

SUNGARD DATA SYSTEMS INC  
Form 10-K  
March 15, 2004  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-K**

(Mark One)

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2003 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 1-12989

**SunGard<sup>®</sup> Data Systems Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of incorporation)

**51-0267091**  
(I.R.S. Employer Identification No.)

**680 East Swedesford Road, Wayne, Pennsylvania 19087**

(Address of principal executive offices, including zip code)

**484-582-2000**

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(Telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

**Common Stock, Par Value \$0.01 Per Share**

Securities registered pursuant to Section 12(g) of the Act:

**None**

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy statement incorporated by reference into Part III of this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes . No .

The aggregate market value of the registrant's voting stock held by nonaffiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was \$7,313,020,508.<sup>(1)</sup>

There were 289,185,043 shares of the registrant's Common Stock outstanding as of March 5, 2004.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for the 2004 annual meeting of stockholders, to be filed with the Securities and Exchange Commission not later than 120 days after the end of the registrant's fiscal year covered by this report, are incorporated by reference into Part III of this Form 10-K.

Portions of the registrant's annual report to stockholders for the fiscal year ended December 31, 2003 are incorporated by reference into Parts II and IV of this Form 10-K.

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(1) This equals the number of outstanding shares of the registrant's Common Stock, reduced by the number of shares that may be deemed beneficially owned by the registrant's directors, nominees and executive officers, multiplied by the closing price of the registrant's Common Stock reported on June 30, 2003. This information is provided solely for record keeping purposes of the Securities and Exchange Commission and shall not be construed as an admission that any of

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the registrant's directors, nominees or executive officers is an affiliate of the registrant or is the beneficial owner of any such shares. Any such inference is hereby disclaimed.

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**FORWARD-LOOKING STATEMENTS**

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, approximately, intends, plans, anticipates or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our results. We described some of the factors that we believe could affect our results in Item 7 of this Report under the heading Risk Factors. We assume no obligation to update any written or oral forward-looking statement made by us or on our behalf as a result of new information, future events or other factors.

**PART I**

**ITEM 1. BUSINESS**

**OVERVIEW**

We are a global leader in integrated software and processing solutions, primarily for financial services, and are also the pioneer and leading provider of information availability services. We are an efficient operator of resilient information technology solutions. Our efficiency comes from the economies of scale in serving multiple customers on shared platforms. We support more than 20,000 customers in over 50 countries, including the world's 50 largest financial services companies. We currently operate our business in three segments: Investment Support Systems, Availability Services, and Higher Education and Public Sector Systems.

In Investment Support Systems, we primarily serve financial services institutions by processing their investment and trading transactions. Our investment support systems are used by customers on both the buy-side and sell-side of the global financial services industry, as well as corporates, energy companies and governments. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing portfolios and accounting for investment assets. We deliver many of our systems as an application service provider.

In Availability Services, we help information-dependent enterprises of all types to ensure the continuity of their business by providing a portfolio of business continuity, managed IT and professional services. We provide information availability services for all major computing platforms, as well as end-user workstations. We also provide managed application and data-center outsourcing, including hosting services for a number of our investment support systems. To service our availability services customers, we operate more than 3,000,000 square feet of hardened, secure facilities at over 60 locations in more than 10 countries, and a global network of approximately 25,000 miles.

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In our Higher Education and Public Sector Systems, we primarily provide specialized enterprise resource planning and administrative solutions to institutions of higher education, school districts and nonprofit organizations, as well as local, state and federal governments. These solutions include accounting, personnel, fundraising, grant and project management, student administration and reporting for educational and nonprofit organizations and accounting, personnel, utility billing, land management, public safety and justice administration for governments.

We have grown steadily, both by developing our existing businesses and by buying new businesses that broaden or complement our existing products and services. In 2002 and 2003, however, our revenue growth came almost entirely from acquisitions. Our acquisition program has been active since our initial public offering in 1986 and has contributed significantly to our long-term growth and success. During 2003, we completed nine acquisitions for an aggregate cash purchase price of approximately \$435 million, net of cash acquired.

Our customer base is concentrated in the financial services industry but is widely diversified from a revenue contribution perspective. Of our more than 20,000 customers, not one accounted for more than three percent of our total 2003 revenue. We seek to establish long-term relationships with customers by selling our products and services under multi-year contracts and by emphasizing customer support and product quality and integration. Our services revenue, which is largely recurring in nature, is derived from availability services, processing services, software support and rentals, professional services, broker/dealer fees and hardware rentals. Our services revenue accounted for approximately 90% of our total revenue during 2003.

