UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT NO. 1

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

For Quarterly Period Ended February 28, 2002

OR

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

Commission File No. 001-16111

GLOBAL PAYMENTS INC.
(Exact name of registrant as specified in charter)

Georgia **(State or other jurisdiction of incorporation or organization)**	**58-2567903** **(I.R.S. Employer Identification No.)**
Four Corporate Square, Atlanta, Georgia **(Address of principal executive offices)**	**30329-2009** **(Zip Code)**

Registrant's telephone number, including area code 404-728-2719

NONE
(Former name, former address and former fiscal year, if changed since last report)

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 ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common Stock, No Par Value – 36,725,318 shares

Outstanding as of March 29, 2002

EXPLANATORY NOTE

This Amendment No. 1 to the Registrant's Quarterly Report on Form 10-Q for the period ending February 28, 2002 is being filed for the purpose of including the report of the independent public accountants which was omitted from the Registrant's Form 10-Q filed on April 5, 2002. Other than the incorporation of the accountants report, no further changes were made to the financial statements.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Global Payments Inc.:

We have reviewed the consolidated balance sheet of GLOBAL PAYMENTS INC. (a Georgia corporation) and subsidiaries as of February 28, 2002, and the related consolidated statements of income for the three-month and nine-month periods ended February 28, 2002 and February 28, 2001. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquires of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Atlanta, Georgia
April 2, 2002

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
GLOBAL PAYMENTS INC.

(In thousands, except per share data)

	Three Months Ended February 28,	
	2002	**2001**
Revenues	$ 115,283	$ 80,674
Operating expenses:		
Cost of service	64,141	44,607
Sales, general and administrative	33,147	24,101
	97,288	68,708
Operating income	17,995	11,966
Other income (expense):		
Interest and other income	553	260
Interest and other expense	(882)	(1,425)
Minority interest	(1,040)	(1,295)
	(1,369)	(2,460)
Income before income taxes	16,626	9,506
Provision for income taxes	6,351	3,660
Net income	$ 10,275	$ 5,846
Basic earnings per share	$ 0.28	$ 0.22
Diluted earnings per share (Note 3)	$ 0.27	—

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
GLOBAL PAYMENTS INC.

(In thousands, except per share data)

	Nine Months Ended February 28,	
	2002	**2001**
Revenues	$ 341,855	$ 250,496
Operating expenses:		
Cost of service	186,352	133,738
Sales, general and administrative	94,039	72,239
	280,391	205,977
Operating income	61,464	44,519
Other income (expense):		
Interest and other income	1,329	1,490
Interest and other expense	(3,120)	(4,815)
Minority interest	(3,377)	(3,955)
	(5,168)	(7,280)
Income before income taxes	56,296	37,239
Provision for income taxes	21,505	14,337
Net income	$ 34,791	$ 22,902
Basic earnings per share	$ 0.95	$ 0.87
Diluted earnings per share (Note 3)	$ 0.92	$ —

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS
GLOBAL PAYMENTS INC.

(In thousands, except share data)

	February 28, 2002	May 31, 2001
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,470	$ 6,103
Accounts receivable, net of allowance for doubtful accounts of $1,221 and $1,198 at February 28, 2002 and May 31, 2001, respectively	46,673	39,264
Claims receivable, net of allowance for losses of $4,226 and $4,445 at February 28, 2002 and May 31, 2001, respectively	1,064	126
Merchant processing receivable	693	76,667
Income tax receivable	1,409	307
Inventory	2,838	3,216
Deferred income taxes	5,118	5,118
Prepaid expenses and other current assets	4,809	5,697
Total current assets	80,074	136,498
Property and equipment, net	52,777	44,336
Goodwill	156,970	118,791
Other intangible assets, net	164,065	158,584
Other	5,389	395
Total assets	$ 459,275	$ 458,604
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Line of credit	$ 48,000	$ 73,000
Merchant processing payable	7,205	8,829
Obligations under capital leases	2,763	2,739
Accounts payable and accrued liabilities	52,420	47,916
Total current liabilities	110,388	132,484
Obligations under capital leases	5,296	1,974
Deferred income taxes	7,237	7,237
Other long-term liabilities	6,923	7,035
Total liabilities	129,844	148,730
Commitments and contingencies		
Minority interest in equity of subsidiaries	25,702	38,852
Shareholders' equity:		
Preferred stock, no par value, 5,000,000 shares authorized, none issued	—	—
Common stock, no par value, 200,000,000 shares authorized, 36,519,609 and 36,477,168 shares issued and outstanding at February 28, 2002 and May 31, 2001, respectively	—	—
Paid in capital	275,816	272,243
Retained earnings	32,623	2,217
Deferred compensation	(1,679)	(2,357)
Cumulative translation adjustment	(3,031)	(1,081)
Total shareholders' equity	303,729	271,022
Total liabilities and shareholders' equity	$ 459,275	$ 458,604

