Fidelity National Information Services, Inc.
Form 10-Q/A
November 04, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A
Amendment No. 1

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x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
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 No. 001-16427

Fidelity National Information Services, Inc.
(Exact name of registrant as specified in its charter)

Georgia	37-1490331
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
601 Riverside Avenue Jacksonville, Florida	32204
(Address of principal executive offices)	(Zip Code)

(904) 438-6000
(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 x NO o

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 x NO o

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. (Check one):

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES o NO x

As of October 31, 2016, 328,227,867 shares of the Registrant's Common Stock were outstanding.

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Explanatory Note

This Amendment No. 1 to the Quarterly Report on Form 10-Q (the “Form 10-Q”) of Fidelity National Information Services, Inc. (the “Company”) for the quarter ending September 30, 2016 is being filed for the purpose of correcting the ninth sentence of the disclosure under the heading “Business Trends and Conditions” appearing in Item 2 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, in which an update to a disclosure was inadvertently omitted. As amended, the sentence reads as follows:

"As we integrate SunGard into our existing operations, we anticipate significant cost savings in administration and technology expenses, with a recently updated goal of achieving annual synergy run-rate savings of $250 million by the end of 2017."

There are no other changes to the document and the information herein speaks as of the date of the original Form 10-Q.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless stated otherwise or the context otherwise requires, all references to “FIS,” “we,” the “Company” or the “registrant” are to Fidelity National Information Services, Inc., a Georgia corporation, and its subsidiaries.

The following discussion should be read in conjunction with Item 1: Condensed Consolidated Financial Statements (Unaudited) and the Notes thereto included elsewhere in this report. The statements contained in this Form 10-Q or in our other documents or in oral presentations or other statements made by our management that are not purely historical are forward-looking statements within the meaning of the U.S. federal securities laws. Statements that are not historical facts, including statements about anticipated financial outcomes, including any earnings guidance of the Company, business and market conditions, outlook, foreign currency exchange rates, expected dividends and share repurchases, the Company’s sales pipeline and anticipated profitability and growth, as well as other statements about our expectations, hopes, intentions, or strategies regarding the future, are forward-looking statements. These statements relate to future events and our future results and involve a number of risks and uncertainties. Forward-looking statements are based on management’s beliefs, as well as assumptions made by, and information currently available to, management. Any statements that refer to beliefs, expectations, projections or other characterizations of future events or circumstances and other statements that are not historical facts are forward-looking statements. In many cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of t and other comparable terminology.

Actual results, performance or achievement could differ materially from those contained in these forward-looking statements. The risks and uncertainties that forward-looking statements are subject to include, without limitation:

- the risk that acquired businesses will not be integrated successfully, or that the integration will be more costly or more time-consuming and complex than anticipated;
- the risk that cost savings and other synergies anticipated to be realized from acquisitions may not be fully realized or may take longer to realize than expected;
- the risk of doing business internationally;
- changes in general economic, business and political conditions, including the possibility of intensified international hostilities, acts of terrorism, changes in either or both the United States and international lending, capital and financial markets and currency fluctuations;
- the effect of legislative initiatives or proposals, statutory changes, governmental or other applicable regulations and/or changes in industry requirements, including privacy regulations;
- the risks of reduction in revenue from the elimination of existing and potential customers due to consolidation in, or new laws or regulations affecting, the banking, retail and financial services industries or due to financial failures or other setbacks suffered by firms in those industries;
- changes in the growth rates of the markets for our solutions;
- failures to adapt our solutions to changes in technology or in the marketplace;
- internal or external security breaches of our systems, including those relating to unauthorized access, theft, corruption or loss of personal information and computer viruses and other malware affecting our software or platforms, and the reactions of customers, card associations, government regulators and others to any such events;
- the risk that implementation of software (including software updates) for customers or at customer locations may result in the corruption or loss of data or customer information, interruption of business operations, exposure to liability claims or loss of customers;
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the reaction of current and potential customers to communications from us or regulators regarding information security, risk management, internal audit or other matters;

- competitive pressures on pricing related to our solutions including the ability to attract new, or retain existing, customers;
- an operational or natural disaster at one of our major operations centers; and
- other risks detailed elsewhere in this document, and in our other filings with the Securities and Exchange Commission.

Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition, results of operations and prospects. Accordingly, readers should not place undue reliance on these forward-looking statements. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Except as required by applicable law or regulation, we do not undertake (and expressly disclaim) any obligation and do not intend to publicly update or review any of these forward-looking statements, whether as a result of new information, future

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events or otherwise. You should carefully consider the possibility that actual results may differ materially from our forward-looking statements.

Overview

FIS is a global leader in financial services technology with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds global leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index.

We have grown organically as well as through acquisitions, which have contributed critical applications and services that complement or enhance our existing offerings, diversifying our revenues by customer, geography and service offering. The completion of the SunGard acquisition on November 30, 2015 increased our existing portfolio to include solutions that automate a wide range of complex business processes for financial services institutions and corporate and government treasury departments.

In 2015, FIS finalized a reorganization and began reporting its financial performance based on three segments: Integrated Financial Solutions ("IFS"), Global Financial Solutions ("GFS") and Corporate and Other. We recast all previous periods to conform to the new segment presentation. Following the November 30, 2015 SunGard acquisition, SunGard was included within the GFS segment as its economic characteristics, international business model, and various other factors largely aligned with those of our GFS segment. As we have further integrated the businesses in 2016, we have reclassified certain SunGard businesses that are oriented more to the retail banking and payments activities of IFS into that segment (corporate liquidity and wealth management). Certain other non-strategic businesses from both SunGard (public sector and education) and legacy FIS (commercial services and check processing) have been reclassified to the Corporate and Other segment, as have SunGard administrative expenses. Prior periods also have been reclassified to conform to the current segment presentation. A description of these segments is included in Note 10. Revenues by segment and the adjusted EBITDA of our segments are discussed below in Segment Results of Operations.

Business Trends and Conditions

Our revenue is primarily derived from a combination of recurring technology and processing services, consulting and professional services and software license fees. The majority of our revenue has historically been recurring, and has been provided under multi-year contracts that contribute relative stability to our revenue stream. These services, in general, are considered critical to our clients' operations. A significant portion of these recurring revenues is derived from transaction processing fees that fluctuate with the level of deposit accounts and card transactions, among other variable measures, associated with consumer and commercial activity. Consulting and professional services revenues are typically non-recurring, and sales of software licenses are less predictable, a portion of which can be regarded as discretionary spending by our clients. In the second half of 2015 and through the first nine months of 2016, we experienced the macroeconomic challenges related to the slowdown of the global economy. That trend impacts us predominantly in the amount our clients spend with us for professional services. We expect this trend to continue through the end of 2016.

The SunGard acquisition broadened our solution portfolio, enabling us to expand beyond our traditional banking and payments markets into the institutional and wholesale side of financial institutions as well as other buy-side organizations. It significantly expanded our existing solutions and client base in wealth management, treasury and corporate payments. These solutions are in demand among our regional and community financial institution clients as they look for ways to replace highly regulated fee revenues. The combination also favorably impacts our revenue mix, with a greater concentration of license revenues and higher margin services. Our revenues for the first nine months of 2016 included a $177 million reduction of revenue as a result of the purchase accounting adjustment to reduce SunGard's deferred revenue to fair value. Similar reductions will be experienced throughout 2016 as the acquired deferred revenue balance runs off. Amortization of intangible assets acquired in the SunGard acquisition increased our cost of revenues by $352 million for the first nine months of 2016. Amortization charges will continue to be recorded at varying rates through 2025. As we integrate SunGard into our existing operations, we anticipate significant cost savings in administration and technology expenses, with a recently updated goal of achieving annual synergy run-rate savings of $250 million by the end of 2017. Certain one-time severance and other costs have been and will be incurred related to delivering these run-rate savings.

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We are actively migrating a number of our financial institution clients to outsourced integrated technology solutions to improve their profitability and rapidly address increasing regulatory requirements. As a provider of outsourcing solutions, we benefit from multi-year recurring revenue streams, which help moderate the effects of broader year-to-year economic and market changes that otherwise might have a larger impact on our results of operations. We believe our integrated solutions and outsourced services are well-positioned to address this outsourcing trend across the markets we serve.

A realignment of resources in our GFS segment resulted in severance costs of $45 million in the first quarter of 2015. The realignment activities were a combination of optimizing on-shore and off-shore resources as well as the removal of overlapping management resources.