Our operating units are organized into groups that generally mirror the business lines of our customers in order to facilitate product integration and cross-selling. Individual operating units are responsible for sales and marketing, development and customer support of their own products and services. In conjunction with the efforts of our individual operating units, our global account managers focus on our largest customers that use multiple products and services. Our executive management team provides oversight and identifies opportunities to integrate our products and services in order to bring further operational efficiencies to our customers.

## **BUSINESS STRATEGY**

We are focused on expanding our position as a leading provider both of integrated software and processing solutions for financial services, higher education and the public sector, and of availability services for a broad base of information-dependent enterprises. In pursuit of these objectives, we have implemented the following strategy:

***Upgrading and Enhancing Our Products and Services.*** We continually support, upgrade and enhance our systems to incorporate new technology and to meet the needs of our customers for increased operational efficiency and resilience. We continue to introduce innovative products and services, such as straight-through-processing solutions and Web-based technologies, that complement and improve our established products and services and also address the specific needs of our customers. Our enhancements and upgrades result, in part, from active dialogue with current and prospective customers and customer user groups, some of which are independent and others that are sponsored by us. As we seek to take advantage of new technologies and to improve our customers' operational efficiency and resilience, we are careful to preserve the functionality of our proven products and services. Our strong, recurring revenue base allows us to continually reinvest in our

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products and services. For example, in 2003, we spent 11% of revenue from Investment Support Systems and Higher Education and Public Sector Systems on product development.

***Acquiring Complementary Businesses.*** We seek acquisitions that broaden or complement our existing products and services and strengthen our leadership positions. We believe that our success in identifying appropriate acquisition candidates enables us to capitalize on consolidation trends, especially within the fragmented market for investment support systems. We have detailed, standardized procedures for evaluating and implementing acquisitions. Before committing to an acquisition, we devote significant resources to due diligence and to the development of a post-acquisition plan. First, we focus on the acquisition candidate's ability to generate profits by itself and then we attempt to identify and quantify potential cost savings. We also carefully review the acquisition candidate's potential impact on our financial results and balance sheet. Generally, we seek to make acquisitions that will be neutral or positive to our earnings within the first twelve months.

***Providing Straight-Through Processing.*** Historically, processing investments and trades could not be completed in real-time. For example, trades could be executed and partially processed throughout the trading day, but the final processing, including confirmations, clearing and settlement, would be completed overnight or over the course of several days in what was called a batch process, often with manual intervention. Our products and services eliminate the need for most batch processes and manual intervention, which facilitates real-time processing of investment and trading activity. We also focus on integrating our solutions with each other and with other vendors' systems. For example, we build interfaces that allow multiple systems to exchange data without manual intervention. As a result, we can provide straight-through-processing solutions, not only within a single customer's operations, but also across multiple firms using the SunGard Transaction Network. Using our real-time, integrated solutions and SunGard Transaction Network, members of the investment community can automate not only the investment process for trading in equities, bonds, money markets, commercial paper, certificates of deposit and mutual funds, but also the routing of orders between investors, brokers, issuers and mutual fund companies. All of these solutions help our customers to lower costs, reduce errors and provide better service to their customers.

***Building Strong Customer Relationships.*** We believe that one of the keys to our success is our focus on developing close, well-managed, long-term relationships with our customers. Our operating units are focused on key customer types, which facilitates integration and cross-selling of our products. We not only focus on meeting our existing customers' needs, but also on attracting and retaining new customers and continually improving customer satisfaction. We believe our operational approach helps us attract and retain customers and increases customers' use of our products and services.

***Maintaining Our Financial Strength.*** We strive to generate a high level of recurring revenue and cash flow, maintain a conservative capital structure and employ disciplined financial policies. We believe this fiscal strategy has been a major factor contributing to our long-term financial strength and viability. This enables us to fund the growth of our business by continually developing and acquiring new products and provides us a competitive advantage in growing, serving and retaining our substantial customer base. To increase our financial flexibility, we issued \$500 million in unsecured senior notes in January 2004.

***Promoting an Entrepreneurial Culture.*** We believe that one of our strongest competitive strengths is our entrepreneurial culture. We intend to continue to foster this culture. About half of our executive officers and many other employees joined us as a result of acquisitions. Our operating unit

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management structure is central to expanding our business both through internal development and through identifying potential acquisitions. Our compensation structure actively encourages our employees to be entrepreneurial and to emphasize customer satisfaction. Our executive officers have been with us for an average of twelve and a half years.

