

EURONET WORLDWIDE INC  
Form 10-Q  
July 31, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

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

For the quarterly period ended June 30, 2017  
OR

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

For  
the  
to  
transition  
period

Commission File Number: 001-31648  
EURONET WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)  
Delaware 74-2806888  
(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) Identification No.)

3500 College Boulevard  
Leawood, Kansas 66211  
(Address of principal executive offices) (Zip Code)  
(913) 327-4200  
(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 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Non-accelerated filer  (Do  
Large accelerated filer  Accelerated filer  not check if a smaller  
reporting company)  
Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

On July 27, 2017, Euronet Worldwide, Inc. had 52,533,698 shares of Common Stock outstanding.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES

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## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

## EURONET WORLDWIDE, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

|                                                                                                                                             | As of<br>June 30,<br>2017<br>(unaudited) | December 31,<br>2016 |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|----------------------|
| <b>ASSETS</b>                                                                                                                               |                                          |                      |
| Current assets:                                                                                                                             |                                          |                      |
| Cash and cash equivalents                                                                                                                   | \$1,065,254                              | \$ 734,414           |
| Restricted cash                                                                                                                             | 94,443                                   | 77,674               |
| Inventory — PINs and other                                                                                                                  | 48,660                                   | 78,115               |
| Trade accounts receivable, net of allowances for doubtful accounts of \$19,365 at June 30, 2017 and \$18,369 at December 31, 2016           | 437,104                                  | 502,989              |
| Prepaid expenses and other current assets                                                                                                   | 174,817                                  | 191,796              |
| Total current assets                                                                                                                        | 1,820,278                                | 1,584,988            |
| Property and equipment, net of accumulated depreciation of \$305,832 at June 30, 2017 and \$262,470 at December 31, 2016                    | 241,080                                  | 202,145              |
| Goodwill                                                                                                                                    | 726,656                                  | 689,713              |
| Acquired intangible assets, net of accumulated amortization of \$167,561 at June 30, 2017 and \$150,347 at December 31, 2016                | 158,237                                  | 165,331              |
| Other assets, net of accumulated amortization of \$40,569 at June 30, 2017 and \$36,984 at December 31, 2016                                | 90,434                                   | 70,695               |
| Total assets                                                                                                                                | \$ 3,036,685                             | \$ 2,712,872         |
| <b>LIABILITIES AND EQUITY</b>                                                                                                               |                                          |                      |
| Current liabilities:                                                                                                                        |                                          |                      |
| Trade accounts payable                                                                                                                      | \$355,217                                | \$ 456,682           |
| Accrued expenses and other current liabilities                                                                                              | 601,644                                  | 615,153              |
| Current portion of capital lease obligations                                                                                                | 4,537                                    | 3,293                |
| Short-term debt obligations and current maturities of long-term debt obligations                                                            | 130,409                                  | 32,161               |
| Income taxes payable                                                                                                                        | 30,137                                   | 27,611               |
| Deferred revenue                                                                                                                            | 44,304                                   | 44,200               |
| Total current liabilities                                                                                                                   | 1,166,248                                | 1,179,100            |
| Debt obligations, net of current portion                                                                                                    | 725,128                                  | 561,663              |
| Capital lease obligations, net of current portion                                                                                           | 9,382                                    | 6,969                |
| Deferred income taxes                                                                                                                       | 46,213                                   | 44,079               |
| Other long-term liabilities                                                                                                                 | 26,647                                   | 20,504               |
| Total liabilities                                                                                                                           | 1,973,618                                | 1,812,315            |
| Equity:                                                                                                                                     |                                          |                      |
| Euronet Worldwide, Inc. stockholders' equity:                                                                                               |                                          |                      |
| Preferred Stock, \$0.02 par value. 10,000,000 shares authorized; none issued                                                                | —                                        | —                    |
| Common Stock, \$0.02 par value. 90,000,000 shares authorized; 58,637,464 issued at June 30, 2017 and 58,389,242 issued at December 31, 2016 | 1,173                                    | 1,168                |
| Additional paid-in-capital                                                                                                                  | 1,058,501                                | 1,045,663            |
|                                                                                                                                             | (217,386 )                               | (215,462 )           |

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Treasury stock, at cost, 6,103,181 shares at June 30, 2017 and 6,085,841 shares at December 31, 2016

|                                                    |             |             |
|----------------------------------------------------|-------------|-------------|
| Retained earnings                                  | 359,597     | 278,842     |
| Accumulated other comprehensive loss               | (140,176 )  | (210,662 )  |
| Total Euronet Worldwide, Inc. stockholders' equity | 1,061,709   | 899,549     |
| Noncontrolling interests                           | 1,358       | 1,008       |
| Total equity                                       | 1,063,067   | 900,557     |
| Total liabilities and equity                       | \$3,036,685 | \$2,712,872 |

See accompanying notes to the unaudited consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF INCOME  
 (Unaudited, in thousands, except share and per share data)

|                                                                            | Three Months Ended |            | Six Months Ended |            |
|----------------------------------------------------------------------------|--------------------|------------|------------------|------------|
|                                                                            | June 30,           |            | June 30,         |            |
|                                                                            | 2017               | 2016       | 2017             | 2016       |
| Revenues                                                                   | \$536,563          | \$476,867  | \$1,009,943      | \$914,761  |
| Operating expenses:                                                        |                    |            |                  |            |
| Direct operating costs                                                     | 317,346            | 281,759    | 613,953          | 553,385    |
| Salaries and benefits                                                      | 78,620             | 73,838     | 150,483          | 141,075    |
| Selling, general and administrative                                        | 48,442             | 42,445     | 90,429           | 80,299     |
| Acquired intangible assets impairment                                      | 2,286              | —          | 2,286            | —          |
| Depreciation and amortization                                              | 23,178             | 19,515     | 44,815           | 38,803     |
| Total operating expenses                                                   | 469,872            | 417,557    | 901,966          | 813,562    |
| Operating income                                                           | 66,691             | 59,310     | 107,977          | 101,199    |
| Other income (expense):                                                    |                    |            |                  |            |
| Interest income                                                            | 459                | 443        | 1,629            | 895        |
| Interest expense                                                           | (8,376)            | (6,958)    | (15,524)         | (13,244)   |
| Foreign currency exchange gain (loss), net                                 | 11,141             | (1,944)    | 12,856           | 228        |
| Other gains                                                                | 18                 | 19,903     | 35               | 19,903     |
| Other income (expense), net                                                | 3,242              | 11,444     | (1,004)          | 7,782      |
| Income before income taxes                                                 | 69,933             | 70,754     | 106,973          | 108,981    |
| Income tax expense                                                         | (18,586)           | (15,177)   | (27,557)         | (24,320)   |
| Net income                                                                 | 51,347             | 55,577     | 79,416           | 84,661     |
| Net loss attributable to noncontrolling interests                          | 18                 | 100        | 72               | 110        |
| Net income attributable to Euronet Worldwide, Inc.                         | \$51,365           | \$55,677   | \$79,488         | \$84,771   |
| Earnings per share attributable to Euronet Worldwide, Inc. stockholders:   |                    |            |                  |            |
| Basic                                                                      | \$0.98             | \$1.07     | \$1.52           | \$1.62     |
| Diluted                                                                    | \$0.93             | \$1.04     | \$1.44           | \$1.57     |
| Weighted average shares outstanding:                                       |                    |            |                  |            |
| Basic                                                                      | 52,453,752         | 52,061,158 | 52,399,848       | 52,373,462 |
| Diluted                                                                    | 55,210,993         | 53,781,606 | 55,122,618       | 54,039,576 |
| See accompanying notes to the unaudited consolidated financial statements. |                    |            |                  |            |

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited, in thousands)

|                                                                      | Three Months Ended |           | Six Months Ended |          |
|----------------------------------------------------------------------|--------------------|-----------|------------------|----------|
|                                                                      | June 30,           |           | June 30,         |          |
|                                                                      | 2017               | 2016      | 2017             | 2016     |
| Net income                                                           | \$51,347           | \$55,577  | \$79,416         | \$84,661 |
| Translation adjustment                                               | 51,188             | (28,029 ) | 70,608           | 6,673    |
| Comprehensive income                                                 | 102,535            | 27,548    | 150,024          | 91,334   |
| Comprehensive (income) loss attributable to noncontrolling interests | (80 )              | 135       | (50 )            | 78       |
| Comprehensive income attributable to Euronet Worldwide, Inc.         | \$102,455          | \$27,683  | \$149,974        | \$91,412 |

See accompanying notes to the unaudited consolidated financial statements.

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited, in thousands)

|                                                                                   | Six Months Ended |              |
|-----------------------------------------------------------------------------------|------------------|--------------|
|                                                                                   | June 30,         |              |
|                                                                                   | 2017             | 2016         |
| Net income                                                                        | \$79,416         | \$84,661     |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |              |
| Depreciation and amortization                                                     | 44,815           | 38,803       |
| Share-based compensation                                                          | 8,092            | 7,809        |
| Unrealized foreign exchange gain, net                                             | (12,856          | ) (228 )     |
| Deferred income taxes                                                             | (43              | ) 11         |
| Accretion of convertible debt discount and amortization of debt issuance costs    | 6,671            | 6,365        |
| Gain on sale of investment                                                        | —                | (19,449 )    |
| Non-cash impairment of acquired intangible assets                                 | 2,286            | —            |
| Changes in working capital, net of amounts acquired:                              |                  |              |
| Income taxes payable, net                                                         | (143             | ) 5,078      |
| Restricted cash                                                                   | 13,055           | 955          |
| Inventory — PINs and other                                                        | 32,651           | 19,225       |
| Trade accounts receivable                                                         | 92,656           | 57,456       |
| Prepaid expenses and other current assets                                         | 22,848           | (55,543 )    |
| Trade accounts payable                                                            | (120,919         | ) (122,252 ) |
| Deferred revenue                                                                  | (2,358           | ) 5,163      |
| Accrued expenses and other current liabilities                                    | (69,597          | ) 107,140    |
| Changes in noncurrent assets and liabilities                                      | (3,833           | ) (728 )     |
| Net cash provided by operating activities                                         | 92,741           | 134,466      |
| Cash flows from investing activities:                                             |                  |              |
| Acquisitions, net of cash acquired                                                | —                | (2,183 )     |
| Purchases of property and equipment                                               | (47,940          | ) (42,112 )  |
| Purchases of other long-term assets                                               | (3,159           | ) (2,982 )   |
| Proceeds from sale of investment                                                  | —                | 11,900       |
| Other, net                                                                        | 471              | 485          |
| Net cash used in investing activities                                             | (50,628          | ) (34,892 )  |
| Cash flows from financing activities:                                             |                  |              |
| Proceeds from issuance of shares                                                  | 4,626            | 3,226        |
| Repurchase of shares                                                              | (2,293           | ) (76,497 )  |
| Borrowings from revolving credit agreements                                       | 1,214,687        | 1,348,493    |
| Repayments of revolving credit agreements                                         | (1,052,187       | ) (1,157,077 |
| Repayments of long-term debt obligations                                          | (4,219           | ) (3,281 )   |
| Repayments of capital lease obligations                                           | (2,365           | ) (1,217 )   |
| Borrowings from short-term debt obligations, net                                  | 95,022           | 4,787        |
| Other, net                                                                        | 304              | 430          |
| Net cash provided by financing activities                                         | 253,575          | 118,864      |
| Effect of exchange rate changes on cash and cash equivalents                      | 35,152           | 4,111        |
| Increase in cash and cash equivalents                                             | 330,840          | 222,549      |
| Cash and cash equivalents at beginning of period                                  | 734,414          | 457,518      |
| Cash and cash equivalents at end of period                                        | \$1,065,254      | \$680,067    |



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Supplemental disclosure of cash flow information:

|                                                                            |          |          |
|----------------------------------------------------------------------------|----------|----------|
| Interest paid during the period                                            | \$9,873  | \$6,838  |
| Income taxes paid during the period                                        | \$24,949 | \$20,529 |
| Supplemental disclosure of non-cash investing and financing activities     |          |          |
| Non-cash consideration received from sale of investment                    | \$—      | \$7,549  |
| See accompanying notes to the unaudited consolidated financial statements. |          |          |

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EURONET WORLDWIDE, INC. AND SUBSIDIARIES  
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) GENERAL

Organization

Euronet Worldwide, Inc. (together with its subsidiaries, the “Company” or “Euronet”) is a leading electronic payments provider. Euronet offers payment and transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. Euronet’s primary product offerings include comprehensive automated teller machine (“ATM”), point-of-sale (“POS”), card outsourcing, card issuing and merchant acquiring services, software solutions, electronic distribution of prepaid mobile airtime and other electronic payment products, foreign currency exchange services and global money transfer services.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared from the records of the Company, in conformity with accounting principles generally accepted in the U.S. (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, such unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to fairly present the consolidated financial position and the results of operations, comprehensive income and cash flows for the interim periods. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2016, including the notes thereto, set forth in the Company’s 2016 Annual Report on Form 10-K.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Significant items subject to such estimates and assumptions include computing income taxes, estimating the useful lives and potential impairment of long-lived assets and goodwill, as well as allocating the purchase price to assets acquired and liabilities assumed in acquisitions and revenue recognition. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2017.