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW
GLOBAL PAYMENTS INC.

(In thousands)

	Nine Months Ended February 28, 2002	Nine Months Ended February 28, 2001
Cash flows from operating activities:		
Net income	$ 34,791	$ 22,902
Adjustments to reconcile net income to cash provided by (used in) operating activities before changes in assets and liabilities:		
Depreciation and amortization	13,699	7,192
Amortization of acquired intangibles and goodwill	8,143	7,614
Amortization of debt issuance costs and restricted stock	798	951
Deferred income taxes	—	1,054
Provision for bad debts	36	1,860
Minority interest in earnings	3,377	3,955
Other, net	(1,950)	(668)
Changes in assets and liabilities which provided (used) cash, net of the effects of acquisitions:		
Accounts receivable, net	(7,445)	(6,003)
Merchant processing working capital	73,412	5,853
Inventory	378	598
Prepaid expenses and other assets	810	2,711
Accounts payable and accrued liabilities	2,014	5,968
Income taxes	(1,102)	908
Net cash provided by operating activities	126,961	54,895
Cash flows from investing activities:		
Capital expenditures	(16,052)	(5,934)
Other long term assets	(5,000)	—
Business acquisitions, net of acquired cash	(61,215)	(2,750)
Proceeds from divested business	—	3,502
Net cash used in investing activities	(82,267)	(5,182)
Cash flows from financing activities:		
Net (payments) and borrowings on line of credit	(25,000)	59,000
Net repayments to NDC	—	(105,310)
Principal payments under capital lease arrangements and other long-term debt	(2,530)	(2,259)
Net stock issued to employees under stock plans	3,453	—
Distributions to minority interests	(4,865)	(3,360)
Dividends paid	(4,385)	—
Net cash provided by (used in) financing activities	(33,327)	(51,929)
Increase (decrease) in cash and cash equivalents	11,367	(2,216)
Cash and cash equivalents, beginning of period	6,103	2,766
Cash and cash equivalents, end of period	$ 17,470	$ 550

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements

NOTES TO UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FEBRUARY 28, 2002

NOTE 1—SPIN-OFF AND BASIS OF PRESENTATION:

In December 1999, National Data Corporation, now known as NDCHealth Corporation (“NDC”) announced its intent to spin-off the NDC eCommerce business segment into a separate publicly traded company with its own management and Board of Directors (the “Distribution”). This Distribution occurred on January 31, 2001 (the “Distribution Date”) and was accomplished by forming Global Payments Inc. (“Global Payments” or the “Company”) on September 1, 2000, transferring the stock of the companies which comprised the NDC eCommerce business segment to Global Payments and then distributing all of the shares of common stock of Global Payments to NDC’s stockholders. NDC stockholders received 0.8 share of Global Payments stock for each NDC share held as of the Distribution Date. After the Distribution, Global Payments and NDC became two separate public companies.

The unaudited interim consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. The Company is an integrated provider of high volume electronic transaction processing and value-added end-to-end information services and systems to merchants, multinational corporations, financial institutions, and government agencies. These services are marketed to customers within the merchant services and the funds transfer business through various sales channels.

The unaudited interim consolidated financial statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in the United States, and present the Company’s financial position, results of operations, and cash flows. Through the Distribution Date, these amounts were derived from NDC’s historical financial statements. As further described in Note 7, certain corporate and interest expenses had been allocated to the Company that were not previously allocated to NDC’s eCommerce business segment. In the opinion of management, these allocations have been made on a reasonable basis. The costs of these services charged to the Company may not reflect the actual costs the Company would have incurred for similar services as a stand-alone company.

