

EQUIFAX INC  
Form 10-Q  
November 01, 2006

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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## 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 September 30, 2006

OR

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: 001-06605

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## EQUIFAX INC.

(Exact name of registrant as specified in its charter)

**Georgia**  
(State or other jurisdiction of  
incorporation or organization)  
**1550 Peachtree Street, N.W.,**  
**Atlanta, Georgia**  
(Address of principal executive offices)

**58-0401110**  
(I.R.S. Employer  
Identification No.)

**30309**  
(Zip Code)

**404-885-8000**  
(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (check one)

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2006
Common Stock, \$1.25 Par Value	125,126,797

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**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)****EQUIFAX INC.****CONSOLIDATED STATEMENTS OF INCOME**

<b>(In millions, except per share amounts)</b>	<b>Three Months Ended September 30,</b>	
	<b>2006 (Unaudited)</b>	<b>2005</b>
Operating revenue	<b>\$ 394.6</b>	\$ 375.3
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	<b>157.9</b>	153.0
Selling, general and administrative expenses	<b>95.7</b>	94.5
Depreciation and amortization	<b>20.4</b>	20.5
Total operating expenses	<b>274.0</b>	268.0
Operating income	<b>120.6</b>	107.3
Interest expense	<b>(7.9 )</b>	(8.6 )
Minority interests in earnings, net of tax	<b>(1.0 )</b>	(1.0 )
Other income, net	<b>0.5</b>	4.8
Income before income taxes	<b>112.2</b>	102.5
Provision for income taxes	<b>(33.3 )</b>	(40.0 )
Net income	<b>\$ 78.9</b>	\$ 62.5
Basic earnings per common share	<b>\$ 0.62</b>	\$ 0.48
Shares used in computing basic earnings per share	<b>126.4</b>	129.9
Diluted earnings per common share	<b>\$ 0.61</b>	\$ 0.47
Shares used in computing diluted earnings per share	<b>128.4</b>	132.5
Dividends per common share	<b>\$ 0.04</b>	\$ 0.04

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (Continued)**

(In millions, except per share amounts)	Nine Months Ended September 30,	
	2006 (Unaudited)	2005
Operating revenue	\$ 1,156.3	\$ 1,082.1
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	466.5	443.3
Selling, general and administrative expenses	301.6	262.3
Depreciation and amortization	62.0	60.5
Total operating expenses	830.1	766.1
Operating income	326.2	316.0
Interest expense	(24.0 )	(27.5 )
Minority interests in earnings, net of tax	(3.0 )	(3.6 )
Other income, net	16.0	9.9
Income before income taxes	315.2	294.8
Provision for income taxes	(103.8 )	(111.1 )
Net income	\$ 211.4	\$ 183.7
Basic earnings per common share	\$ 1.65	\$ 1.42
Shares used in computing basic earnings per share	127.8	129.8
Diluted earnings per common share	\$ 1.62	\$ 1.39
Shares used in computing diluted earnings per share	130.1	132.6
Dividends per common share	\$ 0.12	\$ 0.11

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.**  
**CONSOLIDATED BALANCE SHEETS**

(In millions, except par values)	September 30, 2006 (Unaudited)	December 31, 2005
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 55.7	\$ 37.5
Trade accounts receivable, net of allowance for doubtful accounts of \$10.3 at September 30, 2006 and \$9.6 at December 31, 2005	248.5	216.0
Prepaid expenses	24.9	17.9
Other current assets	12.9	9.0
<b>Total current assets</b>	<b>342.0</b>	<b>280.4</b>
Property and equipment:		
Capitalized internal-use software and system costs	232.8	205.9
Data processing equipment and furniture	133.6	124.5
Land, buildings and improvements	29.2	29.1
<b>Total property and equipment</b>	<b>395.6</b>	<b>359.5</b>
Less accumulated depreciation and amortization	(239.0 )	(202.7 )
<b>Total property and equipment, net</b>	<b>156.6</b>	<b>156.8</b>
Goodwill	808.5	791.2
Indefinite-lived intangible assets	95.3	95.0
Purchased intangible assets, net	242.7	263.4
Prepaid pension asset	189.9	183.7
Other assets, net	59.1	61.0
<b>Total assets</b>	<b>\$ 1,894.1</b>	<b>\$ 1,831.5</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Short-term debt and current maturities	\$ 91.7	\$ 92.3
Accounts payable	21.3	5.9
Accrued expenses	50.1	54.0
Accrued salaries and bonuses	40.7	40.7
Deferred revenue	62.3	49.2
Other current liabilities	54.9	52.4
<b>Total current liabilities</b>	<b>321.0</b>	<b>294.5</b>
Long-term debt	416.9	463.8
Deferred income tax liabilities, net	135.3	126.1
Other long-term liabilities	102.8	126.8
<b>Total liabilities</b>	<b>976.0</b>	<b>1,011.2</b>
Commitments and Contingencies (see Note 5)		
Shareholders' equity:		
Preferred stock, \$0.01 par value: Authorized shares 10.0; Issued shares none		
Common stock, \$1.25 par value: Authorized shares 300.0;		
Issued shares 186.2 at September 30, 2006 and 185.2 at December 31, 2005; Outstanding shares 125.7 at September 30, 2006 and 129.2 at December 31, 2005	232.7	231.5
Paid-in capital	599.9	559.0
Retained earnings	1,720.7	1,525.1
Accumulated other comprehensive loss	(134.0 )	(157.8 )
Treasury stock, at cost, 56.3 shares at September 30, 2006 and 51.7 shares at December 31, 2005	(1,439.5 )	(1,274.6 )
Stock held by employee benefits trusts, at cost, 4.2 shares at September 30, 2006 and 4.3 shares at December 31, 2005	(61.7 )	(62.9 )
<b>Total shareholders' equity</b>	<b>918.1</b>	<b>820.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,894.1</b>	<b>\$ 1,831.5</b>