Seasonality

Euronet’s EFT Processing Segment experiences its heaviest demand for dynamic currency conversion (“DCC”) services during the third quarter of the fiscal year, coinciding with tourism season. Additionally, the EFT Processing and epay Segments are impacted by seasonality during the fourth quarter and the first quarter of each year due to higher transaction levels during the holiday season and lower levels following the holiday season. Seasonality in the Money Transfer Segment varies by regions of the world. In most markets, Euronet usually experiences increased demand for money transfer services from the month of May through the fourth quarter of each year, coinciding with the increase in worker migration patterns and various holidays, and experiences its lowest transaction levels during the first quarter of each year.

(2) RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of the effective date of the new revenue recognition standard. The new standard will become effective for the Company on January 1, 2018. The standard permits the use of either the full retrospective or modified retrospective transition method.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue versus Net). In April 2016, the FASB issued ASU 2016-10,

Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing. In May 2016, the FASB issued ASU 2016-11, Revenue from Contracts with Customers (Topic 606) and Derivatives and Hedging (Topic 815) - Rescission of SEC Guidance Because of ASU 2014-09 and 2014-16, and ASU 2016-12, Revenue from Contracts with Customers (Topic 606) - Narrow Scope Improvements and Practical Expedients. In December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers (Topic 606). These ASUs clarify the implementation guidance on a few narrow areas, make minor corrections and adds some practical expedients to the guidance in Topic 606.

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Lastly, in February 2017, the FASB issued ASU 2017-05, Other Income -Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets, which clarifies the scope of asset derecognition guidance and provide guidance on partial sales of nonfinancial assets. This ASU clarifies the scope and accounting of a financial asset that meets the definition of an “in-substance nonfinancial asset” and defines the term, “in-substance nonfinancial asset.” This ASU must be adopted at the same time as ASC 606.

The Company has performed a review of the requirements of the new revenue standards and is in the process of reviewing customer contracts under the new revenue standards but does not expect the new revenue standards will have a material impact on the timing of revenue recognition on its consolidated financial statements. The Company continues to assess all potential effects of the standards and it believes the principal versus agent guidance may affect the presentation and classification of revenue for certain epay and EFT segment arrangements. The Company will continue to update its assessment of the effect the new revenue standards will have on its consolidated financial statements and will disclose the final determination of the transition method and material effects, if any, when known. In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will update the existing guidance on accounting for leases and require new qualitative and quantitative disclosures about the Company’s leasing activities. The new standard requires lessees to account for all leases on the balance sheet, except for certain short-term leases that have a maximum possible lease term of 12 months. The accounting for lessors is largely unchanged from the previous accounting guidance, except for leverage lease accounting which is not permitted for leases entered into or modified after the effective date of the new standard. The new standard is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods, with early adoption permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that the Company may elect to apply. The Company is currently evaluating the expected impact of the adoption of this standard on its consolidated financial statements and related disclosures.

In March 2016, FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which addresses how companies account for certain aspects of share-based payments to employees. This ASU requires all excess tax benefits and tax deficiencies be recognized in the statement of income as a component of income tax expense or benefit. The tax effects of exercised, expired or vested awards are treated as discrete items in the reporting period in which they occur and may result in increased volatility in the Company's effective tax rate. As part of the adoption of this standard during the recent quarter, the Company was required to recognize previously unrecognized excess tax benefits on a modified retrospective basis and record an adjustment to deferred tax assets and retained earnings. Additionally, the Company applied the prospective transition method for the presentation of excess tax benefits from a financing activity to an operating activity in the Company’s consolidated statements of cash flows. Cash paid by the Company when directly withholding shares for tax withholding purposes is classified as a financing activity in the Consolidated Statements of Cash Flows. The Company made an accounting election to continue to estimate forfeitures when determining amortization expense of stock-based compensation.

The adoption of the provisions of this ASU did not have a material impact on the Company’s consolidated statement of income. A cumulative effect adjustment of \$40.2 million for previously unrecognized excess tax benefits from prior fiscal years was recognized in beginning Retained earnings as of January 1, 2017. As a result of recognizing this excess tax benefit, the Company recorded a deferred tax asset of \$40.2 million and an associated valuation allowance of \$38.9 million to beginning Retained earnings. The offsetting deferred tax asset and valuation allowance resulted in a net increase of \$1.3 million to beginning Retained earnings at adoption.

Prior to 2017, excess tax benefits were recognized in additional paid-in capital and tax deficiencies were recognized either as an offset to accumulated excess tax benefits, if any, or in the consolidated statements of income. Excess tax benefits were not recognized until the deduction reduced taxes payable. Additionally, excess tax benefits from stock-based compensation were included in financing activities within the Company’s consolidated statements of cash

flows.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting, which clarifies the changes to terms or conditions of a share-based payment award that require an entity to apply modification accounting. The amendments of this ASU are effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. Early application is permitted and prospective application is required. The Company does not expect that the adoption of this guidance to have a significant impact on its consolidated financial statements.

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## (3) STOCKHOLDERS' EQUITY

## Earnings Per Share

Basic earnings per share has been computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding during the respective periods. Diluted earnings per share has been computed by dividing earnings available to common stockholders by the weighted average shares outstanding during the respective period, after adjusting for any potential dilution of options to purchase the Company's common stock, assumed vesting of restricted stock and the assumed conversion of the Company's convertible debentures. The following table provides the computation of diluted weighted average number of common shares outstanding:

|                                                                                           | Three Months Ended<br>June 30, |            | Six Months Ended<br>June 30, |            |
|-------------------------------------------------------------------------------------------|--------------------------------|------------|------------------------------|------------|
|                                                                                           | 2017                           | 2016       | 2017                         | 2016       |
| Computation of diluted weighted average shares outstanding:                               |                                |            |                              |            |
| Basic weighted average shares outstanding                                                 | 52,453,752                     | 52,061,158 | 52,399,848                   | 52,373,462 |
| Incremental shares from assumed exercise of stock options and vesting of restricted stock | 1,788,091                      | 1,720,448  | 1,753,620                    | 1,666,114  |
| Incremental shares from assumed conversion of convertible notes                           | 969,150                        | —          | 969,150                      | —          |
| Diluted weighted average shares outstanding                                               | 55,210,993                     | 53,781,606 | 55,122,618                   | 54,039,576 |

The table includes the impact of all stock options and restricted stock that are dilutive to the Company's weighted average common shares outstanding during the three and six months ended June 30, 2017 and 2016. The calculation of diluted earnings per share excludes stock options or shares of restricted stock that are anti-dilutive to the Company's weighted average common shares outstanding of approximately 928,000 and 929,000 for the three and six months ended June 30, 2017, respectively, and approximately 636,000 and 637,000 for the three and six months ended June 30, 2016, respectively.

During 2017 and 2016, the Company had convertible notes outstanding that, if converted, could have had a potentially dilutive effect on its common stock. At issuance, the Company stated its intent to settle any conversion of these notes by paying cash for the principal value and issuing common stock for any conversion value in excess of the principal value. As of June 30, 2017, and currently, the Company maintains the intent and ability to settle any conversion as stated. Accordingly, the convertible notes would only have a dilutive effect if the market price per share of common stock exceeds the conversion price per share of common stock, which it did as of June 30, 2017. Therefore, according to Accounting Standards Codification ("ASC") 260, Earnings per Share, these notes were dilutive to earnings per share for the three and six months ended June 30, 2017. See Note 6, Debt Obligations, for more information about the convertible notes.

## Accumulated Other Comprehensive Loss

Accumulated other comprehensive income consists entirely of foreign currency translation adjustments. The Company recorded foreign currency translation gains of \$51.2 million and \$70.6 million for the three and six months ended June 30, 2017, respectively and a loss of \$28.0 million and a gain of \$6.7 million for the three and six months ended June 30, 2016, respectively. There were no reclassifications of foreign currency translation into the consolidated statements of income for the three and six months ended June 30, 2017 and 2016.

## (4) GOODWILL AND ACQUIRED INTANGIBLE ASSETS, NET

A summary of acquired intangible assets and goodwill activity for the six months ended June 30, 2017 is presented below:

| (in thousands)                                                              | Acquired<br>Intangible<br>Assets | Goodwill  | Total<br>Intangible<br>Assets |
|-----------------------------------------------------------------------------|----------------------------------|-----------|-------------------------------|
| Balance as of December 31, 2016                                             | \$165,331                        | \$689,713 | \$855,044                     |
| Increases (Decreases):                                                      |                                  |           |                               |
| Amortization                                                                | (12,618 )                        | —         | (12,618 )                     |
| Other (primarily changes in foreign currency exchange rates and impairment) | 5,524                            | 36,943    | 42,467                        |
| Balance as of June 30, 2017                                                 | \$158,237                        | \$726,656 | \$884,893                     |



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Estimated amortization expense on intangible assets with finite lives, before income taxes, as of June 30, 2017, is expected to total \$11.8 million for the remainder of 2017, \$22.4 million for 2018, \$21.4 million for 2019, \$20.6 million for 2020, \$19.7 million for 2021 and \$18.6 million for 2022.

The Company's annual goodwill impairment test is performed during the fourth quarter of its fiscal year. The annual impairment test for the year ended December 31, 2016 resulted in no impairment charge. The Company recorded a non-cash impairment charge to customer relationships of \$2.3 million in the second quarter of 2017 as a result of the closure of the Pure Commerce office in South Korea within the EFT Processing Segment.

Determining the fair value of reporting units requires significant management judgment in estimating future cash flows and assessing potential market and economic conditions. It is reasonably possible that the Company's operations will not perform as expected, or that the estimates or assumptions included in the 2016 annual impairment test could change, which may result in the Company recording material non-cash impairment charges during the year in which these changes take place.

**(5) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consist of the following:

| (in thousands)                                                      | As of            |                      |
|---------------------------------------------------------------------|------------------|----------------------|
|                                                                     | June 30,<br>2017 | December 31,<br>2016 |
| Accrued expenses                                                    | \$255,576        | \$ 210,275           |
| Money transfer settlement obligations                               | 228,212          | 219,601              |
| Accrued amounts due to mobile operators and other content providers | 82,672           | 121,505              |
| Derivative liabilities                                              | 35,184           | 63,772               |
| Total                                                               | \$601,644        | \$ 615,153           |



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## (6) DEBT OBLIGATIONS

Debt obligations consist of the following:

| (in thousands)                                                                   | As of<br>June 30, 2017 | December 31, 2016 |
|----------------------------------------------------------------------------------|------------------------|-------------------|
| Credit Facility:                                                                 |                        |                   |
| Term loan, due 2019 \$                                                           | 55,781                 | \$ 60,000         |
| Revolving credit agreements, due 2019                                            | 322,835                | 159,963           |
|                                                                                  | 378,616                | 219,963           |
| Convertible Debt:                                                                |                        |                   |
| 1.50% convertible notes, unsecured, due 2044                                     | 363,705                | 358,293           |
| ATM facility                                                                     | 100,000                | —                 |
| Other obligations                                                                | 20,301                 | 23,892            |
| Total debt obligations                                                           | 862,622                | 602,148           |
| Unamortized debt issuance costs                                                  | (7,085 )               | (8,324 )          |
| Carrying value of debt                                                           | 855,537                | 593,824           |
| Short-term debt obligations and current maturities of long-term debt obligations | (130,409 )             | (32,161 )         |
| Long-term debt obligations                                                       | \$ 725,128             | \$ 561,663        |

## Credit Facility

As of June 30, 2017, the Company had a \$675 million senior secured credit facility (the "Credit Facility") consisting of a \$600 million revolving credit facility and a \$75 million term loan ("Term Loan A"), which had been reduced to \$55.8 million through principal amortization payments. The Credit Facility expires April 9, 2019.

Interest on borrowings under the revolving credit facility and Term Loan A varies based upon the Company's consolidated total leverage ratio, as defined in the Company's credit agreement, and is based on a margin over the London Inter-Bank Offered Rate ("LIBOR") or a margin over a base rate, as selected by the Company, with the applicable margin ranging from 1.375% to 2.375% for LIBOR loans or 0.375% to 1.375% for base rate loans. Accordingly, the weighted average interest rate for borrowings outstanding under the Company's revolving credit facility and Term Loan A was 2.64% and 2.60%, respectively, as of June 30, 2017.