Consumer preference continues to shift from traditional branch banking services to digital banking solutions, and our clients seek to provide a single integrated banking experience through their branch, mobile, internet and voice-banking channels. We are focused on enabling our clients to deliver this experience to their customers through our integrated solutions and services. We continue to develop and invest in these integrated solutions and services to assist clients as they address this market demand.

We continue to see demand for innovative solutions in the payments market that will deliver faster, more convenient payment solutions in mobile channels, internet applications and cards. We believe mobile payments will grow and partially replace existing payment tender volumes over time as consumers and merchants embrace the convenience, incremental services and benefits. Mobile payment volume is growing significantly but does not yet represent a meaningful amount of the payments market. Additionally, new formidable non-traditional payments competitors and large merchants are investing in and innovating mobile payment technologies to address the emerging market opportunity, and it is unclear the extent to which particular technologies or services will succeed. We believe the growth of mobile payments continues to present both an opportunity and a risk to us as the market develops. Although we cannot predict which mobile payment technologies or solutions will be successful, we cautiously believe our client relationships, payments infrastructure and experience, adapted solutions and emerging solutions are well-positioned to maintain or grow our clients' existing payment volumes, which is our focus.

High profile North American merchant payment card information security breaches have pushed the payment card industry towards Europay, MasterCard and VISA ("EMV") integrated circuit cards as financial institutions, card networks and merchants seek to improve information security and reduce fraud costs. We have invested in our card management solutions and card manufacturing and processing capabilities to accommodate EMV integrated circuit cards so we can guide our clients through this technology transition and grow our card-driven businesses. We believe the trend to migrate to EMV cards will continue through the rest of 2016.

The use of checks continues to decline as a percentage of total payments, which negatively impacts our check warranty and item-processing businesses, and we expect this trend to continue. In 2015 and through the first nine months of 2016, we observed a modest slowdown in our check volume decline and to date have been able to successfully mitigate the majority of the impacts of this decline through cost and fraud efficiency actions and new market solutions, which remain our continued focus.

We anticipate consolidation within the banking industry will continue, primarily in the form of merger and acquisition activity, which we believe as a whole is detrimental to our business. However, consolidation resulting from specific merger and acquisition transactions may be beneficial to our business. When consolidations of financial institutions occur, merger partners often operate systems licensed from competing service providers. The newly formed entity generally makes a determination to migrate its core and payments systems to a single platform. When a financial institution processing client is involved in a consolidation, we may benefit by their expanding the use of our services if such services are chosen to survive the consolidation and support the newly combined entity. Conversely, we may lose revenue if we are providing services to both entities, or if a client of ours is involved in a consolidation and our services are not chosen to survive the consolidation and support the newly combined entity. It is also possible that larger financial institutions resulting from consolidation may have greater leverage in negotiating terms or could decide to perform in-house some or all of the services that we currently provide or could provide. We seek to mitigate the risks of consolidations by offering other competitive services to take advantage of specific opportunities at the surviving company.

Notwithstanding challenging global economic conditions, our international business continued to experience growth across all major regions, including Europe and Asia, on a constant currency basis during the first nine months of 2016. By comparison with FIS, a greater percentage of SunGard's revenues have been concentrated historically in international markets, which has contributed to this growth trend. Demand for our solutions will also continue to be driven in developing countries by government-led financial inclusion policies aimed to reduce the unbanked population and by growth in the middle classes in

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these markets driving the need for more sophisticated banking solutions. The majority of our European revenue is generated by clients in the United Kingdom, France and Germany. In 2015, we experienced adverse currency impacts in our international businesses as a consequence of a relative strengthening of the U.S. dollar.

Globally, attacks on information technology systems continue to grow in frequency, complexity and sophistication. This is a trend we expect to continue. Such attacks have become a point of focus for individuals, businesses and governmental entities. The objectives of these attacks include, among other things, gaining unauthorized access to systems to facilitate financial fraud, disrupting operations, causing denial of service events, corrupting data, and stealing non-public information. These circumstances present both a threat and an opportunity for FIS. As part of our business, we electronically receive, process, store and transmit a wide range of confidential information, including sensitive customer information and personal consumer data. We also operate payment, cash access and prepaid card systems.

FIS remains focused on making strategic investments in information security to protect our clients and our information systems. This includes both capital expenditures and operating expenses on hardware, software, personnel and consulting services. We also participate in industry and governmental initiatives to improve information security for our clients. Through the expertise we have gained with this ongoing focus and involvement, we have developed fraud, security, risk management and compliance solutions to target this growth opportunity in the financial services industry.