### **BUSINESS SEGMENT OVERVIEW**

#### *Investment Support Systems*

In Investment Support Systems, we primarily serve financial services institutions through a broad range of complementary software solutions that process their investment and trading transactions. These solutions are grouped into the following business areas: brokerage and trading systems; wealth management systems; treasury and risk management systems; investment management systems; and benefit, insurance and investor accounting systems. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing portfolios and accounting for investment assets.

Our investment support systems are used by customers on both the buy-side and sell-side of the global financial services industry, as well as corporates, energy companies and governments. Buy-side customers include banks, investment managers, mutual funds, investment advisors, insurance companies, trustees, benefit plan administrators and others involved in buying, holding and managing investments. Sell-side customers include brokers, exchange members, depositaries, custodians, transfer agents and others involved in selling, brokering and trading investments. Approximately five million trades per day are processed by our investment support systems at some point in the trade cycle.

We deliver many of our investment support systems as an application service provider (ASP). We provide investment support systems on an ASP basis primarily from our data centers located throughout North America and Europe. We also deliver some of our investment support systems by licensing the software to customers for use on their own computers.

#### *Brokerage and Trading Systems*

Our brokerage and trading systems provide comprehensive processing of equities, fixed-income securities, and exchange-traded futures, options and other instruments. Used primarily by broker/dealers and other sell-side customers, these systems address all important facets of securities transaction processing, including order routing, trading support, execution and clearing, position keeping, regulatory and tax compliance and reporting, and investment accounting and recordkeeping. Some of these systems provide full front- to back-office support, while others are focused primarily on one or the other.

We own four registered brokers that facilitate enhanced straight-through processing by providing the following services using our brokerage and trading systems: (1) an electronic communications network (ECN) that is used by brokerage firms and institutional investors to trade Nasdaq and exchange-listed securities anonymously; (2) a clearing broker that provides order routing, execution and clearing for professional traders; (3) a full-service equities trading desk for institutional investors; and (4) a New York Stock Exchange member that uses a proprietary wireless system to execute trades for institutional investors.



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We link our investment support systems and hosting data centers through the SunGard Transaction Network. Using this network, one of our registered brokers offers an online, straight-

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through-processing service that automates the investment process for trading equities, bonds, money markets, commercial paper, certificates of deposit and mutual funds. This service automatically routes orders and confirmations between investors, brokers, issuers and mutual fund companies that are linked to the network. We market these services to users of both our investment support systems and our business partners systems. Through initiatives like the SunGard Transaction Network, we aim to link all of these systems both within and across institutions to achieve straight-through processing.

### *Wealth Management Systems*

Our wealth management systems include a range of software solutions used primarily by bank trust departments to manage and service the portfolios of high net worth individuals. We offer an integrated wealth management application suite that provides straight-through processing for global asset management firms and includes functionality for portfolio management and performance measurement, trade order management, regulatory and tax compliance, preparation of customer statements, and handling of other customer services. In addition, we provide turnkey, outsourced wealth management services to banks, registered investment advisors and other financial services organizations.

Several of our wealth management systems are used to automate the investment, operations and administrative areas unique to the bank trust business, including cash and portfolio management, payment of trust expenses, retiree benefits and beneficiary distributions, and preparation of tax returns for taxable trusts. Other wealth management systems are used to automate the functions associated with the worldwide custody and safekeeping of invested assets, such as trade settlement, investment income collection, tax reclamation, foreign exchange and reconciliation of depository and sub-custodian positions.

We also provide a range of solutions used by brokers, banks and insurance companies to support front-office wealth management activities. For example, we provide software solutions that are used by retail brokers in their advisory role to track customer contacts and manage customer portfolios. We also provide systems that enable our customers to provide online brokerage services to their own customers. Our other products are used by investment advisors to identify new prospects, create customer profiles, analyze customer needs, assess customer suitability, monitor compliance and cross-sell products. We also provide information management systems that are used by brokers and investment professionals to make informed investment decisions based on timely, dependable market data from exchanges and leading industry providers worldwide. In addition, we offer historical market and reference data and technology to perform trading analytics, quantitative modeling, and portfolio processing.

We also provide systems that automate the functions associated with worldwide securities lending activities and facilitate straight-through processing by providing a single, centralized order-routing network that links lenders and borrowers of securities.

### *Treasury and Risk Management Systems*

We provide a range of software solutions that automate risk management and trading operations for capital markets globally. Generally, these products are used by traders and market makers of fixed income securities, foreign exchange contracts, equities and their related derivatives such as interest rate and credit derivatives, convertible bonds, foreign exchange options and equity options. These front- to back-office systems help customers price and analyze trades, manage trading and related risks across

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the institution, process and account for trading activities, and determine hedging strategies to manage risk. These systems also help customers monitor compliance with their own trading policies, limits and internal controls and with regulations.