## Convertible Debt

The Convertible Senior Notes due 2044 ("Convertible Notes") had a principal amount outstanding of \$402.5 million as of June 30, 2017. Contractual interest expense was \$1.5 million and \$3.0 million for the three and six months ended June 30, 2017 and 2016, respectively. Accretion expense was \$2.7 million and \$5.4 million for the three and six months ended June 30, 2017, respectively, and \$2.5 million and \$5.1 million for the three and six months ended June 30, 2016, respectively. The effective interest rate was 4.7% for the three and six months ended June 30, 2017. As of

June 30, 2017, the unamortized discount was \$38.8 million, and will be amortized through October 1, 2020.

ATM Facility

On June 27, 2017, the Company entered into a new credit facility agreement in which the lender has made available an aggregate \$100 million uncommitted short term credit facility to provide cash to support the ATM network. Interest is charged on this financing on an annual basis at the Overnight LIBOR rate plus 2.0%. The facility expires on November 30, 2017.

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(7) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to foreign currency exchange risk resulting from (i) the collection of funds or the settlement of money transfer transactions in currencies other than the U.S. Dollar, (ii) derivative contracts written to its customers in connection with providing cross-currency money transfer services and (iii) short-term borrowings that are payable in currencies other than the U.S. dollar. The Company enters into foreign currency derivative contracts, primarily foreign currency forwards and cross-currency swaps, to minimize its exposure related to fluctuations in foreign currency exchange rates. As a matter of Company policy, the derivative instruments used in these activities are economic hedges and are not designated as hedges under ASC Topic 815, Derivatives and Hedging, primarily due to either the relatively short duration of the contract term or the effects of fluctuations in currency exchange rates being reflected concurrently in earnings for both the derivative instrument and the transaction and having an offsetting effect.

Foreign currency exchange contracts - Ria Operations and Corporate

In the United States, the Company's Ria operations use short-duration foreign currency forward contracts, generally with maturities up to 14 days, to offset the fluctuation in foreign currency exchange rates on the collection of money transfer funds between initiation of a transaction and its settlement. Due to the short duration of these contracts and the Company's credit profile, the Company is generally not required to post collateral with respect to these foreign currency forward contracts. Most derivative contracts executed with counterparties in the U.S. are governed by an International Swaps and Derivatives Association agreement that includes standard netting arrangements; therefore, asset and liability positions from forward contracts and all other foreign exchange transactions with the same counterparty are net settled upon maturity. As of June 30, 2017, the Company held in its Ria operations foreign currency forward contracts outstanding in the U.S. with a notional value of \$256 million, primarily in Australian dollars, Canadian dollars, British pounds, euros and Mexican pesos.

In addition, the Company uses forward contracts, typically with maturities from a few days to less than one year, to offset foreign exchange rate fluctuations on certain foreign currency denominated other asset and liability positions. As of June 30, 2017, the Company had foreign currency forward contracts outstanding with a notional value of \$571 million, primarily in British pounds, euros and Polish zloty.

Foreign currency exchange contracts - HiFX Operations

HiFX writes derivative instruments, primarily foreign currency forward contracts and cross-currency swaps, mostly with counterparties comprised of individuals and small-to-medium size businesses and derives a currency margin from this activity as part of its operations. HiFX aggregates its foreign currency exposures arising from customer contracts and may hedge some or all of the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties. Foreign exchange revenues from HiFX's total portfolio of positions were \$16.0 million and \$31.7 million for the three and six months ended June 30, 2017, respectively, and \$18.7 million and \$33.9 million for the three and six months ended June 30, 2016, respectively. All of the derivative contracts used in the Company's HiFX operations are economic hedges and are not designated as hedges under ASC Topic 815. The duration of these derivative contracts is generally less than one year.

The fair value of HiFX's total portfolio of positions can change significantly from period to period based on, among other factors, market movements and changes in customer contract positions. HiFX manages counterparty credit risk (the risk that counterparties will default and not make payments according to the terms of the agreements) on an individual counterparty basis. It mitigates this risk by entering into contracts with collateral posting requirements and/or by performing financial assessments prior to contract execution, conducting periodic evaluations of counterparty performance and maintaining a diverse portfolio of qualified counterparties. HiFX does not expect any significant losses from counterparty defaults.

The aggregate equivalent U.S. dollar notional amounts of foreign currency derivative customer contracts held by the Company in its HiFX operations as of June 30, 2017 was approximately \$1.2 billion. The majority of customer contracts are written in major currencies such as the U.S. dollar, euro, New Zealand dollar, British pound, and Australian dollar.

Balance Sheet Presentation

The following table summarizes the fair value of the derivative instruments as recorded in the Consolidated Balance Sheets as of the dates below:

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| (in thousands)                                    | Asset Derivatives      |               |                   | Liability Derivatives     |               |                   |
|---------------------------------------------------|------------------------|---------------|-------------------|---------------------------|---------------|-------------------|
|                                                   | Balance Sheet Location | Fair Value    |                   | Balance Sheet Location    | Fair Value    |                   |
|                                                   |                        | June 30, 2017 | December 31, 2016 |                           | June 30, 2017 | December 31, 2016 |
| Derivatives not designated as hedging instruments |                        |               |                   |                           |               |                   |
| Foreign currency exchange contracts               | Other current assets   | \$42,219      | \$ 75,307         | Other current liabilities | \$(35,184)    | \$(63,772 )       |

The following tables summarize the gross and net fair value of derivative assets and liabilities as of June 30, 2017 and December 31, 2016 (in thousands):

Offsetting of Derivative Assets

| As of June 30, 2017                                                      | Gross Amounts of Recognized Assets | Gross Amounts Offset in the Consolidated Balance Sheet | Net Amounts Presented in the Consolidated Balance Sheet | Gross Amounts Not Offset in the Consolidated Balance Sheet |                          |             |
|--------------------------------------------------------------------------|------------------------------------|--------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------|--------------------------|-------------|
|                                                                          |                                    |                                                        |                                                         | Financial Instruments                                      | Cash Collateral Received | Net Amounts |
| Derivatives subject to a master netting arrangement or similar agreement | \$ 42,219                          | \$                                                     | —\$ 42,219                                              | \$(18,274)                                                 | \$(8,966 )               | \$ 14,979   |

As of December 31, 2016

|                                                                          |           |    |            |            |            |           |
|--------------------------------------------------------------------------|-----------|----|------------|------------|------------|-----------|
| Derivatives subject to a master netting arrangement or similar agreement | \$ 75,307 | \$ | —\$ 75,307 | \$(49,752) | \$(7,562 ) | \$ 17,993 |
|--------------------------------------------------------------------------|-----------|----|------------|------------|------------|-----------|

Offsetting of Derivative Liabilities

| As of June 30, 2017                                                      | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Consolidated Balance Sheet | Net Amounts Presented in the Consolidated Balance Sheet | Gross Amounts Not Offset in the Consolidated Balance Sheet |                      |             |
|--------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------|----------------------|-------------|
|                                                                          |                                         |                                                        |                                                         | Financial Instruments                                      | Cash Collateral Paid | Net Amounts |
| Derivatives subject to a master netting arrangement or similar agreement | \$(35,184 )                             | \$                                                     | —\$(35,184 )                                            | \$ 18,274                                                  | \$ 5,960             | \$(10,950)  |

As of December 31, 2016

|                                                                          |             |    |              |           |          |            |
|--------------------------------------------------------------------------|-------------|----|--------------|-----------|----------|------------|
| Derivatives subject to a master netting arrangement or similar agreement | \$(63,772 ) | \$ | —\$(63,772 ) | \$ 49,752 | \$ 1,106 | \$(12,914) |
|--------------------------------------------------------------------------|-------------|----|--------------|-----------|----------|------------|

See Note 8, Fair Value Measurements, for the determination of the fair values of derivatives.



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## Income Statement Presentation

The following tables summarize the location and amount of gains and losses on derivatives in the Consolidated Statements of Income for the three and six months ended June 30, 2017 and 2016:

| (in thousands)                      | Location of Gain (Loss) Recognized in Income on Derivative Contracts | Amount of Gain (Loss) Recognized in Income on Derivative Contracts (a) |         |                           |           |
|-------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------|---------|---------------------------|-----------|
|                                     |                                                                      | Three Months Ended June 30,                                            |         | Six Months Ended June 30, |           |
|                                     |                                                                      | 2017                                                                   | 2016    | 2017                      | 2016      |
| Foreign currency exchange contracts | Foreign currency exchange gain (loss), net                           | \$(1,410)                                                              | \$2,259 | \$(6,069)                 | \$(1,080) |

(a) The Company enters into derivative contracts such as foreign currency exchange forwards and cross-currency swaps as part of its HiFX operations. These derivative contracts are excluded from this table as they are part of the broader disclosure of foreign currency exchange revenues for this business discussed above.

## (8) FAIR VALUE MEASUREMENTS

Fair value measurements used in the unaudited consolidated financial statements are based upon the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the inputs that market participants would use in pricing.

The following table details financial assets and liabilities measured and recorded at fair value on a recurring basis:

| (in thousands)                      | Balance Sheet Classification | As of June 30, 2017 |         |              | Total |
|-------------------------------------|------------------------------|---------------------|---------|--------------|-------|
|                                     |                              | Level 1             | Level 2 | Level 3      |       |
| Assets                              |                              |                     |         |              |       |
| Foreign currency exchange contracts | Other current assets         | \$-\$42,219         | \$      | -\$42,219    |       |
| Liabilities                         |                              |                     |         |              |       |
| Foreign currency exchange contracts | Other current liabilities    | \$-\$ (35,184)      | \$      | -\$ (35,184) |       |
| As of December 31, 2016             |                              |                     |         |              |       |
| (in thousands)                      | Balance Sheet Classification | Level 1             | Level 2 | Level 3      | Total |
| Assets                              |                              |                     |         |              |       |
| Foreign currency exchange contracts | Other current assets         | \$-\$75,307         | \$      | -\$75,307    |       |
| Liabilities                         |                              |                     |         |              |       |
| Foreign currency exchange contracts | Other current liabilities    | \$-\$ (63,772)      | \$      | -\$ (63,772) |       |

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Other Fair Value Disclosures

The carrying amounts of cash and cash equivalents, accounts receivable, trade accounts payable, accrued expenses and other current obligations approximate their fair values because of the relatively short-term maturities of these financial instruments. The carrying values of the Company's long-term debt (other than the Convertible Notes), including the current portion, approximate fair value because interest is primarily based on LIBOR, which resets at various intervals of less than one year. The Company estimates the fair value of the Convertible Notes using quoted prices in inactive markets for identical liabilities (Level 2). As of June 30, 2017 and December 31, 2016, the fair values of the Convertible Notes were \$518.8 million and \$475.1 million, respectively, with carrying values of \$363.7 million and \$358.3 million, respectively.

(9) SEGMENT INFORMATION

The Company's reportable operating segments have been determined in accordance with ASC Topic 280, Segment Reporting. The Company currently operates in the following three reportable operating segments:

Through the EFT Processing Segment, the Company processes transactions for a network of ATMs and POS terminals across Europe, the Middle East and Asia Pacific. The Company provides comprehensive electronic payment solutions consisting of ATM cash withdrawal services, ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing, dynamic currency conversion and other value added services. Through this segment, the Company also offers a suite of integrated electronic financial transaction software solutions for electronic payment and transaction delivery systems.

Through the epay Segment, the Company provides distribution, processing and collection services for prepaid mobile airtime and other electronic payment products in Europe, the Middle East, Asia Pacific, the United States and South America.

Through the Money Transfer Segment, the Company provides global money transfer services under the brand names Ria, HiFX, IME and xe. Ria and IME provide global consumer-to-consumer money transfer services through a network of sending agents, Company-owned stores and Company-owned websites, disbursing money transfers through a worldwide correspondent network. HiFX offers account-to-account international payment services to high-income individuals and small-to-medium sized businesses. xe is a provider of foreign currency exchange information and offers money transfers on its currency data websites. The Company also offers customers bill payment services, payment alternatives such as money orders and prepaid debit cards, comprehensive check cashing services, foreign currency exchange services and mobile top-up. The Company provides cash management solutions and foreign currency risk management services to small-to-medium sized businesses under the brand name HiFM.

In addition, the Company accounts for non-operating activity, most share-based compensation expense, certain intersegment eliminations and the costs of providing corporate and other administrative services in its administrative division, "Corporate Services, Eliminations and Other." These services are not directly identifiable with the Company's reportable operating segments.



