

DST SYSTEMS INC
Form 10-Q
November 09, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2005

or

**o 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
(State or other jurisdiction of
incorporation or organization)

43-1581814
(I.R.S. Employer
Identification No.)

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

64105
(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares outstanding of the Company's common stock as of October 31, 2005:

Common Stock \$0.01 par value 71,618,500

DST Systems, Inc.

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The brand, service or product names or marks referred to in this Report are trademarks or services marks, registered or otherwise, of DST Systems, Inc. or its subsidiaries or affiliates or of vendors to the Company.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Introductory Comments

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The Condensed Consolidated Financial Statements of DST Systems, Inc. (DST or the Company) included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to enable a reasonable understanding of the information presented. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2004.

The results of operations for the three and nine months ended September 30, 2005, are not necessarily indicative of the results to be expected for the full year 2005.

DST Systems, Inc.

Condensed Consolidated Balance Sheet

*(dollars in millions, except per share amounts)**(unaudited)*

	September 30, 2005	December 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	\$ 180.8	\$ 95.0
Restricted cash	9.0	12.0
Transfer agency investments	86.0	75.2
Accounts receivable	398.7	462.0
Other current assets	100.5	110.4
Assets of businesses held for sale		41.4
	775.0	796.0
Investments	1,292.6	1,473.7
Properties	518.6	654.9
Goodwill	158.9	108.1
Intangibles	106.7	101.5
Other assets	75.9	36.3
Assets of business held for sale		212.9
Total assets	\$ 2,927.7	\$ 3,383.4
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Debt due within one year	\$ 26.7	\$ 109.2
Transfer agency deposits	86.0	75.2
Accounts payable	155.9	178.9
Accrued compensation and benefits	100.5	96.9
Deferred revenues and gains	54.9	75.0
Other liabilities	147.5	141.4
Income taxes payable	207.0	
Liabilities of businesses held for sale		70.7
	778.5	747.3
Long-term debt	1,355.8	1,373.7
Deferred income taxes	306.6	466.2
Other liabilities	53.4	50.4
	2,494.3	2,637.6
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common stock, \$0.01 par; 400 million shares authorized, 95.3 million shares issued	1.0	1.0
Additional paid-in capital	210.7	226.3
Retained earnings	1,111.2	737.4
Unearned compensation	(111.0)	(132.6)
Treasury stock (23.1 million and 12.3 million shares, respectively), at cost	(1,106.9)	(525.4)
Accumulated other comprehensive income	328.4	439.1
Total stockholders' equity	433.4	745.8
Total liabilities and stockholders' equity	\$ 2,927.7	\$ 3,383.4

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

DST Systems, Inc.

Condensed Consolidated Statement of Income

(in millions, except per share amounts)

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
Operating revenues	\$ 411.6	\$ 426.9	\$ 1,318.0	\$ 1,282.4
Out-of-pocket reimbursements	189.2			