We also provide a comprehensive solution for global banks to manage the credit risk associated with their worldwide trading activities. This solution allows users to consolidate credit exposures, optimize collateral management, and monitor compliance with capital requirements and regulations such as Basel II. We also provide to banks, across their retail and wholesale operations, asset and liability management software with comprehensive risk management and performance measurement functionality.

Our treasury systems are used by the treasury departments of corporate and government entities worldwide to manage their cash, debt and investment portfolios. We also provide professional services that focus on application implementation and integration of these treasury systems. In addition, we offer a Web-based service that provides a single point of access via the Internet to enable corporate treasurers to manage geographically dispersed treasury operations more efficiently.

We provide software systems that help utilities, power generating companies and energy traders, marketers and distribution companies to manage physical and financial trading activities. These systems provide trading support, market and credit risk management, trade processing, power scheduling and accounting functions. We also provide professional services including software development services to the energy industry.

We also provide exception management and reporting systems to financial services institutions. These systems automatically detect and repair errors that occur when transactions move between systems, which helps prevent exceptions in straight-through processing.

We also offer software solutions that provide intelligent message transformation, content-based routing, and data validation and enrichment, primarily for payments and post-trade messages. This makes it easier for financial services firms to integrate their financial messaging business processes.

### *Investment Management Systems*

Our investment management systems include a range of software solutions used primarily by buy-side customers to maintain the books of record for all types of institutional investment portfolios, such as those managed by institutional asset managers, mutual funds, hedge funds, fund of funds, banks, prime brokers and third party administrators. We offer an integrated investment management application suite that provides straight-through processing for investment transactions, with comprehensive front- to back-office functionality including trade order management, execution support, portfolio management, compliance checking, accounting and reporting.

Our investment management systems are used to track investment activities including purchases and sales of securities, value portfolios using securities prices from various market sources, provide performance measurement and attribution analyses, perform complex accounting calculations and general ledger postings, and generate a variety of accounting, audit, tax and regulatory reports. In addition, some of these systems are used by investment advisors and other portfolio managers to analyze large investment portfolios using various models to assist with investment strategy and management decisions. We also provide software solutions that address the specialized accounting needs of domestic and offshore hedge funds and funds of funds.



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### *Benefit, Insurance and Investor Accounting Systems*

Our employee benefit plan systems automate the participant accounting activities associated with defined-contribution retirement plans, such as 401(k) plans. These systems maintain the books of record for each participant's share of the cash and securities in the plan, monitor compliance with government regulations and plan restrictions, process cash contributions and benefit payments, and produce tax reports for plan sponsors and participants. As a complement to these systems, we offer document generation systems for creating retirement plan documents and forms, and software for generating annual government filings and returns by employee benefit plans.

We also provide to the global insurance industry integrated marketing and policy administration solutions for both insurance agencies and home offices, supporting individual and group insurance, annuity, investment contract and pension policy administration. Insurance solutions include client management, financial analysis, retirement and estate planning, and policy illustrations.

Our investor accounting systems automate the transfer agent process for stock, bond and mutual fund issues. These systems maintain shareholder and bondholder positions, process new accounts, record purchases and sales, process cash deposits and disbursements, process dividend and interest distributions, generate proxy materials, tabulate votes, and produce tax reports and periodic shareholder and bondholder statements.

We provide imaging, document management and enterprise-wide workflow solutions for the financial services and insurance industries.

### *Availability Services*

In Availability Services, we help information-dependent enterprises of all types to ensure the continuity of their business by providing a variety of solutions that help them maintain access to their critical data and systems. We engineer information availability solutions by building upon our extensive technology infrastructure and leveraging our industry-leading experience and know-how. Our experts work with customers to tailor information availability solutions that are unique to their requirements. Customers may choose different or multiple levels of service from our portfolio of solutions encompassing traditional business continuity services, managed IT services and consultative professional services. The selection of information availability solutions is based on a variety of factors including the customer's system configuration, required flexibility and desired degree of control over the solution. Because we are vendor neutral, we focus on each customer's individual circumstances and provide solutions for all major computing platforms with significant objectivity and flexibility.

The global, networked economy is highly information dependent, and data is a core asset for almost every business. Any inability to access critical data and systems—whether due to a natural disaster, fire, power failure, security breach, terrorist attack or other emergency—can have immediate and severe financial repercussions and tarnish reputations. That is why, for the most important business processes, customers are shifting their focus from solutions that help them recover from outages to solutions that minimize the potential for interruptions in the first place. To address this drive for maximum operational resilience, we design and implement high-availability solutions that help maintain the highest levels of access to data and systems. For less time-sensitive applications, we maintain a comprehensive array of traditional business continuity solutions that allow customers to recover from unplanned service interruptions. Since our inception, we have had a 100% success rate supporting customer recoveries.

