

EURONET WORLDWIDE INC
Form 10-Q
October 28, 2014

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 September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period

to

Commission File Number: 001-31648

EURONET WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

Delaware

74-2806888

(State or other jurisdiction

(I.R.S. Employer

of incorporation or organization)

Identification No.)

3500 College Boulevard

Leawood, Kansas

66211

(Address of principal executive offices)

(Zip Code)

(913) 327-4200

(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 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(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

On October 24, 2014, Euronet Worldwide, Inc. had 52,598,776 shares of Common Stock outstanding.

EURONET WORLDWIDE, INC. AND SUBSIDIARIES

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

EURONET WORLDWIDE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	As of	
	September 30,	December 31,
	2014	2013
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$451,187	\$ 209,826
Restricted cash	59,157	77,987
Inventory — PINs and other	68,760	92,757
Trade accounts receivable, net of allowances for doubtful accounts of \$22,923 at September 30, 2014 and \$22,079 at December 31, 2013	321,361	390,563
Prepaid expenses and other current assets	103,954	69,242
Total current assets	1,004,419	840,375
Property and equipment, net of accumulated depreciation of \$243,617 at September 30, 2014 and \$231,327 at December 31, 2013	123,359	116,230
Goodwill	619,285	498,435
Acquired intangible assets, net of accumulated amortization of \$110,131 at September 30, 2014 and \$132,927 at December 31, 2013	170,184	93,026
Other assets, net of accumulated amortization of \$28,611 at September 30, 2014 and \$25,363 at December 31, 2013	48,786	50,049
Total assets	\$ 1,966,033	\$ 1,598,115
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	\$385,615	\$ 457,274
Accrued expenses and other current liabilities	371,707	213,284
Current portion of capital lease obligations	2,332	2,361
Short-term debt obligations and current maturities of long-term debt obligations	9,423	10,903
Income taxes payable	16,572	15,656
Deferred revenue	27,521	32,533
Total current liabilities	813,170	732,011
Debt obligations, net of current portion	364,910	188,510
Capital lease obligations, net of current portion	1,892	2,872
Deferred income taxes	37,888	17,695
Other long-term liabilities	17,922	18,572
Total liabilities	1,235,782	959,660
Equity:		
Euronet Worldwide, Inc. stockholders' equity:		
Preferred Stock, \$0.02 par value. 10,000,000 shares authorized; none issued	—	—
Common Stock, \$0.02 par value. 90,000,000 shares authorized; 56,265,576 issued at September 30, 2014 and 54,276,761 issued at December 31, 2013	1,125	1,086
Additional paid-in-capital	885,200	809,640
	(69,125)	(68,122)

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Treasury stock, at cost, 3,669,074 shares at September 30, 2014 and 3,650,519 shares at December 31, 2013

Accumulated deficit	(24,468)	(96,029)
Accumulated other comprehensive loss	(64,534)	(10,453)
Total Euronet Worldwide, Inc. stockholders' equity	728,198		636,122	
Noncontrolling interests	2,053		2,333	
Total equity	730,251		638,455	
Total liabilities and equity	\$1,966,033		\$ 1,598,115	

See accompanying notes to the unaudited consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues	\$453,422	\$360,580	\$1,202,199	\$1,037,767
Operating expenses:				
Direct operating costs	274,814	223,551	743,789	656,933
Salaries and benefits	64,587	52,819	178,529	153,298
Selling, general and administrative	43,968	33,254	117,820	95,714
Acquisition-related contingent consideration gain	—	(19,319)	—	(19,319)
Depreciation and amortization	19,321	14,930	52,819	48,838
Total operating expenses	402,690	305,235	1,092,957	935,464
Operating income	50,732	55,345	109,242	102,303
Other income (expense):				
Interest income	797	527	1,956	1,438
Interest expense	(3,046)	(2,938)	(7,476)	(8,372)
(Loss) income from unconsolidated affiliates	(33)	—	(64)	260
Foreign currency exchange (loss) gain, net	(711)	2,899	(5,067)	2,658
Other gains	—	2,809	—	2,397
Other (expense) income, net	(2,993)	3,297	(10,651)	(1,619)
Income before income taxes	47,739	58,642	98,591	100,684
Income tax expense	(12,830)	(10,668)	(27,261)	(22,485)
Net income	34,909	47,974	71,330	78,199
Net loss (income) attributable to noncontrolling interests	128	(100)	231	(208)
Net income attributable to Euronet Worldwide, Inc.	\$35,037	\$47,874	\$71,561	\$77,991
Earnings per share attributable to Euronet Worldwide, Inc. stockholders:				
Basic	\$0.67	\$0.96	\$1.39	\$1.57
Diluted	\$0.64	\$0.92	\$1.33	\$1.51
Weighted average shares outstanding:				
Basic	52,512,474	50,093,786	51,658,823	49,829,379
Diluted	54,619,793	52,200,472	53,740,151	51,579,644

See accompanying notes to the unaudited consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$34,909	\$47,974	\$71,330	\$78,199
Translation adjustment	(61,557)	22,072	(54,221)	(6,004)
Comprehensive (loss) income	(26,648)	70,046	17,109	72,195
Comprehensive loss (income) attributable to noncontrolling interests	257	(207)	371	(306)
Comprehensive (loss) income attributable to Euronet Worldwide, Inc.	\$(26,391)	\$69,839	\$17,480	\$71,889

See accompanying notes to the unaudited consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2014	2013
Net income	\$71,330	\$78,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	52,819	48,838
Share-based compensation	9,631	9,012
Unrealized foreign exchange loss (gain), net	5,067	(2,658)
Deferred income taxes	(3,470)	(93)
Loss (income) from unconsolidated affiliates	64	(260)
Amortization of debt issuance costs	854	797
Acquisition-related contingent consideration gain	—	(19,319)
Gain on sale of equity method investment	—	(2,827)
Changes in working capital, net of amounts acquired:		
Income taxes payable, net	760	3,181
Restricted cash	16,115	5,206
Inventory — PINs and other	20,287	37,599
Trade accounts receivable	51,174	50,767
Prepaid expenses and other current assets	(11,819)	8,782
Trade accounts payable	(55,762)	(128,449)
Deferred revenue	(3,259)	(6,697)
Accrued expenses and other current liabilities	67,073	66,097
Changes in noncurrent assets and liabilities	3,775	2,389
Net cash provided by operating activities	224,639	150,564
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(84,703)	(30,847)
Purchases of property and equipment	(45,673)	(27,631)
Purchases of other long-term assets	(4,276)	(4,856)
Proceeds from sale of equity method investment	—	7,609
Other, net	219	731
Net cash used in investing activities	(134,433)	(54,994)
Cash flows from financing activities:		
Proceeds from issuance of shares	7,360	7,487
Borrowings from revolving credit agreements	2,001,386	1,508,463
Repayments of revolving credit agreements	(1,833,796)	(1,550,329)
Proceeds from long-term debt obligations	9,000	—
Repayments of long-term debt obligations	(3,876)	(8,086)
Repayments of capital lease obligations	(1,897)	(2,016)
Borrowings from short-term debt obligations, net	2,778	—
Purchase of subsidiary shares from noncontrolling interests	—	(7,878)
Other, net	(1,812)	(163)
Net cash provided by (used in) financing activities	179,143	(52,522)
Effect of exchange rate changes on cash and cash equivalents	(27,988)	(12)
Increase in cash and cash equivalents	241,361	43,036
Cash and cash equivalents at beginning of period	209,826	201,435

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Cash and cash equivalents at end of period	\$451,187	\$244,471
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