

DELUXE CORP
Form 10-Q
August 05, 2016
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, 2016
 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: 1-7945

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

3680 Victoria St. N., Shoreview, Minnesota

(Address of principal executive offices)

41-0216800

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

55126-2966

(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 20, 2016 was 48,767,272.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

DELUXE CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except share par value)

(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$69,592	\$ 62,427
Trade accounts receivable (net of allowances for uncollectible accounts of \$3,401 and \$4,816, respectively)	108,938	123,654
Inventories and supplies	38,086	41,956
Funds held for customers	77,126	53,343
Other current assets	39,251	42,605
Total current assets	332,993	323,985
Deferred income taxes	1,756	1,238
Long-term investments (including \$1,792 and \$2,091 of investments at fair value, respectively)	42,423	41,691
Property, plant and equipment (net of accumulated depreciation of \$346,906 and \$344,785, respectively)	84,883	85,732
Assets held for sale	13,967	13,969
Intangibles (net of accumulated amortization of \$444,945 and \$407,747, respectively)	297,515	285,311
Goodwill	977,092	976,415
Other non-current assets	118,273	113,812
Total assets	\$1,868,902	\$ 1,842,153
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$83,341	\$ 87,575
Accrued liabilities	210,589	228,423
Long-term debt due within one year	1,041	1,045
Total current liabilities	294,971	317,043
Long-term debt	612,787	627,973
Deferred income taxes	80,962	81,076
Other non-current liabilities	63,440	70,992
Commitments and contingencies (Notes 11 and 12)		
Shareholders' equity:		
Common shares \$1 par value (authorized: 500,000 shares; outstanding: June 30, 2016 – 48,760; December 31, 2015 – 49,019)	48,760	49,019
Retained earnings	817,202	751,253
Accumulated other comprehensive loss	(49,220)	(55,203)
Total shareholders' equity	816,742	745,069
Total liabilities and shareholders' equity	\$1,868,902	\$ 1,842,153

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share amounts)

(Unaudited)

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Product revenue	\$359,821	\$358,897	\$726,006	\$713,911
Service revenue	90,821	76,977	183,934	155,581
Total revenue	450,642	435,874	909,940	869,492
Cost of products	(126,939)	(128,256)	(257,533)	(251,996)
Cost of services	(32,893)	(27,682)	(66,604)	(56,624)
Total cost of revenue	(159,832)	(155,938)	(324,137)	(308,620)
Gross profit	290,810	279,936	585,803	560,872
Selling, general and administrative expense	(198,726)	(190,091)	(400,198)	(385,469)
Net restructuring charges	(1,135)	(966)	(2,014)	(1,233)
Operating income	90,949	88,879	183,591	174,170
Loss on early debt extinguishment	—	—	—	(8,917)
Interest expense	(5,183)	(4,420)	(10,426)	(10,935)
Other income	442	824	593	1,254
Income before income taxes	86,208	85,283	173,758	155,572
Income tax provision	(27,819)	(29,220)	(57,267)	(53,569)
Net income	\$58,389	\$56,063	\$116,491	\$102,003
Comprehensive income	\$59,282	\$57,327	\$122,474	