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The following tables present the Company's reportable segment results for the three and six months ended June 30, 2017 and 2016:

| (in thousands)                        | For the Three Months Ended June 30, 2017 |           |                |                                            |              |
|---------------------------------------|------------------------------------------|-----------|----------------|--------------------------------------------|--------------|
|                                       | EFT Processing                           | epay      | Money Transfer | Corporate Services, Eliminations and Other | Consolidated |
| Total revenues                        | \$155,957                                | \$164,127 | \$217,127      | \$ (648 )                                  | \$ 536,563   |
| Operating expenses:                   |                                          |           |                |                                            |              |
| Direct operating costs                | 77,656                                   | 124,086   | 116,251        | (647 )                                     | 317,346      |
| Salaries and benefits                 | 15,562                                   | 13,056    | 42,274         | 7,728                                      | 78,620       |
| Selling, general and administrative   | 7,896                                    | 9,523     | 26,451         | 4,572                                      | 48,442       |
| Acquired intangible assets impairment | 2,286                                    | —         | —              | —                                          | 2,286        |
| Depreciation and amortization         | 13,226                                   | 2,673     | 7,247          | 32                                         | 23,178       |
| Total operating expenses              | 116,626                                  | 149,338   | 192,223        | 11,685                                     | 469,872      |
| Operating income (expense)            | \$39,331                                 | \$14,789  | \$24,904       | \$ (12,333 )                               | \$ 66,691    |

| (in thousands)                      | For the Three Months Ended June 30, 2016 |           |                |                                            |              |
|-------------------------------------|------------------------------------------|-----------|----------------|--------------------------------------------|--------------|
|                                     | EFT Processing                           | epay      | Money Transfer | Corporate Services, Eliminations and Other | Consolidated |
| Total revenues                      | \$115,127                                | \$160,614 | \$201,480      | \$ (354 )                                  | \$ 476,867   |
| Operating expenses:                 |                                          |           |                |                                            |              |
| Direct operating costs              | 56,372                                   | 121,049   | 104,692        | (354 )                                     | 281,759      |
| Salaries and benefits               | 13,241                                   | 12,605    | 39,374         | 8,618                                      | 73,838       |
| Selling, general and administrative | 8,214                                    | 8,191     | 24,192         | 1,848                                      | 42,445       |
| Depreciation and amortization       | 9,412                                    | 2,698     | 7,353          | 52                                         | 19,515       |
| Total operating expenses            | 87,239                                   | 144,543   | 175,611        | 10,164                                     | 417,557      |
| Operating income (expense)          | \$27,888                                 | \$16,071  | \$25,869       | \$ (10,518 )                               | \$ 59,310    |

| (in thousands)                        | For the Six Months Ended June 30, 2017 |           |                |                                            |              |
|---------------------------------------|----------------------------------------|-----------|----------------|--------------------------------------------|--------------|
|                                       | EFT Processing                         | epay      | Money Transfer | Corporate Services, Eliminations and Other | Consolidated |
| Total revenues                        | \$261,709                              | \$328,297 | \$421,100      | \$ (1,163 )                                | \$ 1,009,943 |
| Operating expenses:                   |                                        |           |                |                                            |              |
| Direct operating costs                | 139,729                                | 250,246   | 225,136        | (1,158 )                                   | 613,953      |
| Salaries and benefits                 | 29,308                                 | 25,651    | 81,163         | 14,361                                     | 150,483      |
| Selling, general and administrative   | 15,082                                 | 18,483    | 49,264         | 7,600                                      | 90,429       |
| Acquired intangible assets impairment | 2,286                                  | —         | —              | —                                          | 2,286        |
| Depreciation and amortization         | 25,011                                 | 5,206     | 14,538         | 60                                         | 44,815       |
| Total operating expenses              | 211,416                                | 299,586   | 370,101        | 20,863                                     | 901,966      |
| Operating income (expense)            | \$50,293                               | \$28,711  | \$50,999       | \$ (22,026 )                               | \$ 107,977   |



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| (in thousands)                      | For the Six Months Ended June 30, 2016 |           |                |                                            |              |
|-------------------------------------|----------------------------------------|-----------|----------------|--------------------------------------------|--------------|
|                                     | EFT Processing                         | epay      | Money Transfer | Corporate Services, Eliminations and Other | Consolidated |
| Total revenues                      | \$201,696                              | \$330,719 | \$383,053      | \$ (707 )                                  | \$ 914,761   |
| Operating expenses:                 |                                        |           |                |                                            |              |
| Direct operating costs              | 103,119                                | 251,211   | 199,762        | (707 )                                     | 553,385      |
| Salaries and benefits               | 24,647                                 | 24,700    | 76,217         | 15,511                                     | 141,075      |
| Selling, general and administrative | 14,512                                 | 17,158    | 45,006         | 3,623                                      | 80,299       |
| Depreciation and amortization       | 18,260                                 | 5,764     | 14,673         | 106                                        | 38,803       |
| Total operating expenses            | 160,538                                | 298,833   | 335,658        | 18,533                                     | 813,562      |
| Operating income (expense)          | \$41,158                               | \$31,886  | \$47,395       | \$ (19,240 )                               | \$ 101,199   |

The following table presents the Company's property and equipment and total assets by reportable segment:

| (in thousands)                             | Property and Equipment, net as of |                   | Total Assets as of |                   |
|--------------------------------------------|-----------------------------------|-------------------|--------------------|-------------------|
|                                            | June 30, 2017                     | December 31, 2016 | June 30, 2017      | December 31, 2016 |
| EFT Processing                             | \$172,680                         | \$ 139,161        | \$1,258,883        | \$786,166         |
| epay                                       | 26,514                            | 23,939            | 570,690            | 733,514           |
| Money Transfer                             | 41,815                            | 38,954            | 1,192,526          | 1,136,722         |
| Corporate Services, Eliminations and Other | 71                                | 91                | 14,586             | 56,470            |
| Total                                      | \$241,080                         | \$ 202,145        | \$3,036,685        | \$2,712,872       |

**(10) INCOME TAXES**

The Company's effective income tax rate was 26.6% and 25.8% for the three and six months ended June 30, 2017, respectively, compared to 21.5% and 22.3% for the three and six months ended June 30, 2016, respectively. The Company's effective income tax rate for the three and six months ended June 30, 2017 and 2016 was lower than the applicable statutory income tax rate of 35% primarily because of the Company's U.S. income tax positions. The Company does not have a history of significant taxable income in the U.S.; therefore, the Company has recorded a valuation allowance against its net U.S. deferred tax assets. Accordingly, in instances when the Company's U.S. legal entities generate pre-tax U.S. GAAP income, no income tax expense is recognized to the extent there are net operating loss carryforwards to offset the pre-tax U.S. GAAP income.

**(11) COMMITMENTS**

As of June 30, 2017, the Company had \$73.1 million of stand-by letters of credit/bank guarantees issued on its behalf, of which \$47.8 million are outstanding under the revolving credit facility. The remaining stand-by letters of credit/bank guarantees are collateralized by \$3.2 million of cash deposits held by the respective issuing banks. Under certain circumstances, Euronet grants guarantees in support of obligations of subsidiaries. As of June 30, 2017, the Company had granted off balance sheet guarantees for cash in various ATM networks amounting to \$16.4 million over the terms of the cash supply agreements and performance guarantees amounting to approximately \$21.8 million over the terms of agreements with the customers.

Once each of Euronet's subsidiaries reaches a certain size, it is required under the Credit Facility to provide a guarantee of all or a portion of the outstanding obligations under the Credit Facility depending upon whether the subsidiary is a domestic or foreign entity.

From time to time, the Company enters into agreements with commercial counterparties that contain indemnification provisions, the terms of which may vary depending on the negotiated terms of each respective agreement. The amount of such potential obligations is generally not stated in the agreements. Euronet's liability under such indemnification

provisions may be mitigated by relevant insurance coverage and may be subject to time and materiality limitations, monetary caps and other conditions and defenses. Such indemnification obligations include the following:  
In connection with contracts with financial institutions in the EFT Processing Segment, the Company is responsible for

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damage to ATMs and theft of ATM network cash that, generally, is not recorded on the Company's Consolidated Balance Sheets. As of June 30, 2017, the balance of cash used in the Company's ATM networks for which the Company was responsible was approximately \$517 million. The Company maintains insurance policies to mitigate this exposure;

In connection with contracts with financial institutions in the EFT Processing Segment, the Company is responsible for losses suffered by its customers and other parties as a result of the breach of its computer systems, including in particular, losses arising from fraudulent transactions made using information stolen through its processing systems. The Company maintains systems of internal controls and insurance policies to mitigate this exposure;

In connection with the license of proprietary systems to customers, the Company provides certain warranties and infringement indemnities to the licensee, which generally warrant that such systems do not infringe on intellectual property owned by third parties and that the systems will perform in accordance with their specifications;

Euronet has entered into purchase and service agreements with vendors and consulting agreements with providers of consulting services, pursuant to which the Company has agreed to indemnify certain of such vendors and consultants, respectively, against third-party claims arising from the Company's use of the vendor's product or the services of the vendor or consultant;

In connection with acquisitions and dispositions of subsidiaries, operating units and business assets, the Company has entered into agreements containing indemnification provisions, which can be generally described as follows: (i) in connection with acquisitions of operating units or assets made by Euronet, the Company has agreed to indemnify the seller against third-party claims made against the seller relating to the operating unit or asset and arising after the closing of the transaction, and (ii) in connection with dispositions made by Euronet, Euronet has agreed to indemnify the buyer against damages incurred by the buyer due to the buyer's reliance on representations and warranties relating to the subject subsidiary, operating unit or business assets in the disposition agreement if such representations or warranties were untrue when made; and

Euronet has entered into agreements with certain third parties, including banks that provide fiduciary and other services to Euronet or to the Company's benefit plans. Under such agreements, the Company has agreed to indemnify such service providers for third-party claims relating to carrying out their respective duties under such agreements. The Company is also required to meet minimum capitalization and cash requirements of various regulatory authorities in the jurisdictions in which the Company has money transfer operations. The Company has obtained surety bonds in compliance with money transfer licensing requirements of the applicable governmental authorities.

To date, the Company is not aware of any significant claims made by the indemnified parties or third parties to guarantee agreements with the Company and, accordingly, no liabilities were recorded as of June 30, 2017 or December 31, 2016.

(12) LITIGATION AND CONTINGENCIES

From time to time, the Company is a party to legal or regulatory proceedings arising in the ordinary course of its business. Currently, there are no legal proceedings or regulatory findings that management believes, either individually or in the aggregate, would have a material adverse effect on the Company's consolidated financial condition or results of operations. In accordance with U.S. GAAP, the Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The terms "Euronet," the "Company," "we" and "us" as used herein refer to Euronet Worldwide, Inc. and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that constitute forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934 ("Exchange Act"). Generally, the words "believe," "expect," "anticipate," "intend," "estimate," "will" and similar expressions identify forward-looking statements. However, the absence of these words or similar expressions does not mean the statement is not forward-looking. All statements other than statements of historical facts included in this document are forward-looking statements, including, but not limited to, statements regarding the following:

- our business plans and financing plans and requirements;
- trends affecting our business plans and financing plans and requirements;
- trends affecting our business;
- the adequacy of capital to meet our capital requirements and expansion plans;
- the assumptions underlying our business plans;
- our ability to repay indebtedness;
- our estimated capital expenditures;
- the potential outcome of loss contingencies;
- our expectations regarding the closing of any pending acquisitions;
- business strategy;
- government regulatory action;
- technological advances; and
- projected costs and revenues.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be correct.

Investors are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may materially differ from those in the forward-looking statements as a result of various factors, including, but not limited to, conditions in world financial markets and general economic conditions, including the effects in Europe of the recent Brexit vote and economic conditions in specific countries and regions; the effects of demonetization in India; technological developments affecting the market for our products and services; our ability to successfully introduce new products and services; foreign currency exchange rate fluctuations; the effects of any breach of our computer systems or those of our customers or vendors, including our financial processing networks or those of other third parties; interruptions in any of our systems or those of our vendors or other third parties; our ability to renew existing contracts at profitable rates; changes in fees payable for transactions performed for cards bearing international logos or over switching networks such as card transactions on ATMs; our ability to comply with increasingly stringent regulatory requirements, including anti-money laundering, anti-terrorism, anti-bribery and consumer and data protection requirements; changes in laws and regulations affecting our business, including immigration laws; changes in our relationships with, or in fees charged by, our business partners; competition; the outcome of claims and other loss contingencies affecting Euronet; and those factors referred to above and as set forth and more fully described in Part I, Item 1A — Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2016. Our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q are available on the SEC's EDGAR website at [www.sec.gov](http://www.sec.gov), and copies may also be obtained by contacting the Company. Any forward-looking statements made in this Form 10-Q speak only as of the date of this report. Except as required by law, we do not intend, and do not undertake any obligation, to update any forward-looking statements to reflect future events or circumstances after the date of such statements.