The unaudited interim financial statements included herein have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate and the information presented is not misleading. It is suggested that these financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Form 10-K for the fiscal year-ended May 31, 2001. In the opinion of management, the information furnished reflects all adjustments necessary to present fairly the financial position, results of operations, and cash flows for such interim periods.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

On July 20, 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, *“Business Combinations”* (“SFAS No. 141”) and No. 142, *“Goodwill and Other Intangible Assets”* (“SFAS No. 142”). SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method. SFAS No. 142 eliminates the amortization of goodwill and certain other intangible assets and requires that goodwill be evaluated for impairment by applying a fair value-based test. In accordance with SFAS No. 142, the Company has elected to adopt the standard effective June 1, 2001. See Note 6.

Effective June 1, 2001, Global Payments adopted Statements of Financial Accounting Standard No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* ("SFAS No. 133"). SFAS No. 133 requires that a company recognize derivatives as assets or liabilities on its balance sheet, and also requires that the gain or loss related to the effective portion of derivatives designated as cash flow hedges be recorded as a component of other comprehensive income. Global Payments did not have any derivative instruments at February 28, 2002.

The Company follows Statement of Financial Accounting Standards No. 131 ("SFAS No. 131"), *"Disclosure About Segments of an Enterprise and Related Information."* The Company's chief operating decision making group currently operates one reportable segment—electronic transaction processing—therefore the majority of the disclosures required by SFAS No. 131 do not apply to the Company. The Company's results of operations and its financial condition are not significantly reliant upon any single customer. Revenues from external customers from the Company's service offerings are as follows:

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2002	2001	2002	2001
	(in thousands)			
Merchant services	$ 112,057	$ 76,745	$ 331,426	$ 236,573
Funds transfer	3,226	3,929	10,429	13,923
	$ 115,283	$ 80,674	$ 341,855	$ 250,496

NOTE 3—EARNINGS PER SHARE:

Basic earnings per share is computed by dividing reported earnings available to common shareholders by weighted average shares outstanding during the period. Earnings available to common shareholders are the same as reported net income for all periods presented. For periods prior to the Distribution Date, weighted average shares outstanding is computed by applying the distribution ratio of 0.8 of a share of the Company for each NDC share held to the historical NDC weighted average shares outstanding for the same periods presented.

Diluted earnings per share is computed by dividing reported earnings available to common shareholders by weighted average shares outstanding during the period and the impact of securities that, if exercised, would have a dilutive effect on earnings per share. All options with an exercise price less than the average market share price for the period generally are assumed to have a dilutive effect on earnings per share. No additional shares were outstanding that could potentially dilute basic earnings per share that were not included in the computation of diluted earnings per share. Diluted earnings per share is not presented for the period ending February 28, 2001, as Global Payments stock options did not exist prior to the Distribution Date, and public trading of Global Payments stock did not commence until February 1, 2001.

The following table sets forth the computation of the basic and diluted earnings per share for the three and nine months ended February 28, 2002.

	Three Months Ended February 28, 2002			Nine Months Ended February 28, 2002		
	Net Income	Weighted Avg. Shares	Earnings Per Share	Net Income	Weighted Avg. Shares	Earnings Per Share
	(in thousands, except per share data)					
Basic	$ 10,275	36,498	$ 0.28	$ 34,791	36,477	$ 0.95
Effect of dilutive securities:						
Stock options	—	1,508		—	1,406	
Diluted	$ 10,275	38,006	$ 0.27	$ 34,791	37,883	$ 0.92

NOTE 4 – COMPREHENSIVE INCOME:

The components of comprehensive income for the three and nine months ended February 28, 2002 and 2001 are as follows:

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2002	2001	2002	2001
	(in thousands)			
Net income	$ 10,275	$ 5,846	$ 34,791	$ 22,902
Foreign currency translation	(94)	58	(1,205)	(411)
Total comprehensive income	$ 10,181	$ 5,904	$ 33,586	$ 22,491

NOTE 5 – BUSINESS ACQUISITIONS:

On October 1, 2001, the Company acquired National Bank of Canada's merchant acquiring portfolio and formed a ten-year alliance for marketing merchant payment-related products and services to National Bank of Canada's customers. This acquisition was completed to compliment our existing Canadian customer portfolio and broaden our presence in Canada.