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High-availability solutions encompass a combination of dedicated network, servers and storage, as needed, to be used exclusively by one customer. The highest level solution involves a dual production environment, where two geographically separated systems process simultaneously the same data to provide complete redundancy. Additional high-availability solutions include load balancing the shifting of processing among multiple servers on a network to mitigate the risk of a single server failing, and mirroring the automated, periodic duplication of data on a secondary storage device for use if the primary copy is inaccessible.

Traditional business continuity options allow customers to restore processing operations within a short period after an interruption, usually from several hours to two days. We deliver these services in a cost-effective manner using shared resources that take significant advantage of our economies of scale. Our traditional business continuity services account for the majority of our availability services revenue.

We also provide end-user recovery offerings that allow customers to relocate other important business processes faced with disruption. These solutions range from generic office space equipped with workstations, telephones and other office equipment, to dedicated trading rooms that are also supplied with the market data feeds and specialized network services needed to support trading operations.

Our availability services infrastructure is comprehensive. To meet customers' demands, we operate more than 3,000,000 square feet of hardened, secure facilities at more than 60 locations in over 10 countries, connected by a communications network comprised of approximately 25,000 miles of leased communications lines used exclusively by us and our customers. This infrastructure encompasses computers, networks, data centers and end-user space that we actively manage using monitoring and reporting tools. Our facilities provide secure sites to locate hardware and protect applications and data, and our dedicated network allows quick switchovers from customer facilities to ours. Using this infrastructure, we provide managed IT services averaging 99.99% availability.

Our information availability facilities include a variety of sizes and types of processing and end-user facilities, most of which are in major metropolitan areas in North America and Europe. Our MegaCenters, which house processing facilities for multiple computing platforms as well as end-user facilities, provide customers with an extensive choice of resources at a single location. We believe that our Philadelphia MegaCenter is the world's largest commercial facility dedicated to information availability services, and that our London Technology Centre is the largest such facility in Europe. We also have a fleet of mobile recovery units—trailers containing processing and end-user capacity that can be rapidly deployed to a customer location and made operational within an hour of arrival.

We proactively manage our availability services resources. To accommodate the growth in our customer base, we open new facilities, expand existing facilities and upgrade our infrastructure to offer the most advanced platforms and technologies generally used by our customers. In addition, we sometimes consolidate facilities to increase platform options at a MegaCenter or to achieve greater overall efficiencies.

We also provide information availability consulting services and planning software. Our consultants are experts who leverage proven methodologies to deliver a full suite of services including continuity program management, information security and availability engineering services. Our

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contingency planning software integrates business analysis and testing tools with automated plan development and reporting features. We also design testing and maintenance programs to verify that customers' contingency plans reflect their most current operational conditions.

***Higher Education and Public Sector Systems***

In Higher Education and Public Sector Systems, we primarily provide specialized enterprise resource planning and administrative solutions to institutions of higher education, school districts and other nonprofit organizations, as well as local, state and federal governments. These solutions include accounting, personnel, fundraising, grant and project management, student administration and reporting for educational and nonprofit organizations and accounting, personnel, utility billing, land management, public safety and justice administration for governments. We also provide professional services to several UK public sector agencies. Since 1995, we have been acquiring companies and developing solutions for this segment. Three recent acquisitions substantially increased our presence in this segment.

**ACQUISITIONS**

We seek to grow by developing existing businesses and buying new businesses that broaden or complement existing product lines. Our ongoing acquisition program has contributed significantly to our long-term growth and success. During 2003, we spent approximately \$435 million in cash (net of cash acquired) to acquire eight investment support systems businesses and one higher education and public sector systems business.

The following table lists the businesses we acquired or have entered into binding agreements to acquire since January 1, 2003:

<b>Acquired Company/Business</b>	<b>Date Acquired</b>	<b>Description</b>
Trust Tax Services Of America, Inc.	02/28/03	Trust tax and compliance products and services.
Andover Brokerage, LLC	03/03/03	Registered broker that provides order routing, execution and clearing services for professional traders.
H.T.E., Inc.	03/18/03	Financial management and public safety and justice solutions for government agencies and utilities.
Caminus Corporation	04/09/03	Integrated software solutions for the energy industry.
Reech Capital plc	05/23/03	Risk management solutions offered on ASP basis.
London Pacific Advisory Services, Inc.	06/05/03	Technology and services for managed account and separately managed account investment strategies.
Sherwood International plc	08/11/03	Global insurance industry and government sector software and services.
Forbatec GMBH	09/12/03	Investment management and portfolio accounting solutions in Germany, Luxembourg and Austria.

