings is included on page 5 of this report on Form 10-Q.

(b) Reports on Form 8-K: None

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SunGard Data Systems Inc.

Date: May 13, 1994

By: s/Michael J. Ruane

Michael J. Ruane
Vice President-Finance and
Chief Financial Officer
(Principal Financial Officer)

