

---

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**Date of Report (Date of Earliest Event Reported): April 21, 2004**

---

**CERTEGY INC.**

(Exact name of Registrant as Specified in its Charter)

**Georgia**  
(State or other Jurisdiction of  
Incorporation or Organization)

**001-16427**  
(Commission  
File Number)

**58-2606325**  
(IRS Employer  
Identification No.)

**11720 Amber Park Drive**  
**Suite 600**  
**Alpharetta, Georgia**  
(Address of principal executive offices)

**30004**  
(Zip code)

**Registrant's telephone number, including area code: (678) 867-8000**

**Not Applicable**  
(Former name or former address, if changed since last report)

---

**ITEM 7. FINANCIAL STATEMENTS, PRO FORMA INFORMATION AND EXHIBITS**

(a) Financial Statements of Businesses Acquired:

None.

(b) Pro Forma Financial Information:

None.

(c) Exhibits:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Certegy Inc. press release dated April 21, 2004, announcing the Company's financial results for the first quarter of 2004 (furnished pursuant to Item 12 of Form 8-K).

**ITEM 12. Results of Operations and Financial Condition**

On April 21, 2004, Certegy Inc. ("Certegy") issued a press release to announce its financial results for the first quarter of 2004. A copy of the press release is attached as Exhibit 99.1.

This press release presents certain operating income, net income, and earnings per share measures that exclude charges for contract termination and other charges. The press release reconciles these measures to the most directly comparable operating income, net income, and earnings per share measures calculated and presented in accordance with GAAP.

Management believes that presentation of these measures excluding the described charges is useful because it allows investors and management to evaluate and compare Certegy's core operating results from ongoing operations from period to period in a more meaningful and consistent manner than relying exclusively on GAAP financial measures. Non-GAAP financial measures however should not be considered in isolation or as an alternative to financial measures calculated and presented in accordance with GAAP.

As used herein, "GAAP" refers to accounting principles generally accepted in the United States.

The information in the Report, including the Exhibit attached hereto, is furnished solely pursuant to Item 12 of this Form 8-K. Consequently, it is not deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or Securities Act of 1933 if such subsequent filing specifically references this Form 8-K.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CERTEGY INC.

By: /s/ Michael T. Vollkommer

---

Michael T. Vollkommer  
Corporate Vice President  
and Chief Financial Officer

Date: April 21, 2004

## Press Release

Certegy Inc.  
11720 Amber Park Drive  
Suite 600  
Alpharetta, Georgia 30004

Date: April 21, 2004

Phone: 678-867-8000  
Fax: 678-867-8100

Contact: Mary Waggoner  
Certegy Inc.  
VP-Investor and Public Relations  
678-867-8004

## FOR IMMEDIATE RELEASE

**CERTEGY REPORTS FIRST QUARTER 2004 DILUTED EPS OF \$0.32 ON REVENUE OF \$263.4 MILLION**

Alpharetta, GA, April 21, 2004 – Certegy Inc. (NYSE:CEY) today reported first quarter 2004 diluted earnings per share of \$0.32 on revenue of \$263.4 million and operating income of \$35.5 million.

## FIRST QUARTER FINANCIAL HIGHLIGHTS

Highlights of the 2004 first quarter results, as compared to the prior year quarter (the 2003 quarter included \$12.6 million, or \$0.12 per diluted share, of contract termination, severance and other charges) are as follows:

- Revenue increased 9.7% to \$263.4 million.
- Operating income of \$35.5 million increased \$14.6 million.
- Net income increased \$8.5 million to \$20.7 million.
- Diluted earnings per share of \$0.32 increased \$0.14 per share.

On a non-GAAP basis (which excludes the \$12.6 million charge from the 2003 first quarter results) first quarter 2004 operating income increased 5.8%, net income increased 2.7%, and diluted earnings per share increased 6.7%.

“We are very pleased with our first quarter results,” stated Lee Kennedy, chairman, president and chief executive officer of Certegy Inc. “We are particularly encouraged by the performance of Check Services, which achieved double-digit revenue and profit growth. Our North American card business also generated strong, consistent results.”

The logo for Certegy, featuring a stylized blue square icon to the left of the word "certegy" in a lowercase, sans-serif font.