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Acquired Company/Business	Date	
	Acquired	Description
Whitelight Systems, Inc.	12/24/03	Credit risk solutions for Basel II compliance.
FAME Information Services, Inc.	01/22/04	Historical market and reference data, and data management technology.
Systems & Computer Technology Corporation	02/12/04	Global technology solutions for higher education.
Collegis, Inc.	03/04/04	Outsourced IT solutions for higher education.
Real Time Financial Management Limited	03/05/04	Global bond and equity trading system.

**PRODUCT DEVELOPMENT**

We continually support, upgrade and enhance our systems to meet the needs of our customers for operational efficiency and resilience and to leverage advances in technology.

We fund most of our routine ongoing software support activities through a portion of the monthly fees paid by our investment support systems processing customers and the software support and related upgrade fees paid by our license customers. Our expenditures for software development during the years ended December 31, 2003, 2002 and 2001, including amounts that were capitalized, totaled approximately \$208 million, \$174 million, and \$184 million, respectively. These amounts do not include routine software support costs that are included in cost of sales, nor do they include costs incurred in performing certain customer-funded development projects in the ordinary course of business.

**MARKETING**

Most of our investment support systems are marketed throughout the United States and many are marketed worldwide, with the principal focus being on selling additional products and services to existing customers. Our information availability services and higher education and public sector systems are marketed primarily in North America and Europe, with a focus on both new accounts and existing accounts. Our sales outside the United States during the years ended December 31, 2003, 2002 and 2001 totaled approximately \$748 million, \$508 million, and \$386 million, respectively.

**COMPETITION**

Since most of our computer services and software are specialized and technical in nature, most of the market niches in which we compete have a relatively small number of significant competitors. Some of our existing competitors and some potential competitors have substantially greater financial, technological and marketing resources than we have (see RISK FACTORS under ITEM 7).

In our investment support systems business, we compete with numerous other data processing and financial software vendors that may be broadly categorized into two groups. One group is comprised of specialized investment support systems companies, which are much smaller than us. The other group is comprised of large computer services companies whose principal businesses are not in the investment support systems area, some of which are also active acquirors. We also face competition from the internal processing and information technology



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departments of our customers and prospects. The key competitive factors in marketing investment support systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and

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quality of customer support, degree of responsiveness, level of software development expertise and overall net cost. We believe that we compete effectively with respect to each of these factors and that our reputation and experience in this business are important competitive advantages.

In our availability services business, we face significant competition from internal solutions, where customers or prospective customers implement their own internal backup systems or high-availability solutions rather than purchase services from an availability services vendor. We also face significant competition from hardware manufacturers such as IBM Corporation. Our other competitors in this business include outsourcers, managed hosting companies, Internet service providers, large computer services companies and telecommunications companies. We believe that we compete effectively with respect to the key competitive factors in the availability services business, namely quality of infrastructure, scope and quality of services including breadth of hardware platforms and network capacity, level and quality of customer support, level of technical expertise and price. We also believe that our experience and reputation as the innovator in this business, our extensive infrastructure and our excellent track record supporting customer recoveries are important competitive advantages.

In our higher education and public sector systems business, we compete with a variety of other vendors depending upon customer characteristics such as size, type, location, computing environment and functional requirements. For example, there may be different competitors for different sizes or types of educational institutions or government agencies, or in different states or geographic regions. Competitors in this business range from larger providers of generic enterprise resource planning systems to smaller providers of specialized applications and technologies. We also compete with outsourcers and systems integrators, as well as the internal processing and information technology departments of our customers and prospects. The key competitive factors in marketing higher education and public sector systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and quality of customer support, degree of responsiveness, level of software development expertise and overall net cost. We believe that we compete effectively as to each of these factors and that our leadership and reputation in this business are important competitive advantages.

## **EMPLOYEES**

On December 31, 2003, we had approximately 10,000 full-time employees. In addition, over 2,000 full-time employees joined us through acquisition during the first quarter of 2004. We believe that our success depends partly on our continuing ability to retain and attract skilled technical, sales and management personnel. While skilled personnel are in high demand and competition exists for their talents, we believe that we have been able to retain and attract highly qualified personnel (see RISK FACTORS under ITEM 7). We believe that our employee relations are excellent.