Critical Accounting Policies

There have been no significant changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

Transactions with Related Parties

See Note 2 to the Notes to Condensed Consolidated Financial Statements (Unaudited) for a detailed description of transactions with related parties.

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Comparisons of three-month and nine-month periods ended September 30, 2016 and 2015

Consolidated Results of Operations (Unaudited)
(in millions, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Processing and services revenues	$2,309	$1,579	$6,795	$4,721
Cost of revenues	1,527	1,022	4,680	3,162
Gross profit	782	557	2,115	1,559
Selling, general, and administrative expenses	384	219	1,250	719
Operating income	398	338	865	840
Other income (expense):				
Interest expense, net	(98)	(36)	(284)	(109)
Other income (expense), net	(6)	(20)	(8)	130
Total other income (expense), net	(104)	(56)	(292)	21
Earnings from continuing operations before income taxes	294	282	573	861
Provision for income taxes	103	100	200	314
Earnings from continuing operations, net of tax	191	182	373	547
Earnings (loss) from discontinued operations, net of tax	—	(2)	1	(7)
Net earnings	191	180	374	540
Net earnings attributable to noncontrolling interest	(6)	(5)	(13)	(14)
Net earnings attributable to FIS common stockholders	$185	$175	$361	$526
Net earnings per share — basic from continuing operations attributable to FIS common stockholders	$0.57	$0.63	$1.11	$1.89
Net earnings (loss) per share — basic from discontinued operations attributable to FIS common stockholders	—	(0.01)	—	(0.02)
Net earnings per share — basic attributable to FIS common stockholders	$0.57	$0.62	$1.11	$1.87
Weighted average shares outstanding — basic	326	280	325	282
Net earnings per share — diluted from continuing operations attributable to FIS common stockholders	$0.56	$0.62	$1.09	$1.87
Net earnings (loss) per share — diluted from discontinued operations attributable to FIS common stockholders	—	(0.01)	—	(0.02)
Net earnings per share — diluted attributable to FIS common stockholders	$0.56	$0.62	$1.10	$1.85
Weighted average shares outstanding — diluted	330	284	329	285
Amounts attributable to FIS common stockholders:				
Net earnings from continuing operations	$185	$177	$360	$533
Net earnings (loss) from discontinued operations	—	(2)	1	(7)
Net earnings attributable to FIS	$185	$175	$361	$526

Amounts in table may not sum due to rounding.

Processing and Services Revenues

Processing and services revenues totaled $2,309 million and $1,579 million during the three-month periods and $6,795 million and $4,721 million during the nine-month periods ended September 30, 2016 and 2015, respectively. Processing and services revenues for the three-month and nine-month periods ended September 30, 2016 included approximately $16 million and $80 million, respectively of unfavorable foreign currency impact, primarily resulting from a stronger U.S. Dollar versus the British Pound Sterling and during the nine-month period ended September 30, 2016, the Brazilian Real. Excluding the unfavorable foreign currency impact, revenue increases for the three and nine months ended September 30, 2016 as compared

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to 2015 were primarily attributable to incremental revenues from the SunGard acquisition, growth in debit payments and card production activities associated with the roll-out of EMV across the industry, growth in output solutions, and demand for risk and compliance solutions. Our revenues included a $37 million and $177 million reduction of revenue during the three and nine months ended September 30, 2016, respectively, as a result of the purchase accounting adjustment to reduce SunGard acquired deferred revenue to fair value. See "Segment Results of Operations (Unaudited)" under Item 2 of this Quarterly Report for more detailed explanation.

Cost of Revenues and Gross Profit

Cost of revenues totaled $1,527 million and $1,022 million during the three-month periods and $4,680 million and $3,162 million during the nine-month periods ended September 30, 2016 and 2015, respectively, resulting in gross profit of $782 million and $557 million during the respective three-month periods and $2,115 million and $1,559 million during the nine-month periods. Gross profit as a percentage of revenues was 33.9% and 35.3% during the three-month periods and 31.1% and 33.0% during the nine-month periods ended September 30, 2016 and 2015, respectively. The change in gross profit during the 2016 period as compared to 2015 primarily resulted from the revenue variances noted above. The gross profit percentages during the three-months and nine-months ended September 30, 2016 as compared to the 2015 periods were negatively impacted by higher acquired intangible asset amortization expense resulting from the SunGard acquisition. This negative impact was partially offset by the addition of higher margin revenues from SunGard as well as on-going operating leverage in key markets outside of North America.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled $384 million and $219 million during the three-month periods and $1,250 million and $719 million during the nine-month peiods ended September 30, 2016 and 2015, respectively. The year-over-year increases primarily resulted from incremental expenses from SunGard, including integration and severance.