## SEGMENT RESULTS

Card Services generated revenue of \$162.7 million in the first quarter of 2004, an increase of 3.5% above the 2003 quarter. Strong revenue growth of 10.8% in the Company's North American card issuing operation resulted from growth in transactions, new sales of e-banking services and card loyalty programs, and one month of revenue from the acquisition of Crittson Financial LLC ("Crittson"). Merchant processing revenue increased by 7.4%, driven by strong retail sales and one month of revenue from the acquisition of Crittson. International card issuing revenue declined 17.8%, caused primarily by the deconversion of Banco Real in the prior year first quarter. Card Services operating income of \$32.4 million increased \$12.4 million compared to \$20.0 million in the first quarter of 2003. The prior year quarter included an \$11.5 million charge for contract termination and severance costs. Excluding this charge, operating income increased 3.0%.

Check Services generated revenue of \$100.7 million in the first quarter of 2004, an increase of 21.3% over the 2003 quarter. The strong revenue growth was driven by higher retail sales, new customer signings and continued migration of verification volume to guarantee volume. These results also include one month of revenue from the acquisition of Game Financial Corporation. Check Services operating income of \$8.8 million increased by \$2.8 million, compared to \$6.0 million in the corresponding 2003 quarter. The prior year quarter included a \$1.0 million charge for contract termination and severance costs. Excluding this charge, operating income increased by 25.3%.

Corporate expense of \$5.6 million increased by \$0.6 million compared to \$5.0 million in the first quarter of 2003.

## BUSINESS DEVELOPMENTS

Certegy's global card base was 46.8 million at quarter-end. A 16.4% increase in debit transactions contributed to overall domestic card transaction growth of 9.6%. Recent new customer announcements include agreements to provide credit card processing services to American Airlines Credit Union and e-banking and electronic bill payment services to Travis Credit Union.

Check guarantee volumes increased 12.7% compared to the prior year quarter, driven by strong retail sales. New check customer signings include DSW Shoe Warehouse and the Sharper Image.

The Company completed two strategic acquisitions in early March. The acquisition of Crittson Financial LLC further strengthens Certegy's U.S. market share as the leading third party credit card processor for community banks and credit unions. The acquisition of Game Financial Corporation positions Certegy as a leading provider of comprehensive cash access services in the fast-growing gaming industry, and broadens the Company's check risk management product line and customer base.



## OUTLOOK

Certegy revised its full year 2004 guidance as follows, to reflect its acquisitions and stronger than expected financial results in the first quarter:

- Revenue is expected to grow by 13% to 15% in 2004, compared with prior year.
- Operating income is expected to grow by 12% to 15% in 2004, compared with prior year non-GAAP results which exclude 2003 charges of \$12.2 million.
- Diluted earnings per share is expected to range from \$1.69 to \$1.73.

The Company expects to achieve diluted earnings per share of \$0.37 to \$0.38 in the second quarter of 2004, with revenue growth in the mid-teens, as compared with the prior year second quarter.

## TELECONFERENCE

Management will host a teleconference to discuss first quarter earnings on Wednesday, April 21, 2004, at 9:00 a.m. Eastern Time. The live audio Webcast will be available at [www.certegy.com](http://www.certegy.com). Please be advised that Microsoft's Windows Media Player™ must be downloaded prior to accessing the Webcast. It can be downloaded from [www.microsoft.com/windows/mediaplayer](http://www.microsoft.com/windows/mediaplayer). A replay of the Webcast will be available in the Investor Center section of the website after the call ends.

###

Certegy (NYSE:CEY) provides credit and debit processing, check risk management and check cashing services, merchant processing and e-banking services to nearly 7,000 financial institutions, 117,000 retailers and 100 million consumers worldwide. Headquartered in Alpharetta, Georgia, Certegy maintains a strong global presence with operations in the United States, United Kingdom, Ireland, France, Chile, Brazil, Australia and New Zealand. As a leading payment services provider, Certegy offers a comprehensive range of transaction processing services, check risk management solutions and integrated customer support programs that facilitate the exchange of business and consumer payments. Certegy generated over \$1.0 billion in revenue in 2003. For more information on Certegy, please visit [www.certegy.com](http://www.certegy.com).

###

## Forward Looking Statement

The statements in this release may include forward-looking statements that are based on current expectations, assumptions, estimates, and projections about Certegy and our industry. They are not guarantees of future performance and are subject to risks and uncertainties, many of which are outside of Certegy's control that may cause actual results to differ significantly from what is expressed in those statements. Factors that could, either individually or in the aggregate, affect our performance are described in detail in the section entitled "Certain Factors Affecting Forward-Looking Statements" in our 2003 Annual Report on Form 10-K filed on February 17, 2004, with the SEC.