## **PROPRIETARY PROTECTION**

We own registered marks for the SUNGARD name and own or have applied for trademark registration for many of our services and software products. To protect our proprietary services and software, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. We also have established policies requiring our personnel and representatives to maintain the confidentiality of our proprietary property. We have a few registrations of our copyrights and a number of patents and patent applications pending. We will

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continue to apply for software and business method patents on a case-by-case basis and will continue to monitor ongoing developments in the evolving software and business method patent field (see RISK FACTORS under ITEM 7).

### **AVAILABLE INFORMATION**

We make available, free of charge at [www.sungard.com](http://www.sungard.com), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

### **ITEM 2. PROPERTIES**

We lease space, primarily for availability services facilities, data centers, sales offices, customer support offices and administrative offices, in many locations worldwide. We also own some of our computer and office facilities. Our principal facilities include our leased availability services facilities in Philadelphia, Pennsylvania (506,300 square feet), Carlstadt, New Jersey (432,400 square feet), Hounslow, England (198,000 square feet), and North Bergen, New Jersey (164,000 square feet). We believe that our leased and owned facilities are adequate for our present operations.

### **ITEM 3. LEGAL PROCEEDINGS**

We are presently a party to certain lawsuits arising in the ordinary course of our business. We believe that none of our current legal proceedings will be material to our business, financial condition or results of operations.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**Table of Contents****ITEM 4.1 CERTAIN EXECUTIVE OFFICERS OF THE REGISTRANT**

Our executive officers who are not also nominees for director are listed below.

<b>Name</b>	<b>Age</b>	<b>Principal Position With SunGard Data Systems Inc.</b>
James E. Ashton III	45	Group Chief Executive Officer
Donald W. Birdwell	51	Group Chief Executive Officer
Andrew P. Bronstein	45	Vice President and Controller
Robert F. Clarke	59	Group Chief Executive Officer
T. Ray Davis	55	Group Chief Executive Officer
Lawrence A. Gross	51	Senior Vice President Legal and General Counsel
Till M. Guldemann	54	Vice Chairman
Paul C. Jeffers	41	Vice President Human Resources
Ronald M. Lang	52	Group Chief Executive Officer
John E. McArdle, Jr.	46	Group Chief Executive Officer
Michael K. Muratore	57	Executive Vice President
Brian Robins	45	Senior Vice President Corporate Marketing
Michael J. Ruane	50	Senior Vice President Finance, Chief Financial Officer and Treasurer
James C. Simmons	44	Group Chief Executive Officer
Bettina A. Slusar	40	Senior Vice President Global Accounts Management
Richard C. Tarbox	51	Senior Vice President Corporate Development

Mr. Ashton has been Group Chief Executive Officer, SunGard Trading and Risk Systems since 1999 and Group Chief Executive Officer, SunGard Treasury Systems since 2003. From 1997 to 1999, he served as Senior Vice President and General Manager of one of our wealth management systems business units that we acquired in 1997.

Mr. Birdwell has been Group Chief Executive Officer, SunGard Asset Management Systems since 1999 and Group Chief Executive Officer, SunGard Securities Processing Systems since 2002 and has been responsible for our SunGard Online Investment Systems group since 2003. From 1989 to 1999, Mr. Birdwell held various senior management positions with us, including President of one of our wealth management systems business units from 1993 to 1999.

Mr. Bronstein has been Vice President and Controller since 1994 and Corporate Controller from 1992 to 1994. From 1985 to 1992, he was a manager with Coopers & Lybrand L.L.P., Philadelphia, where he served as senior manager on our account and as director of the firm's Philadelphia high technology group. Mr. Bronstein is a director and officer of most of our domestic subsidiaries.

Mr. Clarke has been Group Chief Executive Officer, SunGard Higher Education and Public Sector Systems since 1999. From 1988 to 1998, he served as President of one of our wealth management systems business units.

Mr. Davis has been Group Chief Executive Officer, SunGard Employee Benefit Systems since 1999 and Group Chief Executive Officer, SunGard Investor Accounting Systems since 2002. From 1989 to 1999, Mr. Davis held various senior management positions with us, including

President of one of our benefit, insurance and investor accounting systems business units from 1991 to 1999.

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Mr. Gross has been Senior Vice President - Legal since 2001 and General Counsel since 1986. He was our Secretary from 1987 to March 2002 and a Vice President from 1986 to 2001. From 1979 to 1986, he was a lawyer with Blank Rome LLP, Philadelphia, and in that capacity represented us beginning in 1983. Mr. Gross is a director and officer of most of our domestic subsidiaries and some of our foreign subsidiaries.