In August 2001, Global Payments purchased the 7.5% minority interest owned by MasterCard International Corporation in Global Payment Systems LLC. The transaction was effective as of June 1, 2001.

The aggregate cash price paid for these acquisitions, and purchase price adjustments to acquisitions completed in the last twelve months, during the nine months ended February 28, 2002 consisted of $61.2 million, as follows:

	Nine Months Ended February 28, 2002
	(in thousands)
Goodwill	$ 38,179
Customer lists	13,624
Liabilities assumed	(2,378)
Plant, property and equipment acquired	128
Minority interest buyout	11,662
Cash paid for acquisitions	$ 61,215

The amount allocated to customer lists is being amortized over 17 years. No significant residual value is estimated for this intangible asset.

NOTE 6 – GOODWILL AND INTANGIBLE ASSETS:

In accordance with SFAS No. 142, adopted on June 1, 2001, the Company discontinued the amortization of goodwill and certain intangible assets that were determined to have an indefinite life. As of February 28, 2002 and May 31, 2001, intangible assets consisted of the following:

	As of February 28, 2002		As of May 31, 2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
Amortized intangible assets:				
Customer lists	$ 205,213	$ (65,761)	$ 191,591	$ (57,620)
Weighted average amortization period is 18 years				
Indefinite life intangible asset:				
Trademark	24,613	—	24,613	—
Total	$ 229,826	$ (65,761)	$ 216,204	$ (57,620)

Amortization expense for the nine months ended February 28, 2002 and the year ended May 31, 2001 was $8,143 and $10,974, respectively.

The estimated amortization expense for the next five years is as follows (in thousands):

For the year ended May 31, 2002	$ 10,945
For the year ended May 31, 2003	$ 11,212
For the year ended May 31, 2004	$ 11,187
For the year ended May 31, 2005	$ 10,977
For the year ended May 31, 2006	$ 10,663

Global Payments has one reportable segment (see Note 2), but has two reporting units within merchant services. Merchant services include credit and debit card transaction processing, business-to-business purchase card transaction processing, check guarantee, check verification and recovery, and terminal management services. In one reporting unit, which we refer to as *"direct"* merchant services, we have a salaried and commissioned sales force and independent sales organizations, or ISOs, that sell our end-to-end services directly to merchants. In the other reporting unit, which we refer to as *"indirect"* merchant services, we provide products and services primarily to financial institutions that in turn resell to their merchants. The following table discloses the changes in the carrying amount of goodwill by reporting unit for the period ended February 28, 2002:

	Merchant Services		
	Direct Unit	Indirect Unit	Total
Balance as of May 31, 2001	$ 79,492	$ 39,299	$ 118,791
Goodwill acquired during the year	34,841	3,338	38,179
Balance as of February 28, 2002	$ 114,333	$ 42,637	$ 156,970

In July 2001, the Financial Accounting Standards Board issued SFAS No. 142, "*Goodwill and Other Intangible Assets*". Global Payments adopted this new standard in the first quarter of fiscal 2002. SFAS 142 requires that goodwill no longer be amortized but be reviewed for impairment on a regular basis. Global Payments completed the testing for impairment in goodwill during the second quarter ending November 30, 2001 using the expected present value of future cash flows. The Company determined that the fair value of the reporting units exceeds the carrying amount of the net assets, including goodwill of the respective reporting units. Therefore, no impairment charge to goodwill is required. The trademark has been reassessed as an indefinite life intangible asset. No other changes in amortization periods were required for other intangible assets.

The indefinite life trademark totals $24.6 million and is included in Other Intangible Assets in the Balance Sheets. The testing for impairment of this asset has not yet been completed by an independent valuation firm. It is anticipated that the final results of this valuation will be completed prior to May 31, 2002. If the carrying value of the trademark is determined to exceed its fair value, the impairment loss, if any, will be recognized as the effect of a change in accounting principle retroactive to the quarter ended August 31, 2001. Any impairment charge could have a material impact on net income for fiscal 2002.