CERTEGY INC.  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended March 31,	
	2004	2003
Revenues	\$ 263,409	\$ 240,169
Operating expenses(1):		
Costs of services	198,293	177,893
Selling, general and administrative	29,570	28,680
Other charges(2)	—	12,640
	<u>227,863</u>	<u>219,213</u>
Operating income	35,546	20,956
Other income, net	220	155
Interest expense	(2,976)	(1,681)
Income before income taxes	32,790	19,430
Provision for income taxes	(12,132)	(7,238)
Net income	<u>\$ 20,658</u>	<u>\$ 12,192</u>
<b>Basic earnings per share:</b>		
Net income	<u>\$ 0.32</u>	<u>\$ 0.19</u>
Average shares outstanding	<u>63,677</u>	<u>65,840</u>
<b>Diluted earnings per share:</b>		
Net income	<u>\$ 0.32</u>	<u>\$ 0.18</u>
Average shares outstanding	<u>64,643</u>	<u>66,202</u>

Revenues and operating income of the Company's reportable segments for the three months ended March 31, 2004 and 2003 are as follows:

	Three Months Ended March 31,	
	2004	2003
Revenues:		
Card Services	\$ 162,723	\$ 157,176
Check Services	100,686	82,993
	<u>\$ 263,409</u>	<u>\$ 240,169</u>
Operating income(2):		
Card Services	\$ 32,383	\$ 19,958
Check Services	8,767	5,974
	<u>41,150</u>	<u>25,932</u>
General corporate expense	(5,604)	(4,976)
	<u>\$ 35,546</u>	<u>\$ 20,956</u>

- (1) Certain 2003 expenses have been reclassified between costs of services and selling, general and administrative to conform to the current year presentation.  
(2) See Item 10 in the Supplemental Information for details of other charges.

CERTEGY INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2004 AND DECEMBER 31, 2003  
(In thousands)

	<u>March 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 46,530	\$ 22,280
Settlement deposits	41,339	29,638
Trade accounts receivable, net of allowance for doubtful accounts of \$2,093 and \$1,883, respectively	94,949	108,158
Settlement receivables	66,594	65,172
Claims recoverable	29,691	46,478
Other current assets	57,488	49,902
Total current assets	<u>336,591</u>	<u>321,628</u>
Property and equipment, net	61,800	58,897
Goodwill, net	224,709	187,627
Other intangible assets, net	46,872	31,799
Systems development and other deferred costs, net	118,743	118,788
Other assets, net	70,741	66,308
Total assets	<u>\$ 859,456</u>	<u>\$ 785,047</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 20,555	\$ 22,280
Settlement payables	107,933	94,810
Claims payable	19,838	38,270
Accrued salaries and bonuses	8,961	12,324
Income taxes payable	9,666	8,887
Other current liabilities	91,047	67,522
Total current liabilities	<u>258,000</u>	<u>244,093</u>
Long-term debt	274,602	222,399
Deferred income taxes	50,996	43,939
Other long-term liabilities	15,454	13,477
Total liabilities	<u>599,052</u>	<u>523,908</u>
Shareholders' equity:		
Common stock	695	695
Paid-in capital	251,030	249,351
Retained earnings	243,957	226,495
Deferred compensation	(13,126)	(10,187)
Accumulated other comprehensive loss	(74,422)	(75,854)
Treasury stock	(147,730)	(129,361)
Total shareholders' equity	<u>260,404</u>	<u>261,139</u>
Total liabilities and shareholders' equity	<u>\$ 859,456</u>	<u>\$ 785,047</u>



