

EURONET WORLDWIDE INC
Form 10-Q
July 31, 2015

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, 2015

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 July 30, 2015, Euronet Worldwide, Inc. had 52,717,405 shares of Common Stock outstanding.

EURONET WORLDWIDE, INC. AND SUBSIDIARIES

Table of Contents

	Page
<u>PART I—FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (unaudited)</u>	<u>3</u>
<u>Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014</u>	<u>3</u>
<u>Consolidated Statements of Income for the Three and Six Months Ended June 30, 2015 and 2014</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended June 30, 2015 and 2014</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2014</u>	<u>6</u>
<u>Notes to the Unaudited Consolidated Financial Statements</u>	<u>7</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>19</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
Item 4. <u>Controls and Procedures</u>	<u>37</u>
<u>PART II—OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>37</u>
Item 1A. <u>Risk Factors</u>	<u>37</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>38</u>
Item 6. <u>Exhibits</u>	<u>39</u>
<u>Signatures</u>	<u>40</u>

Table of Contents

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 June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$538,075	\$ 468,010
Restricted cash	45,865	68,028
Inventory — PINs and other	59,404	85,675
Trade accounts receivable, net of allowances for doubtful accounts of \$18,832 at June 30, 2015 and \$20,546 at December 31, 2014	325,848	375,579
Prepaid expenses and other current assets	121,273	108,624
Total current assets	1,090,465	1,105,916
Property and equipment, net of accumulated depreciation of \$242,024 at June 30, 2015 and \$239,607 at December 31, 2014	140,070	125,307
Goodwill	605,265	599,863
Acquired intangible assets, net of accumulated amortization of \$121,854 at June 30, 2015 and \$113,153 at December 31, 2014	176,052	158,267
Other assets, net of accumulated amortization of \$33,920 at June 30, 2015 and \$30,276 at December 31, 2014	61,098	62,206
Total assets	\$2,072,950	\$ 2,051,559
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	\$393,817	\$ 445,984
Accrued expenses and other current liabilities	393,071	336,361
Current portion of capital lease obligations	2,241	2,216
Short-term debt obligations and current maturities of long-term debt obligations	14,653	11,156
Income taxes payable	11,695	19,248
Deferred revenue	32,342	33,916
Total current liabilities	847,819	848,881
Debt obligations, net of current portion	415,455	410,368
Capital lease obligations, net of current portion	3,739	2,148
Deferred income taxes	46,210	38,959
Other long-term liabilities	18,492	18,391
Total liabilities	1,331,715	1,318,747
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; 56,979,239 issued at June 30, 2015 and 56,464,187 issued at December 31, 2014	1,140	1,129
Additional paid-in-capital	970,162	955,715
	(138,472)	(133,788)

Edgar Filing: EURONET WORLDWIDE INC - Form 10-Q

Treasury stock, at cost, 4,939,904 shares at June 30, 2015 and 4,867,420 shares at December 31, 2014

Retained earnings	39,606	5,619
Accumulated other comprehensive loss	(132,747)	(97,922)
Total Euronet Worldwide, Inc. stockholders' equity	739,689	730,753
Noncontrolling interests	1,546	2,059
Total equity	741,235	732,812
Total liabilities and equity	\$2,072,950	\$ 2,051,559

See accompanying notes to the unaudited consolidated financial statements.

3

Table of ContentsEURONET WORLDWIDE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited, in thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenues	\$425,148	\$395,462	\$820,310	\$748,777
Operating expenses:				
Direct operating costs	258,079	242,637	509,436	468,975
Salaries and benefits	64,760	60,368	125,088	113,942
Selling, general and administrative	38,616	40,981	72,650	73,852
Depreciation and amortization	16,513	17,348	33,793	33,498
Total operating expenses	377,968	361,334	740,967	690,267
Operating income	47,180	34,128	79,343	58,510
Other income (expense):				
Interest income	494	627	1,103	1,159
Interest expense	(6,094)	(2,442)	(11,792)	(4,430)
Loss from unconsolidated affiliates	—	(31)	—	(31)
Foreign currency exchange loss, net	(5,104)	(3,087)	(18,056)	(4,356)
Other gains	388	—	388	—
Other expense, net	(10,316)	(4,933)	(28,357)	(7,658)
Income before income taxes	36,864	29,195	50,986	50,852
Income tax expense	(10,343)	(8,707)	(17,340)	(14,431)
Net income	26,521	20,488	33,646	36,421
Net loss attributable to noncontrolling interests	288	14	341	103
Net income attributable to Euronet Worldwide, Inc.	\$26,809	\$20,502	\$33,987	\$36,524
Earnings per share attributable to Euronet Worldwide, Inc. stockholders:				
Basic	\$0.52	\$0.40	\$0.66	\$0.71
Diluted	\$0.50	\$0.38	\$0.64	\$0.69
Weighted average shares outstanding:				
Basic	51,935,757	51,675,775	51,804,459	51,231,997
Diluted	53,658,504	53,773,759	53,492,580	53,279,782

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net income	\$26,521	\$20,488	\$33,646	\$36,421
Translation adjustment	20,400	4,137	(34,940)	7,336
Comprehensive (loss) income	46,921	24,625	(1,294)	43,757
Comprehensive loss attributable to noncontrolling interests	239	26	456	114
Comprehensive income (loss) attributable to Euronet Worldwide, Inc.	\$47,160	\$24,651	\$(838)	\$43,871

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

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

	Six Months Ended	
	June 30,	
	2015	2014
Net income	\$33,646	\$36,421
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,793	33,498
Share-based compensation	6,415	6,511
Unrealized foreign exchange loss, net	18,056	4,356
Deferred income taxes	(665)	(2,896)
Loss from unconsolidated affiliates	—	31
Accretion of convertible debt discount and amortization of debt issuance costs	6,066	583
Changes in working capital, net of amounts acquired:		
Income taxes payable, net	(5,424)	(1,113)
Restricted cash	19,359	16,574
Inventory — PINs and other	22,012	24,720
Trade accounts receivable	42,704	53,423
Prepaid expenses and other current assets	(14,726)	5,637
Trade accounts payable	(33,814)	(69,469)
Deferred revenue	304	(2,298)
Accrued expenses and other current liabilities	29,909	(4,598)
Changes in noncurrent assets and liabilities	(707)	1,744
Net cash provided by operating activities	156,928	103,124
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(29,264)	(83,408)
Purchases of property and equipment	(34,396)	(29,268)
Purchases of other long-term assets	(3,347)	(2,922)
Other, net	799	206
Net cash used in investing activities	(66,208)	(115,392)
Cash flows from financing activities:		
Proceeds from issuance of shares	4,629	5,914
Repurchase of shares	(5,143)	(766)
Borrowings from revolving credit agreements	119,580	1,206,556
Repayments of revolving credit agreements	(116,790)	(1,008,600)
Proceeds from long-term debt obligations	—	9,000
Repayments of long-term debt obligations	(2,344)	(2,938)
Repayments of capital lease obligations	(1,689)	(1,231)
Borrowings from short-term debt obligations, net	1,474	3,597
Other, net	481	(2,154)
Net cash provided by financing activities	198	209,378
Effect of exchange rate changes on cash and cash equivalents	(20,853)	1,434
Increase in cash and cash equivalents	70,065	198,544
Cash and cash equivalents at beginning of period	468,010	209,826
Cash and cash equivalents at end of period	\$538,075	\$408,370