Operating Income

Operating income totaled $398 million and $338 million during the three-month periods and $865 million and $840 million during the nine-month periods ended September 30, 2016 and 2015, respectively. Operating income as a percentage of revenue (“operating margin”) was 17.2% and 21.4% during the three-month periods and 12.7% and 17.8% during the nine-month periods ended September 30, 2016 and 2015, respectively. The changes in operating income for the three and nine-month periods of 2016 as compared to 2015 resulted from the variances addressed above. The decrease in operating margin resulted primarily from higher acquired intangible asset amortization expense and other incremental integration and severance costs.

Total Other Income (Expense), Net

Total other income (expense), net was $(104) million and $(56) million during the three-month periods and $(292) million and $21 million during the nine-month periods ended September 30, 2016 and 2015, respectively. Interest expense, net increased $62 million during the three-month period and $175 million during the nine-month period ended September 30, 2016 as compared to 2015 primarily due to higher outstanding debt associated with financing the SunGard acquisition. During the second quarter of 2015, we sold certain assets associated with our gaming industry check warranty business, resulting in proceeds of $238 million and a pre-tax gain of $139 million, which is included in Other income (expense), net during the nine months ended September 30, 2015.

Provision for Income Taxes

Income tax expense from continuing operations totaled $103 million and $100 million during the three-month periods and $200 million and $314 million during the nine-month periods ended September 30, 2016 and 2015, resulting in effective tax rates from continuing operations of 35% and 36% for the three month periods and 35% and 36% for the nine month periods, respectively. The effective tax rate during the nine months ended September 30, 2015 included a $90.1 million write-off of goodwill with no tax basis in connection with the sale of our gaming industry check warranty business.

Earnings from Continuing Operations, Net of Tax, Attributable to FIS Common Stockholders

Earnings from continuing operations, net of tax, attributable to FIS common stockholders totaled $185 million and $177 million resulting in earnings per diluted share of $0.56 and $0.62 for the three-month periods and $360 million and $533 million resulting in earnings per diluted share of $1.09 and $1.87 for the nine-month periods ended September 30, 2016 and

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2015, respectively. These results reflect the variances described above as well as the increase in shares outstanding from the SunGard acquisition.

Segment Results of Operations (Unaudited)

Adjusted EBITDA is defined as EBITDA (defined as net income (loss) before net interest expense, income tax provision (benefit) and depreciation and amortization, including amortization of purchased intangibles), plus certain non-operating items. This measure is reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. For this reason, Adjusted EBITDA, as it relates to our segments, is presented in conformity with Accounting Standards Codification 280, Segment Reporting. The non-operating items affecting the segment profit measure generally include acquisition accounting adjustments, acquisition, integration and severance costs, and restructuring expenses. For consolidated reporting purposes, these costs and adjustments are recorded in the Corporate and Other segment for the periods discussed below. Adjusted EBITDA for the respective segments excludes the foregoing costs and adjustments. Financial information, including details of our adjustments to EBITDA, for each of our segments is set forth in Note 10 to the condensed consolidated financial statements (unaudited) included in Part I of this Quarterly Report.

Integrated Financial Solutions
(in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Processing and services revenues	$1,124	$944	$3,407	$2,803
Adjusted EBITDA	$457	$404	$1,333	$1,144

Three months ended September 30:

Processing and services revenues increased $180 million, or 19.1%, due to incremental revenues from the SunGard acquisition contributing 14.2%, volume growth in debit payments and card production activities associated with the roll-out of EMV across the industry contributing 2.8%, and demand for regulatory and compliance solutions and IT and output solutions contributing 1.8%.

Adjusted EBITDA increased $53 million, or 13.1%, primarily resulting from the revenue variances noted above. Adjusted EBITDA margin decreased 210 basis points to 40.7% primarily resulting from a change in revenue mix and higher incentive compensation.

