

DELUXE CORP
Form 10-Q
August 01, 2014

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

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For the quarterly period ended June 30, 2014

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

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For the transition period from _____ to _____

Commission file number: 1-7945

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-0216800

(I.R.S. Employer Identification No.)

3680 Victoria St. N., Shoreview, Minnesota

55126-2966

(Address of principal executive offices)

(Zip Code)

(651) 483-7111

(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 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

The number of shares outstanding of registrant's common stock, par value \$1.00 per share, at July 22, 2014 was 49,762,745.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

DELUXE CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except share par value)

(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$146,942	\$121,089
Trade accounts receivable (net of allowances for uncollectible accounts of \$4,300 and \$3,861, respectively)	85,376	88,049
Inventories and supplies	32,737	28,966
Deferred income taxes	6,655	6,946
Funds held for customers	41,700	42,425
Other current assets	30,777	31,838
Total current assets	344,187	319,313
Deferred income taxes	1,586	1,851
Long-term investments (including \$2,269 and \$2,407 of investments at fair value, respectively)	45,697	44,451
Property, plant and equipment (net of accumulated depreciation of \$367,114 and \$360,926, respectively)	96,752	101,343
Assets held for sale	26,762	25,451
Intangibles (net of accumulated amortization of \$369,277 and \$346,086, respectively)	154,440	153,576
Goodwill	823,008	822,777
Other non-current assets	143,968	100,767
Total assets	\$1,636,400	\$1,569,529
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$72,238	\$71,492
Accrued liabilities	159,486	162,990
Long-term debt due within one year	254,791	255,589
Total current liabilities	486,515	490,071
Long-term debt	391,185	385,115
Deferred income taxes	84,553	82,814
Other non-current liabilities	92,314	61,072
Commitments and contingencies (Notes 11 and 12)		
Shareholders' equity:		
Common shares \$1 par value (authorized: 500,000 shares; outstanding: 2014 – 49,759; 2013 – 50,344)	49,759	50,344
Additional paid-in capital	—	22,596
Retained earnings	564,318	510,941
Accumulated other comprehensive loss	(32,244) (33,424
Total shareholders' equity	581,833	550,457
Total liabilities and shareholders' equity	\$1,636,400	\$1,569,529

See Condensed Notes to Unaudited Consolidated Financial Statements

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DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share amounts)

(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Product revenue	\$344,463	\$332,790	\$690,127	\$672,666
Service revenue	60,947	48,643	122,238	96,321
Total revenue	405,410	381,433	812,365	768,987
Cost of products	(119,550)	(111,450)	(237,936)	(223,721)
Cost of services	(26,341)	(22,097)	(52,884)	(43,123)
Total cost of revenue	(145,891)	(133,547)	(290,820)	(266,844)
Gross profit	259,519	247,886	521,545	502,143
Selling, general and administrative expense	(173,546)	(164,501)	(351,476)	(339,653)
Net restructuring charges	(1,014)	(924)	(4,314)	(2,295)
Operating income	84,959	82,461	165,755	160,195
Interest expense	(9,530)	(9,563)	(19,097)	(19,043)
Other income	368	142	499	491
Income before income taxes	75,797	73,040	147,157	141,643
Income tax provision	(25,721)	(24,888)	(49,758)	(47,616)
Net income	\$50,076	\$48,152	\$97,399	\$94,027
Comprehensive income	\$			