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### OVERVIEW

#### COMPANY OVERVIEW, GEOGRAPHIC LOCATIONS AND PRINCIPAL PRODUCTS AND SERVICES

Euronet is a leading electronic payments provider. We offer payment and transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. Our primary product offerings include comprehensive automated teller machine (“ATM”), point-of-sale (“POS”), card outsourcing, card issuing and merchant acquiring services, software solutions, electronic distribution of prepaid mobile airtime and other electronic payment products, foreign currency exchange services and global money transfer services. We operate in the following three segments:

The EFT Processing Segment, which processes transactions for a network of 37,383 ATMs and approximately 194,000 POS terminals across Europe, the Middle East and Asia Pacific. We provide comprehensive electronic payment solutions consisting of ATM cash withdrawal and deposit services, ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing, dynamic currency conversion (“DCC”), and other value added services. Through this segment, we also offer a suite of integrated electronic financial transaction software solutions for electronic payment and transaction delivery systems.

The epay Segment, which provides distribution, processing and collection services for prepaid mobile airtime and other electronic payment products. We operate a network of approximately 673,000 POS terminals providing electronic processing of prepaid mobile airtime top-up services and other electronic payment products in Europe, the Middle East, Asia Pacific, the United States and South America. We also provide vouchers and physical gift fulfillment services in Europe.

The Money Transfer Segment, which provides global consumer-to-consumer money transfer services, primarily under the brand names Ria, IME and xe, and global account-to-account money transfer services under the brand name HiFX. We offer services under the brand names Ria and IME through a network of sending agents, Company-owned stores (primarily in North America, Europe and Malaysia) and our websites ([www.riamoneytransfer.com](http://www.riamoneytransfer.com) and [www.imeremit.com](http://www.imeremit.com)), disbursing money transfers through a worldwide correspondent network that includes approximately 324,000 locations. xe is a provider of foreign currency exchange information and offers money transfer services on its currency data websites ([www.xe.com](http://www.xe.com) and [www.x-rates.com](http://www.x-rates.com)). We offer services under the brand name HiFX through our HiFX websites ([www.hifx.com](http://www.hifx.com), [www.hifx.co.uk](http://www.hifx.co.uk) and [www.hifx.com.au](http://www.hifx.com.au)) and HiFX customer service representatives. In addition to money transfers, we also offer customers bill payment services (primarily in the U.S.), payment alternatives such as money orders and prepaid debit cards, comprehensive check cashing services for a wide variety of issued checks, along with competitive foreign currency exchange services and prepaid mobile top-up. Through our HiFM brand, we offer cash management solutions and foreign currency risk management services to small-to-medium sized businesses.

We have six processing centers in Europe, five in Asia Pacific and two in North America. We have 34 principal offices in Europe, 11 in Asia Pacific, nine in North America, three in the Middle East, two in South America and one in Africa. Our executive offices are located in Leawood, Kansas, USA. With approximately 72% of our revenues denominated in currencies other than the U.S. dollar, any significant changes in foreign currency exchange rates will likely have a significant impact on our results of operations.

### SOURCES OF REVENUES AND CASH FLOW

Euronet primarily earns revenues and income from ATM management fees, transaction fees, commissions and foreign currency exchange margin. Each operating segment’s sources of revenues are described below.

EFT Processing Segment — Revenues in the EFT Processing Segment, which represented approximately 29% and 26% of total consolidated revenues for the second quarter and first half of 2017, are primarily derived from fees charged for transactions made by cardholders on our proprietary network of ATMs, fixed management fees and transaction fees we charge to customers for operating ATMs and processing debit and credit cards under outsourcing and cross-border acquiring agreements, foreign currency exchange margin on DCC transactions, and other value added services such as advertising, prepaid telecommunication recharges, bill payment, and money transfers provided over ATMs. Revenues in this segment are also derived from license fees, professional services and maintenance fees for proprietary



application software and sales of related hardware.

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epay Segment — Revenues in the epay Segment, which represented approximately 31% and 32% of total consolidated revenues for the second quarter and first half of 2017, are derived from commissions or processing fees received from mobile phone operators for the processing and distribution of prepaid mobile airtime and commissions earned from the distribution of other electronic payment products, vouchers, and physical gifts. The proportion of epay Segment revenues earned from the distribution of prepaid mobile phone time as compared with other electronic products has decreased over time, and non-mobile content now produces approximately 67% of epay Segment revenues. Other electronic payment products offered by this segment include digital content such as music, games and software, as well as, other products including prepaid long distance calling card plans, prepaid Internet plans, prepaid debit cards, gift cards, vouchers, transport payments, lottery payments, bill payment, and money transfer. Agreements with mobile operators and prepaid content providers are important to the success of our business and these agreements permit us to distribute prepaid mobile airtime and other electronic payment products to retailers.

Money Transfer Segment — Revenues in the Money Transfer Segment, which represented approximately 40% and 42% of total consolidated revenues for the second quarter and first half of 2017, are primarily derived from transaction fees, as well as the margin earned from purchasing foreign currency at wholesale exchange rates and selling the foreign currency to customers at retail exchange rates. We have a sending agent network in place comprised of agents, customer service representatives, Company-owned stores, primarily in North America, Europe, and Malaysia, and our websites [www.riamoneytransfer.com](http://www.riamoneytransfer.com), [www.hifx.com](http://www.hifx.com), [www.hifx.co.uk](http://www.hifx.co.uk), [www.hifx.com.au](http://www.hifx.com.au), [www.imeremit.com](http://www.imeremit.com), [www.xe.com](http://www.xe.com) and [www.x-rates.com](http://www.x-rates.com), along with a worldwide network of correspondent agents, consisting primarily of financial institutions in the transfer destination countries. Sending and correspondent agents each earn fees for cash collection and distribution services, which are recognized as direct operating costs at the time of sale.

The Company offers a money transfer product called Walmart-2-Walmart Money Transfer Service which allows customers to transfer money to and from Walmart stores in the U.S. Our Ria business executes the transfers with Walmart serving as both the sending agent and payout correspondent. Ria earns a lower margin from these transactions than its traditional money transfers; however, the arrangement has added a significant number of transactions to Ria’s business. The agreement with Walmart establishes Ria as the only party through which Walmart will sell U.S. domestic money transfers branded with Walmart marks. The agreement had an initial term of three years from the launch date of April 2014, and was renewed for an additional three years until April 2020 and will automatically renew for subsequent one year terms unless either party provides notice to the contrary. The agreement imposes certain obligations on each party, the most significant being service level requirements by Ria and money transfer compliance requirements by Walmart. Any violation of these requirements by Ria could result in an obligation to indemnify Walmart or termination of the contract by Walmart. However, the agreement allows the parties to resolve disputes by mutual agreement without termination of the agreement.

Corporate Services, Eliminations and Other - In addition to operating in our principal operating segments described above, our “Corporate Services, Eliminations and Other” category includes non-operating activity, certain inter-segment eliminations and the cost of providing corporate and other administrative services to the operating segments, including most share-based compensation expense. These services are not directly identifiable with our reportable operating segments.

**OPPORTUNITIES AND CHALLENGES**

Our expansion plans and opportunities are focused on eight primary areas:

- increasing the number of ATMs and cash deposit terminals in our independent networks;
- increasing transactions processed on our network of owned and operated ATMs and POS devices;
- signing new outsourced ATM and POS terminal management contracts;
- expanding value added services and other products offered by our EFT Processing Segment, including the sale of DCC, acquiring and other prepaid card services to banks and retailers;
- expanding our epay processing network and portfolio of digital content;
- expanding our money transfer services, cross-currency payment products and bill payment network;
- expanding our cash management solutions and foreign currency risk management services; and
- developing our credit and debit card outsourcing business.

EFT Processing Segment — The continued expansion and development of our EFT Processing Segment business will depend on various factors including, but not necessarily limited to, the following:

- the impact of competition by banks and other ATM operators and service providers in our current target markets;
- the demand for our ATM outsourcing services in our current target markets;

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- our ability to develop products or services, including value added services, to drive increases in transactions and revenues;
- the expansion of our various business lines in markets where we operate and in new markets;
- our entry into additional card acceptance and ATM management agreements with banks;
- our ability to obtain required licenses in markets we intend to enter or expand services;
- our ability to enter into and renew ATM network cash supply agreements with financial institutions;
- the availability of financing for expansion;
- our ability efficiently to install ATMs contracted under newly awarded outsourcing agreements;
- our ability to renew existing contracts at profitable rates;
- our ability to maintain pricing at current levels or mitigate price reductions in certain markets;
- the impact of reductions in ATM interchange fees;
- our ability to expand and sign additional customers for the cross-border merchant processing and acquiring business; and
- the continued development and implementation of our software products and their ability to interact with other leading products.

We consistently evaluate and add prospects to our list of potential ATM outsource customers. However, we cannot predict the increase or decrease in the number of ATMs we manage under outsourcing agreements because this depends largely on the willingness of banks to enter into outsourcing contracts with us. Due to the thorough internal reviews and extensive negotiations conducted by existing and prospective banking customers in choosing outsource vendors, the process of entering into or renewing outsourcing agreements can take several months. The process is further complicated by the legal and regulatory considerations of local countries. These agreements tend to cover large numbers of ATMs, so significant increases and decreases in our pool of managed ATMs could result from the acquisition or termination of one or more of these management contracts. Therefore, the timing of both current and new contract revenues is uncertain and unpredictable.

Software products are an integral part of our product lines, and our investment in research, development, delivery and customer support reflects our ongoing commitment to an expanded customer base.

epay Segment — The continued expansion and development of the epay Segment business will depend on various factors, including, but not necessarily limited to, the following:

- our ability to maintain and renew existing agreements, and to negotiate new agreements in additional markets with mobile operators, digital content providers, agent financial institutions and retailers;
- our ability to use existing expertise and relationships with mobile operators, digital content providers and retailers to our advantage;
- the continued use of third-party providers such as ourselves to supply electronic processing solutions for existing and additional digital content;
- the development of mobile phone networks in the markets in which we do business and the increase in the number of mobile phone users;
- the overall pace of growth in the prepaid mobile phone and digital content market, including consumer shifts between prepaid and postpaid services;
- our market share of the retail distribution capacity;
- the development of new technologies that may compete with POS distribution of prepaid mobile airtime and other products;
- the level of commission that is paid to the various intermediaries in the electronic payment distribution chain;
- our ability to fully recover monies collected by retailers;
- our ability to add new and differentiated products in addition to those offered by mobile operators;
- our ability to develop and effectively market additional value added services;



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our ability to take advantage of cross-selling opportunities with our EFT Processing and Money Transfer Segments, including providing money transfer services through our distribution network; and  
the availability of financing for further expansion.

In all of the markets in which we operate, we are experiencing significant competition which will impact the rate at which we may be able to grow organically. Competition among prepaid mobile airtime and digital content distributors results in the increase of commissions paid to retailers and increases in retailer attrition rates. To grow, we must capture market share from other prepaid mobile airtime and digital content distributors, offer a superior product offering and demonstrate the value of a global network. In certain markets in which we operate, many of the factors that may contribute to rapid growth (growth in electronic payment products, expansion of our network of retailers and access to products of mobile operators and other content providers) remain present.

Money Transfer Segment — The continued expansion and development of our Money Transfer Segment business will depend on various factors, including, but not necessarily limited to, the following:

- the continued growth in worker migration and employment opportunities;
- the mitigation of economic and political factors that have had an adverse impact on money transfer volumes, such as changes in the economic sectors in which immigrants work and the developments in immigration policies in the countries in which we operate;
- the continuation of the trend of increased use of electronic money transfer and bill payment services among high-income individuals, immigrant workers and the unbanked population in our markets;
- our ability to maintain our agent and correspondent networks;
- our ability to offer our products and services or develop new products and services at competitive prices to drive increases in transactions;
- the development of new technologies that may compete with our money transfer network;
- the expansion of our services in markets where we operate and in new markets;
- our ability to strengthen our brands;
- our ability to fund working capital requirements;
- our ability to recover from agents funds collected from customers and our ability to recover advances made to correspondents;
- our ability to maintain compliance with the regulatory requirements of the jurisdictions in which we operate or plan to operate;
- our ability to take advantage of cross-selling opportunities with the epay Segment, including providing prepaid services through our stores and agents worldwide;
- our ability to leverage our banking and merchant/retailer relationships to expand money transfer corridors to Europe, Asia and Africa, including high growth corridors to Central and Eastern European countries;
- the availability of financing for further expansion;
- the ability to maintain banking relationships necessary for us to service our customers;
- our ability to successfully expand our agent network in Europe using our payment institution licenses under the Payment Services Directive and in the United States; and
- our ability to provide additional value-added products under the xe brand.

