

HEARTLAND PAYMENT SYSTEMS INC

Form 10-Q

August 08, 2008

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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, 2008

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 No. 001-32594

HEARTLAND PAYMENT SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

22-3755714
(I.R.S. Employer
Identification Number)

90 Nassau Street, Princeton, New Jersey 08542
(Address of principal executive offices) (Zip Code)

(609) 683-3831
(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 NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer 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 Act). YES NO

As of August 4, 2008, there were 37,509,542 shares of the registrant's Common Stock, \$0.001 par value, outstanding.

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Table of Contents**Heartland Payment Systems, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets***(In thousands, except share data)*

(unaudited)

	June 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 40,142	\$ 35,508
Funds held for payroll customers	22,651	24,201
Receivables, net	156,276	122,613
Investments held to maturity	1,141	1,119
Inventory	7,721	5,383
Prepaid expenses	4,653	3,478
Current tax asset	4,739	5,449
Current deferred tax assets, net	835	690
Total current assets	238,158	198,441
Capitalized customer acquisition costs, net	76,376	70,498
Deferred tax assets, net	1,517	3,878
Property and equipment, net	59,403	50,248
Goodwill	58,774	5,489
Intangible assets, net	34,352	481
Deposits and other assets, net	202	154
Total assets	\$ 468,782	\$ 329,189
Liabilities and stockholders equity		
Current liabilities:		
Due to sponsor banks	\$ 98,182	\$ 49,798
Accounts payable	26,138	20,495
Deposits held for payroll customers	22,651	24,201
Current portion of borrowings	56,250	
Current portion of accrued buyout liability	11,006	11,521
Merchant deposits and loss reserves	19,028	14,757
Accrued expenses and other liabilities	22,045	15,266
Total current liabilities	255,300	136,038
Reserve for unrecognized tax benefits	1,391	1,230
Long-term portion of borrowings	18,750	
Long-term portion of accrued buyout liability	29,015	26,252
Total liabilities	304,456	163,520
Commitments and contingencies (Note 12)		
Stockholders equity		
Common Stock, \$0.001 par value, 100,000,000 shares authorized, 37,448,752 and 39,804,322 shares issued at June 30, 2008 and December 31, 2007; 37,448,752 and 37,989,622 shares outstanding at June 30, 2008 and December 31, 2007	38	40

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Additional paid-in capital	165,155	173,346
Accumulated other comprehensive loss	(252)	(62)
(Accumulated deficit) Retained earnings	(615)	36,729
Treasury stock, at cost (1,814,700 shares at December 31, 2007)		(44,384)
Total stockholders' equity	164,326	165,669
Total liabilities and stockholders' equity	\$ 468,782	\$ 329,189

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Heartland Payment Systems, Inc. and Subsidiaries****Condensed Consolidated Statements of Income and Comprehensive Income***(In thousands, except per share data)*

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Total Revenues	\$ 394,554	\$ 333,445	\$ 734,173	\$ 617,657
Costs of Services:				
Interchange	282,377	245,225	527,654	450,562
Dues and assessments	14,152	12,398	26,494	22,857
Processing and servicing	45,953	32,764	82,882	64,094
Customer acquisition costs	12,274	11,383	23,724	21,774
Depreciation and amortization	2,465	1,661	4,375	3,385
Total costs of services	357,221	303,431	665,129	562,672
General and administrative	18,289	13,735	35,463	28,034
Total expenses	375,510	317,166	700,592	590,706
Income from operations	19,044	16,279	33,581	26,951
Other income (expense):				
Interest income	169	517	469	976
Interest expense	(751)	(233)	(1,097)	(345)
Loss on investment			(103)	
Other, net	1	5	24	(90)
Total other income (expense)	(581)	289	(707)	541
Income before income taxes	18,463	16,568	32,874	27,492
Provision for income taxes	6,994	6,166	12,428	10,238
Net income	\$ 11,469	\$ 10,402	\$ 20,446	\$ 17,254
Net income	\$ 11,469	\$ 10,402	\$ 20,446	\$ 17,254
Other comprehensive income:				
Unrealized gains (losses) on investments, net of income tax of \$(3), \$(4), \$9 and \$(2)	(6)	(7)	15	(4)
Foreign currency translation adjustment, net of income tax of \$37 and \$(124)	54		(205)	
Comprehensive income	\$ 11,517	\$ 10,395	\$ 20,256	\$ 17,250
Earnings per common share:				
Basic	\$ 0.31	\$ 0.28	\$ 0.55	\$ 0.46
Diluted	\$ 0.30	\$ 0.26	\$ 0.53	\$ 0.43
Weighted average number of common shares outstanding:				
Basic	37,387	37,653	37,464	37,580

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Diluted	38,688	39,863	38,755	39,919
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See accompanying notes to condensed consolidated financial statements.

Table of Contents**Heartland Payment Systems, Inc. and Subsidiaries****Condensed Consolidated Statements of Stockholders Equity***(In thousands)**(unaudited)*

	Common Stock		Additional	Accumulated	(Accumulated	Treasury	Total
	Shares	Amount	Paid-In	Other	Deficit)	Stock	Stockholders
			Capital	Comprehensive	Retained		Equity
				Loss	Earnings		
Six Months Ended June 30, 2007:							
Balance, January 1, 2007	37,406	\$ 38	\$ 153,997	\$ (21)	\$ 10,804	\$ (25,525)	\$ 139,293
Cumulative effect of change in accounting principal FIN No. 48					(514)		(514)
Issuance of Common Stock options exercised	645	1	4,545				4,546
Excess tax benefit on stock options exercised under SFAS No. 123R			3,820				3,820
Repurchase of Common Stock	(607)					(15,307)	(15,307)
Stock-based compensation under SFAS No. 123R			801				801
Accumulated other comprehensive income				(4)			(4)
Dividends on Common Stock							