Mr. Guldemann has been Vice Chairman since 2002. He was our Senior Vice President, Strategy and a member of our board of directors from 1999 to March 2002. Mr. Guldemann was Vice Chairman from 1997 to 1999 and Senior Vice President from 1995 to 1997 of one of our trading and risk systems business units that we acquired in 1998. From 1974 to 1995, Mr. Guldemann held various senior executive positions with J.P. Morgan & Co.

Mr. Jeffers has been Vice President - Human Resources since 2001. From 2000 to 2001, Mr. Jeffers was National Director of Performance Management and Education for Grant Thornton, LLP, and from 1999 to 2000, he was Vice President - Human Resources of First USA Bank. From 1995 to 1999, Mr. Jeffers was Area Director, Human Resources for the Management Consulting Practice of Ernst & Young LLP.

Mr. Lang has been Group Chief Executive Officer, SunGard Trading Systems since 2000 and has been responsible for our SunGard Brokerage Systems and SunGard Financial Networks groups since 2003. Mr. Lang was Vice President of Marketing from 1997 to 1998 and President from 1998 to 2000 of one of our trading and risk systems business units that we acquired in 1998.

Mr. McArdle has been Group Chief Executive Officer, SunGard Investment Management Systems since 1999. From 1986 to 1999, he held various senior management positions with us, including President of one of our investment management systems business units since 1998.

Mr. Muratore has been Executive Vice President since March 2002. He was Senior Vice President from 1998 to March 2002, Chief Executive Officer of the SunGard Financial Systems Group from 1995 to 1998 and Chief Executive Officer of the SunGard Computer Services Group from 1990 to 1995. From 1985 to 1990, Mr. Muratore held various senior executive positions with us. Mr. Muratore is a director and/or officer of many of our domestic subsidiaries.

Mr. Robins has been Senior Vice President - Corporate Marketing since February 2003 and was Vice President - Corporate Marketing from 2000 to February 2003. From 1995 to 2000, Mr. Robins held various marketing positions, including Vice President - Marketing, with one of our trading and risk systems business units that we acquired in 1998.

Mr. Ruane has been Senior Vice President - Finance since 2001 and our Chief Financial Officer and Treasurer since 1994. He was Vice President - Finance from 1994 to 2001. From 1992 until 1994, Mr. Ruane was Chief Financial Officer and Vice President - Finance of the SunGard Trading Systems Group. Mr. Ruane was our Vice President - Controller from 1990 to 1992, and our Corporate Controller from 1985 to 1990. Mr. Ruane is a director and officer of most of our domestic and foreign subsidiaries.

Mr. Simmons has been Group Chief Executive Officer and President, SunGard Availability Services since 1999. From 1993 to 1999, he held various senior management positions with us, including Senior Vice President - Sales of our principal availability services business unit from 1995 to 1997 and President of one of our benefit, insurance and investor accounting systems business units from 1998 to 1999.



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Ms. Slusar has been Senior Vice President Global Accounts Management since February 2003 and was Vice President Global Accounts Management from 2001 to February 2003. Ms. Slusar was President from 1999 to 2001 and Senior Vice President, North American Sales and Operations from 1997 to 1998 of one of our brokerage and trading systems business units.

Mr. Tarbox has been Senior Vice President Corporate Development since 2001 and was Vice President Corporate Development from 1987 to 2001. From 1983 to 1987, Mr. Tarbox was a senior manager with Coopers & Lybrand L.L.P., providing acquisition, litigation support and other financial consulting.

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

This information is incorporated by reference to the section entitled STOCK INFORMATION in our 2003 Annual Report to Stockholders (included in Exhibit 13.1 to this Report on Form 10-K).

### **ITEM 6. SELECTED FINANCIAL DATA**

This information is incorporated by reference to the section entitled SELECTED FINANCIAL INFORMATION in our 2003 Annual Report to Stockholders (included in Exhibit 13.1 to this Report on Form 10-K).

### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This information is incorporated by reference to the section entitled MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS in our 2003 Annual Report to Stockholders (included in Exhibit 13.1 to this Report on Form 10-K). This information should be read together with our Consolidated Financial Statements and related footnotes (included in Exhibit 13.1 to this Report on Form 10-K) and the discussion of risk factors below.

### **RISK FACTORS**

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, approximately, intends, plans, anticipates or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our



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actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the

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impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Some of the factors that we believe could affect our results include:

general economic and market conditions, including the lingering effects of the economic slowdown on information technology spending levels, trading volumes and services revenue, and including the fact that the economic slowdown has left many companies with excess data center capacity that provides them with the capability for in-house high-availability solutions;