For all segments, our continued expansion may involve additional acquisitions that could divert our resources and management time and require integration of new assets with our existing networks and services. Our ability to effectively manage our growth has required us to expand our operating systems and employee base, particularly at the management level, which has added incremental operating costs. An inability to continue to effectively manage expansion could have a material adverse effect on our business, growth, financial condition or results of operations. Inadequate technology and resources would impair our ability to maintain current processing technology and efficiencies, as well as deliver new and innovative services to compete in the marketplace.



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## SEGMENT SUMMARY RESULTS OF OPERATIONS

Revenues and operating income by segment for the three and six months ended June 30, 2017 and 2016 are summarized in the tables below:

|                                               | Revenues for the<br>Three Months Ended<br>June 30,                      |           | Year-over-Year<br>Change         |                                   | Revenues for the Six<br>Months Ended June 30,                         |           | Year-over-Year<br>Change         |                                   |
|-----------------------------------------------|-------------------------------------------------------------------------|-----------|----------------------------------|-----------------------------------|-----------------------------------------------------------------------|-----------|----------------------------------|-----------------------------------|
|                                               | 2017                                                                    | 2016      | Increase<br>(Decrease)<br>Amount | Increase<br>Percent               | 2017                                                                  | 2016      | Increase<br>(Decrease)<br>Amount | Increase<br>(Decrease)<br>Percent |
| (dollar amounts in thousands)                 |                                                                         |           |                                  |                                   |                                                                       |           |                                  |                                   |
| EFT Processing                                | \$155,957                                                               | \$115,127 | \$40,830                         | 35 %                              | \$261,709                                                             | \$201,696 | \$60,013                         | 30 %                              |
| epay                                          | 164,127                                                                 | 160,614   | 3,513                            | 2 %                               | 328,297                                                               | 330,719   | (2,422 )                         | (1 )%                             |
| Money Transfer                                | 217,127                                                                 | 201,480   | 15,647                           | 8 %                               | 421,100                                                               | 383,053   | 38,047                           | 10 %                              |
| Total                                         | 537,211                                                                 | 477,221   | 59,990                           | 13 %                              | 1,011,106                                                             | 915,468   | 95,638                           | 10 %                              |
| Corporate services,<br>eliminations and other | (648 )                                                                  | (354 )    | (294 )                           | 83 %                              | (1,163 )                                                              | (707 )    | (456 )                           | 64 %                              |
| Total                                         | \$536,563                                                               | \$476,867 | \$59,696                         | 13 %                              | \$1,009,943                                                           | \$914,761 | \$95,182                         | 10 %                              |
|                                               | Operating Income<br>(Expense) for the<br>Three Months<br>Ended June 30, |           | Year-over-Year<br>Change         |                                   | Operating Income<br>(Expense) for the Six<br>Months Ended June<br>30, |           | Year-over-Year<br>Change         |                                   |
| (dollar amounts in thousands)                 | 2017                                                                    | 2016      | Increase<br>(Decrease)<br>Amount | Increase<br>(Decrease)<br>Percent | 2017                                                                  | 2016      | Increase<br>(Decrease)<br>Amount | Increase<br>(Decrease)<br>Percent |
| EFT Processing                                | \$39,331                                                                | \$27,888  | \$11,443                         | 41 %                              | \$50,293                                                              | \$41,158  | \$9,135                          | 22 %                              |
| epay                                          | 14,789                                                                  | 16,071    | (1,282 )                         | (8 )%                             | 28,711                                                                | 31,886    | (3,175 )                         | (10 )%                            |
| Money Transfer                                | 24,904                                                                  | 25,869    | (965 )                           | (4 )%                             | 50,999                                                                | 47,395    | 3,604                            | 8 %                               |
| Total                                         | 79,024                                                                  | 69,828    | 9,196                            | 13 %                              | 130,003                                                               | 120,439   | 9,564                            | 8 %                               |
| Corporate services,<br>eliminations and other | (12,333 )                                                               | (10,518 ) | (1,815 )                         | 17 %                              | (22,026 )                                                             | (19,240 ) | (2,786 )                         | 14 %                              |
| Total                                         | \$66,691                                                                | \$59,310  | \$7,381                          | 12 %                              | \$107,977                                                             | \$101,199 | \$6,778                          | 7 %                               |



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## Impact of changes in foreign currency exchange rates

Our revenues and local expenses are recorded in the functional currencies of our operating entities and translated into U.S. dollars for financial reporting purposes; therefore, amounts we earn outside the U.S. are negatively impacted by a stronger U.S. dollar and positively impacted by a weaker U.S. dollar. On average, the U.S. dollar was stronger in the first half of 2017 than the same periods of 2016 compared to currencies of most markets in which we operate.

Considering the results by country and the associated functional currency, we estimate that our reported consolidated revenue and operating income for the second quarter and first half of 2017 was 2% less due to the changes in foreign currency exchange rates when compared to the same periods of 2016.

To provide further perspective on the impact of foreign currency exchange rates, the following table shows the changes in values relative to the U.S. dollar of the currencies of the countries in which we have our most significant operations:

| Currency (dollars per foreign currency) | Average          |                |            |         | Average          |                |            |         |
|-----------------------------------------|------------------|----------------|------------|---------|------------------|----------------|------------|---------|
|                                         | Translation Rate |                | Increase   |         | Translation Rate |                | Increase   |         |
|                                         | Three Months     | Three Months   | (Decrease) | Percent | Six Months       | Six Months     | (Decrease) | Percent |
|                                         | Ended June 30,   | Ended June 30, |            |         | Ended June 30,   | Ended June 30, |            |         |
|                                         | 2017             | 2016           |            |         | 2017             | 2016           |            |         |
| Australian dollar                       | \$0.7507         | \$0.7455       | 1          | %       | \$0.7544         | \$0.7338       | 3          | %       |
| British pound                           | \$1.2788         | \$1.4341       | (11)       | )%      | \$1.2589         | \$1.4334       | (12)       | )%      |
| euro                                    | \$1.1001         | \$1.1291       | (3)        | )%      | \$1.0827         | \$1.1164       | (3)        | )%      |
| Hungarian forint                        | \$0.0036         | \$0.0036       | —          | %       | \$0.0035         | \$0.0036       | (3)        | )%      |
| Indian rupee                            | \$0.0155         | \$0.0149       | 4          | %       | \$0.0152         | \$0.0149       | 2          | %       |
| Malaysian ringgit                       | \$0.2309         | \$0.2497       | (8)        | )%      | \$0.2280         | \$0.2443       | (7)        | )%      |
| New Zealand dollar                      | \$0.7047         | \$0.6904       | 2          | %       | \$0.7080         | \$0.6773       | 5          | %       |
| Polish zloty                            | \$0.2610         | \$0.2584       | 1          | %       | \$0.2539         | \$0.2558       | (1)        | )%      |

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## COMPARISON OF OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

## EFT PROCESSING SEGMENT

The following table presents the results of operations for the three and six months ended June 30, 2017 and 2016 for our EFT Processing Segment:

| (dollar amounts in thousands)         | Three Months Ended June 30, |            | Year-over-Year Change      |                             |  | Six Months Ended June 30, |            | Year-over-Year Change |                  |  |
|---------------------------------------|-----------------------------|------------|----------------------------|-----------------------------|--|---------------------------|------------|-----------------------|------------------|--|
|                                       | 2017                        | 2016       | Increase (Decrease) Amount | Increase (Decrease) Percent |  | 2017                      | 2016       | Increase Amount       | Increase Percent |  |
|                                       |                             |            |                            |                             |  |                           |            |                       |                  |  |
| Total revenues                        | \$ 155,957                  | \$ 115,127 | \$ 40,830                  | 35 %                        |  | \$ 261,709                | \$ 201,696 | \$ 60,013             | 30 %             |  |
| Operating expenses:                   |                             |            |                            |                             |  |                           |            |                       |                  |  |
| Direct operating costs                | 77,656                      | 56,372     | 21,284                     | 38 %                        |  | 139,729                   | 103,119    | 36,610                | 36 %             |  |
| Salaries and benefits                 | 15,562                      | 13,241     | 2,321                      | 18 %                        |  | 29,308                    | 24,647     | 4,661                 | 19 %             |  |
| Selling, general and administrative   | 7,896                       | 8,214      | (318)                      | (4) %                       |  | 15,082                    | 14,512     | 570                   | 4 %              |  |
| Acquired intangible assets impairment | 2,286                       | —          | 2,286                      | n/m                         |  | 2,286                     | —          | 2,286                 | n/m              |  |
| Depreciation and amortization         | 13,226                      | 9,412      | 3,814                      | 41 %                        |  | 25,011                    | 18,260     | 6,751                 | 37 %             |  |
| Total operating expenses              | 116,626                     | 87,239     | 29,387                     | 34 %                        |  | 211,416                   | 160,538    | 50,878                | 32 %             |  |
| Operating income                      | \$ 39,331                   | \$ 27,888  | \$ 11,443                  | 41 %                        |  | \$ 50,293                 | \$ 41,158  | \$ 9,135              | 22 %             |  |
| Transactions processed (millions)     | 575                         | 458        | 117                        | 26 %                        |  | 1,112                     | 882        | 230                   | 26 %             |  |
| ATMs as of June 30,                   | 37,383                      | 25,912     | 11,471                     | 44 %                        |  | 37,383                    | 25,912     | 11,471                | 44 %             |  |
| Average ATMs                          | 36,872                      | 25,581     | 11,291                     | 44 %                        |  | 35,725                    | 25,028     | 10,697                | 43 %             |  |

## Revenues

EFT Processing Segment total revenues for the three and six months ended June 30, 2017 were \$156.0 million and \$261.7 million, respectively, an increase of \$40.8 million or 35% and \$60.0 million or 30% as compared to the same periods in 2016. The increases in total revenues for the three and six months ended June 30, 2017 were primarily due to an increase in the number of ATMs under management in Europe. Specifically, the increase in the number of ATMs contributed to increases in the number of transactions processed, including dynamic currency conversion ("DCC") transactions. The acquisition of YourCash, completed during the fourth quarter of 2016, also contributed to the increase in total revenues for the first half of 2017. The increases were partially offset by the impact of a cash shortage due to the demonetization initiated in the fourth quarter of 2016 in India where we have increased the number of ATMs under management and the U.S. dollar strengthening against key foreign currencies. Foreign currency movements reduced total revenues by approximately \$2.3 million and \$5.4 million for the three and six months ended June 30, 2017 as compared to the same periods in 2016.

Average monthly revenues per ATM were \$1,410 and \$1,221 for the three and six months ended June 30, 2017, respectively, compared to \$1,500 and \$1,343 for the three and six months ended June 30, 2016, respectively. The decreases were primarily due to the India cash shortage and the addition of approximately 3,135 low-margin ATMs in India. Revenues per transaction were \$0.27 for the second quarter and \$0.24 for the first half of 2017, respectively, compared to \$0.25 for the second quarter and \$0.23 for the first half of 2016, respectively. The increases in revenue per transaction were primarily the result of revenue growth from DCC, which earns higher revenues per transaction than other ATM or card-based services, which were partially offset by the impact of the low margin ATM transactions in India.

## Direct operating costs

EFT Processing Segment direct operating costs were \$77.7 million and \$139.7 million for the three and six months ended June 30, 2017, respectively, an increase of \$21.3 million or 38% and \$36.6 million or 36% as compared to the same periods in 2016. Direct operating costs in the EFT Processing Segment consist primarily of site rental fees, cash

delivery costs, cash supply costs, maintenance, insurance, telecommunications, data center operations-related personnel, as well as the processing centers' facility-related costs and other processing center-related expenses and commissions paid to retail merchants, banks and card processors involved with POS DCC transactions. The increases in direct operating costs for the three and six months ended June 30, 2017 were primarily due to an increase in the number of ATMs under management, particularly our independent ATM

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network which has more seasonal revenue generation, and the impact of our acquisition of YourCash, partly offset by the impact of the U.S. dollar strengthening against key foreign currencies.