CERTEGY INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003  
(In thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2004	2003
<b>Cash flows from operating activities:</b>		
Net income	\$ 20,658	\$ 12,192
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,084	9,812
Amortization of deferred compensation and financing costs	1,551	1,117
Other non-cash items	—	2,670
Deferred income taxes	5,623	558
Changes in assets and liabilities:		
Accounts receivable, net	20,308	17,121
Current liabilities, excluding settlement and claims payables	(10,876)	4,435
Claims accounts, net	(1,348)	(2,854)
Other current assets	858	3,148
Other long-term liabilities	1,976	(180)
Other assets	(7,004)	543
Net cash provided by operating activities	42,830	48,562
<b>Cash flows from investing activities:</b>		
Capital expenditures	(7,111)	(8,432)
Acquisitions, net of \$24,638 of cash acquired	(39,191)	—
Net cash used in investing activities	(46,302)	(8,432)
<b>Cash flows from financing activities:</b>		
Net borrowings (repayments) on revolving credit facility	50,000	(7,200)
Treasury stock purchases	(20,777)	(11,796)
Dividends paid	(3,218)	—
Proceeds from exercise of stock options	1,646	491
Other	(90)	—
Net cash provided by (used in) financing activities	27,561	(18,505)
Effect of foreign currency exchange rates on cash	161	(1,194)
Net cash provided	24,250	20,431
Cash and cash equivalents, beginning of period	22,280	14,166
Cash and cash equivalents, end of period	\$ 46,530	\$ 34,597

CERTEGY INC.  
SUPPLEMENTAL INFORMATION  
(Unaudited)

1. Revenues by product and service offering are as follows (in thousands):

	2003					2004
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr
Card Issuer Services	\$ 113,470	\$ 114,298	\$ 116,408	\$ 118,346	\$ 462,522	\$ 117,862
Check Services	82,993	87,076	91,743	109,189	371,001	100,686
Merchant Processing	40,385	43,679	44,216	42,068	170,348	43,363
Software and Support	3,321	2,339	3,424	2,509	11,593	1,498
	<u>\$ 240,169</u>	<u>\$ 247,392</u>	<u>\$ 255,791</u>	<u>\$ 272,112</u>	<u>\$ 1,015,464</u>	<u>\$ 263,409</u>

2. Revenues by geographic area (based on location of customer) are as follows (in thousands):

	2003					2004
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr
Domestic	\$ 195,090	\$ 208,169	\$ 216,805	\$ 227,789	\$ 847,853	\$ 221,547
International	45,079	39,223	38,986	44,323	167,611	41,862
	<u>\$ 240,169</u>	<u>\$ 247,392</u>	<u>\$ 255,791</u>	<u>\$ 272,112</u>	<u>\$ 1,015,464</u>	<u>\$ 263,409</u>

3. Revenues are comprised of the following (in thousands):

	2003					2004
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr
Product and Service Fees	\$ 191,527	\$ 193,657	\$ 203,929	\$ 222,088	\$ 811,201	\$ 210,984
Interchange Fees	31,699	34,508	34,582	32,211	133,000	33,648
Reimbursable Expenses	16,943	19,227	17,280	17,813	71,263	18,777
	<u>\$ 240,169</u>	<u>\$ 247,392</u>	<u>\$ 255,791</u>	<u>\$ 272,112</u>	<u>\$ 1,015,464</u>	<u>\$ 263,409</u>

4. Currency translation increased (decreased) revenues and operating income for the three months ended March 31, 2004 as compared with the prior year as follows (in thousands):

	Revenues	Operating Income
Card Services	\$ 3,298	\$ (329)
Check Services	2,211	398
	<u>\$ 5,509</u>	<u>\$ 69</u>

5. Check volumes in dollars are as follows (in millions):

	2003					2004
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr
Domestic	\$ 7,145	\$ 7,499	\$ 7,783	\$ 9,368	\$ 31,795	\$ 8,206
International	761	811	830	995	3,397	925
	<u>\$ 7,906</u>	<u>\$ 8,310</u>	<u>\$ 8,613</u>	<u>\$ 10,363</u>	<u>\$ 35,192</u>	<u>\$ 9,131</u>
Guarantee	\$ 6,251	\$ 6,606	\$ 6,962	\$ 8,220	\$ 28,039	\$ 7,048
Verification	1,655	1,704	1,651	2,143	7,153	2,083
	<u>\$ 7,906</u>	<u>\$ 8,310</u>	<u>\$ 8,613</u>	<u>\$ 10,363</u>	<u>\$ 35,192</u>	<u>\$ 9,131</u>

CERTEGY INC.  
SUPPLEMENTAL INFORMATION, CONTINUED  
(Unaudited)

6. Number of cards and accounts processed (end of period) are as follows (in thousands):

	2003				2004
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr
<b>Cards:</b>					
Domestic	22,695	22,969	23,304	23,364	23,466
International	23,148	22,095	21,914	23,083	23,359
	<u>45,843</u>	<u>45,064</u>	<u>45,218</u>	<u>46,447</u>	<u>46,825</u>
<b>Accounts:</b>					
Domestic	17,372	17,601	17,860	17,957	18,069
International	20,016	19,055	18,917	20,075	20,282
	<u>37,388</u>	<u>36,656</u>	<u>36,777</u>	<u>38,032</u>	<u>38,351</u>

American Express cards and accounts processed in the Caribbean in 2003 have been reclassified from domestic to international.