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)	Nine Months Ended September 30, 2006      2005 (Unaudited)	
<b>Operating activities:</b>		
Net income	\$ 211.4	\$ 183.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62.0	60.5
Stock-based compensation expense	14.4	5.9
Tax effects of stock-based compensation plans	6.9	13.0
Excess tax benefits from stock-based compensation plans	(3.5)	)
Deferred income taxes	3.7	13.7
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable, net	(29.3)	(21.4)
Prepaid expenses and other current assets	(6.7)	10.9
Other assets	(3.9)	(12.3)
Current liabilities, excluding debt	26.1	(4.5)
Other long-term liabilities, excluding debt	(25.7)	(11.8)
Cash provided by operating activities	255.4	237.7
<b>Investing activities:</b>		
Capital expenditures	(34.1)	(33.3)
Acquisitions, net of cash acquired		(121.8)
Other	(0.1)	10.1
Cash used in investing activities	(34.2)	(145.0)
<b>Financing activities:</b>		
Net short-term (repayments) borrowings	(0.6)	88.6
Net (repayments) borrowings under long-term revolving credit facilities	(47.0)	120.0
Payments on long-term debt		(250.0)
Treasury stock purchases	(163.9)	(95.0)
Dividends paid	(15.3)	(14.8)
Proceeds from exercise of stock options	19.8	47.7
Excess tax benefits from stock-based compensation plans	3.5	
Other	(0.2)	0.7
Cash used in financing activities	(203.7)	(102.8)
Effect of foreign currency exchange rates on cash and cash equivalents	0.7	(0.5)
Increase (decrease) in cash and cash equivalents	18.2	(10.6)
Cash and cash equivalents, beginning of period	37.5	52.1
Cash and cash equivalents, end of period	\$ 55.7	\$ 41.5

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY**  
**AND COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Stock Held By Employee Benefits Trusts	Total Shareholders Equity
	Outstanding Shares	Amount						
Balance, December 31, 2005	129.2	\$ 231.5	\$ 559.0	\$ 1,525.1	\$ (157.8)	\$ (1,274.6)	\$ (62.9)	\$ 820.3
Net income				211.4				211.4
Other comprehensive income					23.8			23.8
Shares issued under stock plans	0.9	1.1	16.8					17.9
Shares issued under benefits plans	0.1		1.5				1.2	2.7
Treasury stock traded for option price			0.2			(1.0)		(0.8)
Treasury stock traded for minimum tax withholdings			(0.2)			(1.9)		(2.1)
Treasury stock purchased (\$35.02 per share)*	(4.6)					(162.0)		(162.0)
Cash dividends (\$0.12 per share)				(15.8)				(15.8)
Dividends paid to employee benefits trusts			0.5					0.5
Stock-based compensation expense			14.4					14.4
Tax effects of stock-based compensation plans			6.9					6.9
Other	0.1	0.1	0.8					0.9
Balance, September 30, 2006	125.7	\$ 232.7	\$ 599.9	\$ 1,720.7	\$ (134.0)	\$ (1,439.5)	\$ (61.7)	\$ 918.1

\* At September 30, 2006, \$183.4 million was authorized for future repurchases of our common stock.

**Accumulated Other Comprehensive Loss consists of the following components:**

	September 30, 2006 (In millions)	December 31, 2005
Foreign currency translation	\$ (116.6)	\$ (140.1)
Minimum pension liability, net of accumulated tax of \$10.0 at September 30, 2006 and December 31, 2005	(16.7)	(16.7)
Cash flow hedging transactions, net of tax of \$0.4 and \$0.6 at September 30, 2006 and December 31, 2005, respectively	(0.7)	(1.0)
Accumulated other comprehensive loss	\$ (134.0)	\$ (157.8)

**Comprehensive Income is as follows:**

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2006	
	2006	2005	2006	2005
Net income	\$ 78.9	\$ 62.5	\$ 211.4	\$ 183.7
Other comprehensive income (loss):				
Foreign currency translation adjustment	4.6	15.0	23.5	16.1
Minimum pension liability adjustment				