**Gross profit**

Gross profit, which is calculated as revenues less direct operating costs, was \$78.3 million and \$122.0 million for the three and six months ended June 30, 2017, respectively, compared to \$58.8 million and \$98.6 million for the three and six months ended June 30, 2016, respectively. The increases in gross profit were primarily due to the growth in revenues from the increase in ATMs under management and DCC transactions processed. Gross profit as a percentage of revenues (“gross margin”) was 50.2% and 46.6% for the three and six months ended June 30, 2017, respectively, compared to 51.0% and 48.9% for the three and six months ended June 30, 2016, respectively. The decreases in gross profit as a percentage of revenue were primarily due to increased operating costs due to the expansion of our ATM network, which includes fixed costs for our independent ATMs and increased site rental cost as we negotiate new locations and contracts, along with ATM growth in the India market where we earn lower revenue per transaction and have experienced a cash shortage due to the demonetization initiative in the region.

**Salaries and benefits**

Salaries and benefits expense increased \$2.3 million or 18% and \$4.7 million or 19% for the three and six months ended June 30, 2017, respectively, compared to the same periods in 2016. The increases in salaries and benefits were primarily attributable to additional headcount to support an increase in the number of ATMs and POS devices under management. As a percentage of revenues, these costs decreased to 10.0% for the second quarter and 11.2% for the first half of 2017, respectively, compared to 11.5% for the second quarter and 12.2% for the first half of 2016, respectively. The decreases were primarily due to the growth in revenues earned from DCC and other value added service transactions on our ATMs under management, which require minimal incremental support costs.

**Selling, general and administrative**

Selling, general and administrative expenses for the three and six months ended June 30, 2017 were \$7.9 million and \$15.1 million, respectively, a decrease of \$0.3 million or 4% and an increase of \$0.6 million or 4% as compared to the same periods in 2016. Selling, general and administrative expenses were essentially flat compared to the same periods in the prior year, primarily due to the impact of our acquisition of YourCash which was largely offset by an increase in additional support cost in 2016 that did not recur in 2017. As a percentage of revenues, selling, general and administrative expenses were 5.1% and 5.8% for the three and six months ended June 30, 2017, respectively, compared to 7.1% and 7.2% for the three and six months ended June 30, 2016, respectively. The decreases were primarily due to the growth in revenues earned from DCC and other value added service transactions on our ATMs under management, which require minimal incremental support costs.

**Acquired intangible assets impairment**

The Company recorded a non-cash impairment charge of \$2.3 million for the three and six months ended June 30, 2017 related to certain customer relationships as a result of the closure of the Pure Commerce office in South Korea. No impairment charges were recorded in 2016.

**Depreciation and amortization**

Depreciation and amortization expense increased \$3.8 million and \$6.8 million for the three and six months ended June 30, 2017, respectively, compared to the same periods in 2016. The increases were primarily attributable to the deployment of additional ATMs under management, including more expensive cash recycling ATMs, software assets, and the amortization of intangible assets related to the acquisition of YourCash. As a percentage of revenues, depreciation and amortization expense increased to 8.5% for the second quarter and 9.6% for the first half of 2017 as compared to 8.2% and 9.1% for the same periods of 2016.

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## Operating income

EFT Processing Segment operating income for the three and six months ended June 30, 2017 was \$39.3 million and \$50.3 million, respectively, an increase of \$11.4 million or 41% and \$9.1 million or 22% as compared to the same periods in 2016. EFT Processing Segment operating income for the three and six months ended June 30, 2017 increased primarily due to higher operating revenues from the additional number of ATMs under management, the YourCash acquisition and growth in revenues earned from DCC transactions.

Operating income as a percentage of revenues (“operating margin”) was 25.2% for the second quarter and 19.2% for the first half of 2017 compared to 24.2% for the second quarter and 20.4% for the first half of 2016. Operating margins increased for the three months ended June 30, 2017 when compared to the same period in 2016 primarily due to higher operating revenues partially offset by expenses incurred to support the increased revenues and additional ATMs under management. The decrease in operating margins for the first half of 2017 was attributable to additional costs for ATMs added throughout the year, particularly our independent ATMs which have more seasonal revenue generation, and the impact of low margin ATM transactions in India. Operating income per transaction was \$0.07 for the second quarter and \$0.05 for the first half of 2017 as compared to \$0.06 and \$0.05 for the same periods of 2016.

## EPAY SEGMENT

The following table presents the results of operations for the three and six months ended June 30, 2017 and 2016 for our epay Segment:

|                                     | Three Months Ended June 30, |           | Year-over-Year Change      |                             |           | Six Months Ended June 30, |                            | Year-over-Year Change       |   |  |
|-------------------------------------|-----------------------------|-----------|----------------------------|-----------------------------|-----------|---------------------------|----------------------------|-----------------------------|---|--|
|                                     | 2017                        | 2016      | Increase (Decrease) Amount | Increase (Decrease) Percent | 2017      | 2016                      | Increase (Decrease) Amount | Increase (Decrease) Percent |   |  |
| (dollar amounts in thousands)       |                             |           |                            |                             |           |                           |                            |                             |   |  |
| Total revenues                      | \$164,127                   | \$160,614 | \$3,513                    | 2 %                         | \$328,297 | \$330,719                 | \$(2,422)                  | (1)                         | % |  |
| Operating expenses:                 |                             |           |                            |                             |           |                           |                            |                             |   |  |
| Direct operating costs              | 124,086                     | 121,049   | 3,037                      | 3 %                         | 250,246   | 251,211                   | (965)                      | —                           | % |  |
| Salaries and benefits               | 13,056                      | 12,605    | 451                        | 4 %                         | 25,651    | 24,700                    | 951                        | 4                           | % |  |
| Selling, general and administrative | 9,523                       | 8,191     | 1,332                      | 16 %                        | 18,483    | 17,158                    | 1,325                      | 8                           | % |  |
| Depreciation and amortization       | 2,673                       | 2,698     | (25)                       | (1) %                       | 5,206     | 5,764                     | (558)                      | (10)                        | % |  |
| Total operating expenses            | 149,338                     | 144,543   | 4,795                      | 3 %                         | 299,586   | 298,833                   | 753                        | —                           | % |  |
| Operating income                    | \$14,789                    | \$16,071  | \$(1,282)                  | (8) %                       | \$28,711  | \$31,886                  | \$(3,175)                  | (10)                        | % |  |
| Transactions processed (millions)   | 300                         | 314       | (14)                       | (4) %                       | 608       | 636                       | (28)                       | (4)                         | % |  |

## Revenues

epay Segment total revenues for the three and six months ended June 30, 2017 were \$164.1 million and \$328.3 million, respectively, an increase of \$3.5 million or 2% and a decrease of \$2.4 million or 1% as compared to the same periods in 2016. The increase in total revenues for the three months ended June 30, 2017 was primarily due to an increase in the number of non-mobile transactions processed in Germany and an increase in vouchers distributed by our cadooz subsidiary following the acquisition of new customers. The increase for the three months was partially offset by a decrease in prepaid mobile transactions processed and the impact of the U.S. dollar strengthening against key foreign currencies. The decrease in total revenues for the first half of 2017 was primarily due to a decrease in prepaid mobile transactions processed in the U.S. and U.K. due to competitive pressures on prepaid mobile carriers and the impact of the U.S. dollar strengthening against key foreign currencies. Foreign currency movements reduced total revenues by approximately \$3.5 million and \$7.3 million for the three and six months ended June 30, 2017 compared to the same periods in 2016. The decrease was partially offset by the transaction growth of non-mobile products processed in Germany and Poland. For the three and six months ended June 30, 2017, the decreased revenues were also the result of high promotion driven revenues from non-mobile transactions in a particular market during the

prior period which did not recur in current period.

Revenues per transaction were \$0.55 for the second quarter and \$0.54 for the first half of 2017 compared to \$0.51 and \$0.52 for the same periods in 2016. The increase in revenues per transaction was primarily driven by the revenue growth from non-

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mobile transactions processed, for which we generally earn higher revenues per transaction than mobile transactions, partially offset by the impact of the U.S. dollar strengthening against key foreign currencies.

Direct operating costs

epay Segment direct operating costs were \$124.1 million and \$250.2 million for the three and six months ended June 30, 2017, respectively, an increase of \$3.0 million and a decrease of \$1.0 million as compared to the same periods in 2016. Direct operating costs in our epay Segment include the commissions we pay to retail merchants for the distribution and sale of prepaid mobile airtime and other prepaid products, expenses required to operate POS terminals and the cost of vouchers sold and physical gifts fulfilled. The increase in direct operating costs for the three months ended June 30, 2017 was primarily due to the increase in vouchers distributed by our cadooz subsidiary and non-mobile transactions processed in Germany and Poland. The decrease in direct operating costs for the six months ended June 30, 2017 was primarily due to the net impact of the U.S. dollar strengthening against key foreign currencies and the decrease in prepaid mobile transactions processed in the U.S. and U.K. The decrease was partly offset by transaction growth of our cadooz subsidiary and non-mobile products in Germany and Poland.

Gross profit

Gross profit was \$40.0 million and \$78.1 million for the three and six months ended June 30, 2017, respectively, as compared to \$39.6 million and \$79.5 million for the three and six months ended June 30, 2016, respectively. The gross profit was essentially flat for the second quarter and decreased for the first half of 2017. This was due to the net impact of the U.S. dollar strengthening against key foreign currencies and a decrease in promotional activities for non-mobile transactions processed in a particular market. For the second quarter, the decrease was offset by transaction growth in our cadooz subsidiary and non-mobile products in Germany and Poland.

During the three and six months ended June 30, 2017, the gross margin was essentially flat compared to the same periods in the prior year. Gross margin was 24.4% and 23.8% for the three and six months ended June 30, 2017, respectively, as compared to 24.6% and 24.0% for the same periods in 2016.

Salaries and benefits

Salaries and benefits expense increased slightly for the three and six months ended June 30, 2017 compared to the same periods in 2016. This was primarily due to the increase in salaries, benefits and bonus expense, which was mainly driven by higher headcount in an effort to grow the segment. As a percentage of revenues, salaries and benefits increased to 8.0% and 7.8% for the three and six months ended June 30, 2017, as compared to 7.8% and 7.5% for the same periods in 2016, primarily due to headcount growth exceeding transaction growth.

Selling, general and administrative

Selling, general and administrative expenses were \$9.5 million and \$18.5 million for the three and six months ended June 30, 2017, respectively, an increase of 16% and 8% as compared to the same periods in 2016. The increases in selling, general and administrative expenses were mainly due to increased promotional cost for our non-mobile products in Germany and other costs related to the settlement of disputes in certain foreign markets. As a percentage of revenues, selling, general and administrative expenses were 5.8% and 5.6% for the three and six months ended June 30, 2017, respectively, as compared to 5.1% and 5.2% for the same periods in 2016.

Depreciation and amortization

Depreciation and amortization expense primarily represents depreciation of POS terminals we place in retail stores and the amortization of acquired intangible assets. Depreciation and amortization expense decreased slightly for the three and six months ended June 30, 2017 as compared to the same periods in 2016. As a percentage of revenues, depreciation and amortization expense was 1.6% for the three and six months ended June 30, 2017 and 1.7% for the three and six months ended June 30, 2016.

Operating income

epay Segment operating income for the three and six months ended June 30, 2017 was \$14.8 million and \$28.7 million, respectively, a decrease of \$1.3 million and \$3.2 million as compared to the same periods in 2016. epay Segment operating income decreased as the result of additional cost to support the transaction growth of our non-mobile products Germany and a decrease in promotion driven revenues from non-mobile transactions processed in a particular market.

Operating margin decreased to 9.0% and 8.7% for the three and six months ended June 30, 2017, respectively, from 10.0% and 9.6% for the same periods in 2016. Operating income per transaction was \$0.05 for the three and six months ended June 30, 2017 and 2016, respectively.