7. Merchant volumes in dollars and number of transactions are as follows:

	2003					2004
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr
Dollars (in millions)	\$ 1,763	\$ 1,882	\$ 1,960	\$ 1,861	\$ 7,466	\$ 1,869
Number of Transactions (in thousands)	20,616	21,743	22,724	21,533	86,616	20,755

8. Depreciation and amortization by segment is as follows (in thousands):

	2003					2004
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr
Card Services	\$ 7,715	\$ 7,999	\$ 8,400	\$ 8,106	\$ 32,220	\$ 7,985
Check Services	1,801	2,001	2,384	2,502	8,688	2,784
Corporate	296	250	272	304	1,122	315
	<u>\$ 9,812</u>	<u>\$ 10,250</u>	<u>\$ 11,056</u>	<u>\$ 10,912</u>	<u>\$ 42,030</u>	<u>\$ 11,084</u>

9. Capital expenditures and acquisitions are as follows (in thousands):

	2003					2004
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr
Capital expenditures	\$ 8,432	\$ 15,138	\$ 10,722	\$ 9,663	\$ 43,955	\$ 7,111
Acquisitions, net of cash acquired	\$ —	\$ —	\$ 4,521	\$ —	\$ 4,521	\$ 39,191

CERTEGY INC.  
SUPPLEMENTAL INFORMATION, CONTINUED  
(Unaudited)

**10. Other charges:**

Other charges of \$12.6 million (\$7.9 million after-tax, or \$0.12 per diluted share) in the first quarter of 2003 represent \$9.6 million of early termination costs associated with a data processing contract and \$3.0 million of other net charges primarily related to the downsizing of the Company's Brazilian card operation. A reconciliation of the first quarter 2003 actual results to the first quarter 2003 non-GAAP results that exclude other charges is as follows (in thousands):

	Actual	Other Charges	Non-GAAP
Revenues	\$ 240,169	\$ —	\$ 240,169
Operating expenses	219,213	(12,640)	206,573
Operating income	20,956	12,640	33,596
Other income, net	155	—	155
Interest expense	(1,681)	—	(1,681)
Income before income taxes	19,430	12,640	32,070
Provision of income taxes	(7,238)	(4,708)	(11,946)
Net income	\$ 12,192	\$ 7,932	\$ 20,124
Basic earnings per share	\$ 0.19	\$ 0.12	\$ 0.31
Diluted earnings per share	\$ 0.18	\$ 0.12	\$ 0.30

Details of these charges by segment are as follows:

	Card	Check	Corp	Total
Contract termination costs	\$ 8,757	\$ 865	\$ —	\$ 9,622
Brazil downsizing	2,740	—	—	2,740
Other severance charges	—	156	—	156
Write-down of collateral assignment in life insurance policies	—	—	122	122
	\$ 11,497	\$ 1,021	\$ 122	\$ 12,640

**11. Long-term debt at March 31, 2004 and December 31, 2003 consists of:**

	March 31, 2004	December 31, 2003
Unsecured notes, 4.75%, due 2008, net of unamortized discount	\$ 199,451	\$ 199,420
Borrowings under revolving credit facility	50,000	—
Notes payable, variable rate, due 2009	22,364	22,364
Capital lease obligations	2,787	615
	\$ 274,602	\$ 222,399

**12. Stock repurchase activity:**

We repurchased 663,573 shares of common stock during the first quarter of 2004 at a total cost of \$22.5 million. Approximately \$1.7 million of these repurchases did not settle until April 2004 therefore, our cash flow statement reflects \$20.8 million of cash used for repurchases in the first quarter. At March 31, 2004, we had \$17.5 million of remaining repurchase authority.

**13. Balance Sheet:**

The March 31, 2004 balance sheet reflects preliminary purchase price allocations of the acquisitions of Crittson Financial LLC and Game Financial Corporation. Certain accounts are subject to adjustment as these purchase price allocations are finalized.