Nine months ended September 30:

Processing and services revenues increased $604 million, or 21.5%, primarily attributable to incremental revenues from the SunGard acquisition contributing 14.2%, volume growth in debit payments and card production activities associated with the roll-out of EMV across the industry contributing 2.2%, and demand for regulatory and compliance solutions and IT and output solutions contributing 3.7%.

Adjusted EBITDA increased $189 million, or 16.5%, primarily resulting from the revenue variances noted above. Adjusted EBITDA margins decreased 170 basis points to 39.1% primarily resulting from revenue mix and higher incentives.

Global Financial Solutions
(in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Processing and services revenues	$1,068	$539	$3,106	$1,606
Adjusted EBITDA	$343	$141	$880	$339

Three months ended September 30:

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Processing and services revenues increased $529 million, or 98.1%, including approximately $14 million of unfavorable foreign currency impact, primarily resulting from a stronger U.S. Dollar versus the British Pound Sterling. Excluding the foreign currency impact, revenue increases were primarily attributable to incremental revenues from the SunGard acquisition contributing 92.1%, growth in payment processing in Brazil contributing 2.0%, and growth in retail banking and payment processing in Asia Pacific region contributing 1.3%.

Adjusted EBITDA increased $202 million, or 143.3%, primarily resulting from the revenue variances noted above. Adjusted EBITDA margins increased 590 basis points to 32.1% primarily resulting from the addition of higher margin revenues from SunGard as well as recognition of expense synergies.

Nine months ended September 30:

Processing and services revenues increased $1,500 million, or 93.4%, including approximately $75 million of unfavorable foreign currency impact, primarily resulting from a stronger U.S. Dollar versus the Brazilian Real. Excluding the foreign currency impact, revenue increases were primarily attributable to incremental revenues from the SunGard acquisition contributing 95.7%, growth in payment processing in Brazil contributing 1.6%, and growth in retail banking and payment processing in Asia Pacific region contributing 1.0%.

Adjusted EBITDA increased $541 million, or 159.6%, primarily resulting from the revenue variances noted above. Adjusted EBITDA margins increased 720 basis points to 28.3% primarily resulting from the addition of higher margin revenues from SunGard as well as recognition of expense synergies.

Corporate and Other
(in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Processing and services revenues	$117	$96	$282	$312
Adjusted EBITDA	$(34)	$(16)	$(114)	$(76)

The Corporate and Other segment results consist of selling, general and administrative expenses and depreciation and intangible asset amortization not otherwise allocated to the reportable segments. Corporate and Other also includes operations from non-strategic businesses, including commercial services, public sector and education, and check processing.

Three months ended September 30:

Processing and services revenues increased $21 million, or 21.9%, despite a $37 million purchase accounting impact on deferred revenue (all of which was recorded as a contra-revenue item in the Corporate and Other segment). Excluding the purchase accounting impact, the revenue increase compared to the 2015 period was primarily attributable to incremental revenues from the SunGard acquisition.

Adjusted EBITDA decreased $18 million, or 112.5%, primarily resulting from the revenue variances noted above and incremental expenses from the SunGard acquisition.

Nine months ended September 30:

Processing and services revenues decreased $30 million, or 9.6%, including a $177 million purchase accounting impact on deferred revenue (all of which was recorded as a contra-revenue item in the Corporate and Other segment). Excluding the purchase accounting impact, revenue increased $147 million, or 47.2%, primarily attributable to incremental revenues from the SunGard acquisition contributing 62.3%, partially offset by the divestiture of our check gaming business in the second quarter of 2015 contributing -5.5%.

Adjusted EBITDA losses increased $38 million, or 50.0%, primarily resulting from acquisition, integration, and severance related costs.

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Liquidity and Capital Resources
Cash Requirements

Our ongoing cash requirements include operating expenses, income taxes, mandatory debt service payments, capital expenditures, stockholder dividends, working capital and timing differences in settlement-related assets and liabilities, and may include discretionary debt payments, share repurchases and business acquisitions. Our principal sources of funds are cash generated by operations and borrowings, including the capacity under our Revolving Loan described in Note 7 to the Notes to Condensed Consolidated Financial Statements (Unaudited).

