

BLACKHAWK NETWORK HOLDINGS, INC
Form 10-Q
July 22, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 14, 2014

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: 001-35882

BLACKHAWK NETWORK HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware 43-2099257
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

6220 Stoneridge Mall Road 94588
Pleasanton, CA (Zip Code)
(Address of Principal Executive Offices)
(925) 226-9990
(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 checkmark 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 during the preceding 12 months (or for such shorter time period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of July 15, 2014, there were 12,658,000 shares of the Registrant's Class A common stock outstanding and 40,175,000 shares of the Registrant's Class B common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BLACKHAWK NETWORK HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

(Unaudited)

	June 14, 2014	December 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$299,727	\$550,380
Settlement receivables, net	276,447	813,448
Accounts receivable, net	121,766	126,369
Deferred income taxes	20,145	20,145
Prepaid expenses and other current assets	59,030	67,474
Total current assets	777,115	1,577,816
Property, equipment and technology, net	84,703	79,663
Intangible assets, net	87,972	98,689
Goodwill	133,088	133,521
Deferred income taxes	727	727
Other assets	83,358	90,678
TOTAL ASSETS	\$1,166,963	\$1,981,094
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Settlement payables	\$538,707	\$1,484,047
Consumer and customer deposits	57,423	54,915
Accounts payable and accrued operating expenses	81,890	99,499
Current portion of note payable	8,705	—
Other current liabilities	41,161	81,270
Total current liabilities	727,886	1,719,731
Deferred income taxes	24,376	24,488
Note payable	165,393	—
Other liabilities	9,629	8,711
Total liabilities	927,284	1,752,930
Commitments and contingencies (see Note 8)	—	—
Stockholders' equity:		
Preferred stock: \$0.001 par value; 10,000 shares authorized; no shares outstanding	—	—
Class A common stock: \$0.001 par value; 125,000 shares authorized; 12,598 and 12,188 shares outstanding, respectively	12	12
Class B common stock: \$0.001 par value; 125,000 shares authorized; 40,142 and 40,252 shares outstanding, respectively	41	41
Additional paid-in capital	117,457	107,139
Treasury stock	(472) (126
Accumulated other comprehensive loss	(3,396) (2,873
Retained earnings	119,177	116,975
Total Blackhawk Network Holdings, Inc. equity	232,819	221,168
Non-controlling interests	6,860	6,996
Total stockholders' equity	239,679	228,164
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,166,963	\$1,981,094

See accompanying notes to condensed consolidated financial statements

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except for per share amounts)

(Unaudited)

	12 Weeks Ended		24 Weeks Ended	
	June 14, 2014	June 15, 2013	June 14, 2014	June 15, 2013
OPERATING REVENUES:				
Commissions and fees	\$216,341	\$176,819	\$394,436	\$321,294
Program, interchange, marketing and other fees	40,421	28,907	76,086	53,265
Product sales	27,182	20,136	46,537	36,353
Total operating revenues	283,944	225,862	517,059	410,912
OPERATING EXPENSES:				
Distribution partner commissions	144,023	118,153	262,617	214,135
Processing and services	45,314	34,258	86,939	66,394
Sales and marketing	45,779	39,932	84,570	68,257
Costs of products sold	25,495	18,509	44,799	34,359
General and administrative				