The impact of the change in accounting principle for the three and nine months ended February 28, 2002 and February 28, 2001 was as follows:

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2002	2001	2002	2001
	(in thousands, except per share data)			
Net income				
Reported net income	$ 10,275	$ 5,846	$ 34,791	$ 22,902
Add back: Goodwill amortization		531		1,576
Add back: Trademark amortization		109		326
Adjusted net income	$ 10,275	$ 6,486	$ 34,791	$ 24,804
Basic earnings per share				
Reported net income	$ 0.28	$ 0.22	$ 0.95	$ 0.87
Goodwill amortization		0.02		0.06
Trademark amortization		0.00		0.01
Adjusted net income	$ 0.28	$ 0.24	$ 0.95	$ 0.94

NOTE 7 – TRANSACTIONS WITH NDC:

NDC charged the Company with corporate costs through the Distribution Date. During the three and nine month periods ended February 28, 2001, the Company was charged $1.1 million and $4.7 million. The allocations were based on an estimate of the proportion of corporate expenses related to the Company, utilizing such factors as revenues, number of employees, number of transactions processed and other applicable factors.

The Company was also charged corporate interest expense through January 31, 2001 based on the corporate debt allocations of NDC to the Company at the Distribution Date. The Company utilized a rollback approach to allocate the portion of the NDC consolidated group’s debt and interest expense for all historical periods presented. This treatment records the debt allocation percentage for all historical periods presented. Interest expense recorded by the Company related to this debt was $1.0 million and $3.1 million for the three and nine months ended February 28, 2001 and is included in interest and other expense. NDC did not charge any incremental interest expense to the Company after the Distribution Date.

In conjunction with the Distribution, the Company and NDC entered into various agreements that address the allocation of assets and liabilities between them and define their relationship after the Distribution, including the Distribution Agreement, the Tax Sharing and Indemnification Agreement, the Employee Benefits Agreement, the Lease Agreement for Office Headquarters, the Intercompany Systems/Network Services Agreement, the Batch Processing Agreement and the Transition Support Agreement. The Company paid NDC $2.1 million and $6.4 million in the three and nine months ended February 28, 2002 for transitional services.

NOTE 8 – RESTRUCTURING AND OTHER:

During the fourth quarter of fiscal 2001, the Company completed plans for the consolidation of six locations into three, including associated management and staff reductions. Charges included both cash and non-cash amounts for closed or planned closings of facilities and severance and related costs.

The cash charges relating to facilities represent locations that have closed by September 2001. Cash charges included future minimum lease and operating payments, commencing on the planned exit timing, for all noncancelable leases under remaining terms of the locations identified, net of current and estimated future sublease income. The cash charges also included facility exit costs. Normal lease payments and operating costs were charged to operating expenses prior to actually vacating the specific facilities.

The severance and related costs arose from the Company's actions to reduce personnel in areas of redundant operations and activities. These charges reflect specifically identified employees who were informed and terminated from employment in the fourth quarter of fiscal 2001.

Total charges relating to the consolidation were $4.9 million. Of this total, approximately $2.7 million were cash items that were accrued at the time the charges were incurred. As of February 28, 2002, $0.9 million of the cash portion of the restructuring charges remains accrued in the current liabilities section of the balance sheet as follows:

	Original Total	Payments to Date	Remaining Liability
		(in thousands)	
Closed or planned closings of facilities	$ 1,075	$ 803	$ 272
Severance and related costs	1,610	943	667
Totals	$ 2,685	$ 1,746	$ 939

NOTE 9 – SUPPLEMENTAL CASH FLOW INFORMATION:

Historically, through the Distribution Date, the Company's cash flow had been calculated with and included in the NDC consolidated group's Supplemental Cash Flows. The Company's payments for income taxes have been calculated on the Company's separate income and reflect federal and state income tax payment allocations as if the Company had been operating on a stand-alone basis. The Company has utilized a rollback approach to allocate the portion of the consolidated group's interest payments for all historical periods presented (Note 7).

Supplemental cash flow disclosures for the three and nine month periods ended February 28, 2002 and 2001 are as follows:

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2002	2001	2002	2001
		(in thousands)		
Supplemental cash flow information:				
Income taxes paid, net of refunds	$ 11,554	$ 509	$ 22,628	$ 2,442
Interest paid	451	944	2,586	3,376
Capital leases entered into in exchange for property and equipment	5,876	—	5,876	—

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 thereunto duly authorized.

Global Payments Inc.
(Registrant)

Date: May 10, 2002

By: /s/ James G. Kelly
James G. Kelly

Chief Financial Officer
(Principal Financial Officer and Chief Accounting Officer)