As of September 30, 2016, we had cash and cash equivalents of $701 million and long-term debt of $10.8 billion, including the current portion, net of capitalized debt issuance costs. Of the $701 million cash and cash equivalents, approximately $508 million is held by our foreign entities and would generally be subject to U.S. income taxation upon repatriation to the U.S. The majority of our U.S. cash and cash equivalents represents net deposits-in-transit at the balance sheet dates and relates to daily settlement activity. We expect that cash and cash equivalents plus cash flows from operations over the next twelve months will be sufficient to fund our operating cash requirements, capital expenditures and mandatory debt service.

We currently expect to continue to pay quarterly dividends. However, the amount, declaration and payment of future dividends is at the discretion of the Board of Directors and depends on, among other things, our investment opportunities, results of operations, financial condition, cash requirements, future prospects, and other factors that may be considered relevant by our Board of Directors, including legal and contractual restrictions. Additionally, the payment of cash dividends may be limited by covenants in certain debt agreements. A regular quarterly dividend of $0.26 per common share was paid on September 30, 2016 to shareholders of record as of the close of business on September 16, 2016.

Cash Flows from Operations

Cash flows from operations were $1,342 million and $698 million during the nine-month periods ended September 30, 2016 and 2015, respectively. Our net cash provided by operating activities consist primarily of net earnings, adjusted to add back depreciation and amortization. Cash flows from operations were $644 million higher in the 2016 period primarily due to increased cash flow provided by the SunGard acquisition.

Capital Expenditures and Other Investing Activities

Our principal capital expenditures are for computer software (purchased and internally developed) and additions to property and equipment. We invested approximately $446 million and $306 million in capital expenditures (excluding capital leases) during the nine-month periods ended September 30, 2016 and 2015, respectively. The increased investment reflects the addition of SunGard to our operations.

Financing

In August the Company completed a debt refinancing that increased liquidity, extended tenor of the debt and locked in attractive interest rates. For more information regarding the Company's long-term debt and financing activity, see Note 7 to the Notes to Condensed Consolidated Financial Statements (Unaudited). There were no share repurchases during the nine months ended September 30, 2016 compared to $300 million in the comparable 2015 period.

Contractual Obligations

There were no material changes in our contractual obligations during the first nine months of 2016 in comparison to the table included in our Annual Report on Form 10-K as filed on February 26, 2016, except as disclosed in Note 7 to the Notes to Condensed Consolidated Financial Statements (Unaudited).

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

Recently Adopted Accounting Guidance

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In April 2015, the FASB issued Accounting Standards Update No. 2015-05 (“ASU 2015-05”), “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement.” This guidance was designed to help entities evaluate whether fees paid by a customer in a cloud computing arrangement include a software license to internal-use software or whether the arrangement should be accounted for as a service contract. The amendments also supersede paragraph 350-40-25-16, which provided that an entity should analogize to operating lease guidance in accounting for some software licenses (that is, even when an entity obtained a software license, it accounted for the arrangement as executory in nature or as a prepaid vs. a capital asset). As a result of the amendments, all software licenses in the scope of Subtopic 350-40 will be accounted for in the same manner, consistent with the accounting for other licenses of intangible assets. The guidance was effective January 1, 2016, and we have elected to apply it prospectively to all arrangements entered into or materially modified after the effective date. Through September 30, 2016, the new guidance has not had a material impact on our financial position or results of operations. However, we do expect the amendment superseding the analogy to lease accounting to result in higher capitalization of fees paid to vendors or commitments under vendor arrangements, and as a result, higher amortization expense versus the classification as subscription service expense under the previous guidance.

Recent Accounting Guidance Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 amends substantially all authoritative literature for revenue recognition, including industry-specific requirements, and converges the guidance under this topic with that of the International Financial Reporting Standards. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other provisions include ensuring the time value of money is considered in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The effective date to the amendments was postponed to reporting periods beginning after December 15, 2017, with early adoption allowed for reporting periods beginning after December 15, 2016. Entities can transition to the standard either with retrospective application to the earlier years presented in their financial statements or with a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact the adoption of ASU 2014-09 and subsequent related updates will have on our financial position and results of operations as well as the transition method we expect to employ.

On February 25, 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The pronouncement requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. We are currently assessing the impact the adoption of ASU 2016-02 and subsequent related updates will have on our financial position and results of operations.

On March 30, 2016, the FASB issued Accounting Standards Update No. 2016-09 (“ASU 2016-09”), “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” The amendments are intended to simplify and improve the accounting for employee share-based payments. Under the new guidance, all excess tax benefits and tax deficiencies over/under compensation expense recognized will be reflected in the income statement as they occur. This will replace the current guidance, which requires tax benefits that exceed compensation expense (windfalls) to be recognized in equity. It will also eliminate the need to maintain a “windfall pool,” and will remove the requirement to delay recognizing a windfall until it reduces current taxes payable. The new guidance will also change the cash flow presentation of excess tax benefits, classifying them as operating inflows, consistent with other cash flows related to income taxes. Under current guidance, windfalls are classified as financing activities. These changes may result in more volatile net earnings. Similarly, effective tax rates will be subject to more variability since the new guidance reflects all tax benefit excesses and deficiencies in tax expense. Under current practice, stock compensation generally does not impact the effective tax rate since any difference between compensation expense and the ultimate tax deduction is reflected in additional paid in capital. Also under the new guidance, excess tax benefits will no longer be included in assumed proceeds from applying the treasury stock method when computing diluted earnings per share since they will no longer be recognized in additional paid in capital.

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Consequently, the reduction to common stock equivalents for assumed purchases from proceeds will be lower and the impact of common stock equivalents will be more dilutive. For public companies, the amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any organization in any interim or annual period. We expect to adopt the ASU in January 2017. During 2015, 2014 and 2013, we recorded $29 million, $40 million and $40 million, respectively, to consolidated equity as excess tax benefits from our stock plans.

On June 16, 2016, the FASB issued Accounting Standards Update No. 2016-13 (“ASU 2016-13”), “Financial Instrument - Credit Losses (Topic 326): Measurements on Credit Losses of Financial Instruments.” These amendments primary objectives are to implement new methodology for calculating credit losses on financial instruments (e.g., trade receivables) based on expected credit losses and broadens the types of information companies must use when calculating the estimated losses. Under current guidance, the credit losses are calculated based on multiple credit impairment objectives and recognition is delayed until the loss is probable to occur. Under the new guidance, financial assets measured at amortized cost basis must now be shown as the net amount expected to be collected. The credit loss allowance is a contra-valuation account. Available-for-sale securities should continue to be recognized in a similar manner to current GAAP; however, the allowance should be presented as an allowance instead of a write-down of the basis of the asset. For public companies that are SEC filers, the amendments are effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for any organization in any interim or annual period beginning after December 15, 2018. We do not plan to early adopt and expect that the new guidance will not have a material impact on our financial statement presentation, financial position, or results of operations.

On August 26, 2016, the FASB issued Accounting Standards Update No. 2016-15 (“ASU 2016-15’), “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” The amendments are meant to reduce the diversity in how certain cash receipts and cash payments are presented in the statement of cash flows. ASU 2016-15 provides guidance as to the presentation on the statement of cash flows for eight specific cash flow issues, which are 1) debt prepayment for debt extinguishment costs, 2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, 3) contingent consideration payments made after a business combination, 4) proceeds for the settlement of insurance claims, 5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, 6) distributions received from equity method investees, 7) beneficial interests in securitization transactions, and 8) separately identifiable cash flows and application of the predominance principle. For public companies, the amendments are effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019. Early adoption is permitted for any organization in any interim or annual period. We do not plan to early adopt and expect that the new guidance will not have a material impact on our financial statement presentation.

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Part II: OTHER INFORMATION

Item 6. Exhibits
(a) Exhibits:

Exhibit No.	Exhibit Description	Incorporated by Reference Form	SEC File Number	Exhibit	Filing Date	Filed/ Furnished Herewith
31.1	Certification of Gary A. Norcross, President and Chief Executive Officer of Fidelity National Information Services, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Certification of James W. Woodall, Corporate Executive Vice President and Chief Financial Officer of Fidelity National Information Services, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*

* Filed or furnished herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to the report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIDELITY NATIONAL INFORMATION SERVICES, INC.

Date: November 4, 2016 By: /s/ JAMES W. WOODALL
James W. Woodall
Corporate Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

FIDELITY NATIONAL
INFORMATION SERVICES, INC.

Date: November 4, 2016 By: /s/ MICHAEL A. NUSSBAUM
Michael A. Nussbaum
Corporate Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

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FIDELITY NATIONAL INFORMATION SERVICES, INC.
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INDEX TO EXHIBITS

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* Filed or furnished herewith