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## MONEY TRANSFER SEGMENT

The following table presents the results of operations for the three and six months ended June 30, 2017 and 2016 for the Money Transfer Segment:

| (dollar amounts in thousands)       | Three Months Ended June 30, |           | Year-over-Year Change      |                             |  | Six Months Ended June 30, |           | Year-over-Year Change |                             |  |
|-------------------------------------|-----------------------------|-----------|----------------------------|-----------------------------|--|---------------------------|-----------|-----------------------|-----------------------------|--|
|                                     | 2017                        | 2016      | Increase (Decrease) Amount | Increase (Decrease) Percent |  | 2017                      | 2016      | Increase Amount       | Increase (Decrease) Percent |  |
| Total revenues                      | \$217,127                   | \$201,480 | \$15,647                   | 8 %                         |  | \$421,100                 | \$383,053 | \$38,047              | 10 %                        |  |
| Operating expenses:                 |                             |           |                            |                             |  |                           |           |                       |                             |  |
| Direct operating costs              | 116,251                     | 104,692   | 11,559                     | 11 %                        |  | 225,136                   | 199,762   | 25,374                | 13 %                        |  |
| Salaries and benefits               | 42,274                      | 39,374    | 2,900                      | 7 %                         |  | 81,163                    | 76,217    | 4,946                 | 6 %                         |  |
| Selling, general and administrative | 26,451                      | 24,192    | 2,259                      | 9 %                         |  | 49,264                    | 45,006    | 4,258                 | 9 %                         |  |
| Depreciation and amortization       | 7,247                       | 7,353     | (106 )                     | (1 )%                       |  | 14,538                    | 14,673    | (135 )                | (1 )%                       |  |
| Total operating expenses            | 192,223                     | 175,611   | 16,612                     | 9 %                         |  | 370,101                   | 335,658   | 34,443                | 10 %                        |  |
| Operating income                    | \$24,904                    | \$25,869  | \$(965 )                   | (4 )%                       |  | \$50,999                  | \$47,395  | \$3,604               | 8 %                         |  |
| Transactions processed (millions)   | 22.8                        | 20.5      | 2.3                        | 11 %                        |  | 43.5                      | 39.2      | 4.3                   | 11 %                        |  |

## Revenues

Money Transfer Segment total revenues for the three and six months ended June 30, 2017 were \$217.1 million and \$421.1 million, respectively, an increase of \$15.6 million or 8% and \$38.0 million or 10% as compared to the same periods in 2016. The increases in total revenues for the three and six months ended June 30, 2017 were primarily due to increases in the number of money transfers processed, driven by growth in our U.S., including our domestic Walmart-2-Walmart money transfer service, and foreign agent and correspondent payout networks. These increases were partly offset by the U.S. dollar strengthening against key foreign currencies, reduced rates charged beginning in the second quarter of 2017 for our Walmart-2-Walmart product and a decrease in transactions processed by HiFX as a result of currency volatility from the Brexit vote during the prior period which did not recur in the current period. Revenues per transaction decreased to \$9.52 for the second quarter and \$9.68 for the first half of 2017 from \$9.83 for the second quarter and \$9.77 for the first half of 2016. The decreases were primarily due to the impact of the U.S. dollar strengthening against key foreign currencies and the increase in volume from our Walmart money transfer product, which earns lower revenues per transaction than other money transfer services and reduced rates charged for the Walmart-2-Walmart product in the second quarter of 2017. In the fourth quarter of 2016, the Company took over the processing of xe money transfers from a third party and subsequently records the full customer fees as revenues, which partly offset the decreases in revenues per transaction.

## Direct operating costs

Money Transfer Segment direct operating costs were \$116.3 million and \$225.1 million for the three and six months ended June 30, 2017, respectively, an increase of \$11.6 million or 11% and \$25.4 million or 13% as compared to the same periods in 2016. Direct operating costs in the Money Transfer Segment primarily consist of commissions paid to agents who originate money transfers on our behalf and correspondent agents who disburse funds to the customers' destination beneficiaries, together with less significant costs, such as bank depository fees. The increases in direct operating costs for the three and six months of 2017 were primarily due to growth in the number of money transfer transactions processed in both the U.S. and foreign markets.

## Gross profit

Gross profit was \$100.9 million and \$196.0 million for the three and six months ended June 30, 2017, respectively, as compared to \$96.8 million and \$183.3 million for the three and six months ended June 30, 2016, respectively. The increases in gross profit were primarily due to growth in the number of money transfer transactions processed in both the U.S. and foreign markets.



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During the three and six months ended June 30, 2017, gross margin decreased to 46.5% for both the three and six months ended June 30, 2017, compared to 48.0% and 47.9% for the three and six months ended June 30, 2016, respectively. The decreases are primarily due to the growth of our Walmart money transfer product in the U.S., which earns a lower gross profit per transaction than other money transfer services and reduced rates charged for the Walmart-2-Walmart product in the second quarter of 2017.

**Salaries and benefits**

Salaries and benefits expense increased \$2.9 million or 7% and \$4.9 million or 6% for the three and six months ended June 30, 2017, respectively, as compared to the same periods in 2016. The increases in salaries and benefits were primarily due to the expansion of our operations in foreign markets. As a percentage of revenues, salaries and benefits were relatively flat at 19.5% for the second quarter and 19.3% for the first half of 2017 compared to 19.5% for the second quarter and 19.9% for the first half of 2016.

**Selling, general, and administrative**

Selling, general and administrative expenses for the three and six months ended June 30, 2017 were \$26.5 million and \$49.3 million, an increase of \$2.3 million or 9% and \$4.3 million or 9% as compared to the same periods in 2016. The increases were primarily due to expenses incurred to support the expansion of our money transfer products in both the U.S. and foreign markets.

As a percentage of revenues, selling, general and administrative expenses were essentially flat at 12.2% and 11.7% for the three and six months ended June 30, 2017, respectively, as compared to 12.0% and 11.7% for the same periods of 2016. This was primarily due to increases in the number of money transfers processed, which did not require similar increases in support costs.

**Depreciation and amortization**

Depreciation and amortization primarily represents amortization of acquired intangible assets and depreciation of money transfer terminals, computers and software, leasehold improvements and office equipment. Depreciation and amortization expense was essentially flat for the three and six months ended June 30, 2017 as compared to the same periods in 2016.

As a percentage of revenues, depreciation and amortization expense was 3.3% for the second quarter and 3.5% for the first half of 2017 as compared to 3.6% and 3.8% for the same periods of 2016. The decreases were primarily due to the effect of revenues earned from our Walmart money transfer product, which requires less capital investment than other money transfer products.

**Operating income**

Money Transfer Segment operating income for the three and six months ended June 30, 2017 was \$24.9 million and \$51.0 million, a decrease of \$1.0 million or 4% and an increase of \$3.6 million or 8% as compared to the same periods of 2016. Operating income for the three months ended June 30, 2017 decreased primarily as a result of increased transactions processed by HiFX as a result of the Brexit vote in the prior period, which did not recur in the current period. Operating income for the six months ended June 30, 2017 increased primarily due to the growth in the number of money transfers processed. The increase was partly offset by the decrease in HiFX transactions as well as the additional salaries and benefits and other costs incurred to support the current and future growth in the business.

As a percentage of revenues, operating margin was 11.5% and 12.1% for the three and six months ended June 30, 2017 as compared to 12.8% and 12.4% for the same periods in 2016. Operating income per transaction decreased to \$1.09 for the second quarter and \$1.17 for the first half of 2017 from \$1.26 and \$1.21 for the same periods in 2016. Operating margin and operating income per transaction decreased primarily due to the decrease in margin realized with the renewal of the Walmart-2-Walmart agreement and the additional salaries and benefits and other costs incurred to support the growth in the business.

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## CORPORATE SERVICES

The following table presents the operating expenses for the three and six months ended June 30, 2017 and 2016 for Corporate Services:

| (dollar amounts in thousands)       | Three Months Ended June 30, |          | Year-over-Year Change |            |   | Six Months Ended June 30, |          | Year-over-Year Change |            |   |
|-------------------------------------|-----------------------------|----------|-----------------------|------------|---|---------------------------|----------|-----------------------|------------|---|
|                                     | 2017                        | 2016     | Increase              | Increase   | % | 2017                      | 2016     | Increase              | Increase   | % |
|                                     |                             |          | (Decrease)            | (Decrease) |   |                           |          | (Decrease)            | (Decrease) |   |
|                                     |                             |          | Amount                | Percent    |   |                           |          | Amount                | Percent    |   |
| Salaries and benefits               | \$7,728                     | \$8,618  | \$(890)               | (10)%      |   | \$14,361                  | \$15,511 | \$(1,150)             | (7)%       |   |
| Selling, general and administrative | 4,573                       | 1,848    | 2,725                 | 147%       |   | 7,605                     | 3,623    | 3,982                 | 110%       |   |
| Depreciation and amortization       | 32                          | 52       | (20)                  | (38)%      |   | 60                        | 106      | (46)                  | (43)%      |   |
| Total operating expenses            | \$12,333                    | \$10,518 | \$1,815               | 17%        |   | \$22,026                  | \$19,240 | \$2,786               | 14%        |   |

## Corporate operating expenses

Overall, operating expenses for Corporate Services were \$12.3 million and \$22.0 million for the three and six months ended June 30, 2017, an increase of 17% and 14% as compared to the same periods in 2016. The decreases in salaries and benefits were primarily due to a decrease in bonus expense related to the Company's performance relative to its targets. The increases in selling, general and administrative expenses were primarily attributable to professional services and other costs incurred in connection with the proposed acquisition of MoneyGram International, Inc.

## OTHER INCOME (EXPENSE), NET

| (dollar amounts in thousands)              | Three Months Ended June 30, |          | Year-over-Year Change |            |   | Six Months Ended June 30, |          | Year-over-Year Change |            |   |
|--------------------------------------------|-----------------------------|----------|-----------------------|------------|---|---------------------------|----------|-----------------------|------------|---|
|                                            | 2017                        | 2016     | Increase              | Increase   | % | 2017                      | 2016     | Increase              | Increase   | % |
|                                            |                             |          | (Decrease)            | (Decrease) |   |                           |          | (Decrease)            | (Decrease) |   |
|                                            |                             |          | Amount                | Percent    |   |                           |          | Amount                | Percent    |   |
| Interest income                            | \$459                       | \$443    | \$16                  | 4%         |   | 1,629                     | 895      | 734                   | 82%        |   |
| Interest expense                           | (8,376)                     | (6,958)  | (1,418)               | 20%        |   | (15,524)                  | (13,244) | (2,280)               | 17%        |   |
| Foreign currency exchange gain (loss), net | 11,141                      | (1,944)  | 13,085                | n/m        |   | 12,856                    | 228      | 12,628                | n/m        |   |
| Other gains                                | 18                          | 19,903   | (19,885)              | n/m        |   | 35                        | 19,903   | (19,868)              | n/m        |   |
| Other income (expense), net                | \$3,242                     | \$11,444 | \$(8,202)             | (72)%      |   | \$(1,004)                 | \$7,782  | \$(8,786)             | (113)%     |   |

n/m — Not meaningful

## Interest income

The increases in interest income for the three and six months ended June 30, 2017 compared to the same periods in 2016 were primarily due to interest earned on a tax refund received in India in the first quarter of 2017.

## Interest expense

The increases in interest expense for the three and six months ended June 30, 2017 compared to the same periods in 2016 were primarily related to higher interest rates and additional borrowings under the revolving credit facility throughout the second quarter and first half of 2017 to fund the operating cash for our Independent ATM Deployed ("IAD") networks.

## Foreign currency exchange gain (loss), net

Foreign currency exchange activity includes gains and losses on certain foreign currency exchange derivative contracts and the impact of remeasurement of assets and liabilities denominated in foreign currencies. Assets and liabilities denominated in currencies other than the local currency of each of our subsidiaries give rise to foreign currency exchange gains and losses. Foreign currency exchange gains and losses that result from remeasurement of these assets and liabilities are recorded in net income. The majority of our foreign currency exchange gains or losses

are due to the remeasurement of intercompany loans which are not considered a long-term investment in nature and are in a currency other than the functional currency of one of the parties to the loan. For example, we make intercompany loans based in euros from our corporate division, which is composed of U.S. dollar functional currency entities, to certain European entities that use the euro as the functional currency. As the U.S.

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dollar strengthens against the euro, foreign currency exchange losses are recognized by our corporate entities because the number of euros to be received in settlement of the loans decreases in U.S. dollar terms. Conversely, in this example, in periods where the U.S. dollar weakens, our corporate entities will record foreign currency exchange gains. We recorded net foreign currency exchange gains of \$11.1 million and \$12.9 million for the three and six months ended June 30, 2017, respectively, as compared to a net foreign currency loss of \$1.9 million and gain of \$0.2 million for the same periods in 2016, respectively. These realized and unrealized net foreign currency exchange gains and losses reflect the fluctuation in the value of the U.S. dollar against the currencies of the countries in which we operated during the respective periods.

**Other gains**

The results for the second quarter and first half of 2016 included an investment gain of \$19.4 million related to the sale of the sale of our membership in Visa Europe Limited ("Visa Europe") to Visa, Inc. ("Visa") on June 21, 2016.

**INCOME TAX EXPENSE**

The Company's effective income tax rate was 26.6% and 25.8% for the three and six months ended June 30, 2017, respectively, as compared to 21.5% and 22.3% for the same periods in 2016. The Company's effective income tax rate for the three and six months ended June 30, 2017 and 2016 was lower than the applicable statutory income tax rate of 35% primarily because of the Company's U.S. income tax positions. The Company does not have a history of significant taxable income in the U.S.; therefore, the Company has recorded a valuation allowance against its net U.S. deferred tax assets. Accordingly, in instances when the Company's U.S. legal entities generate pre-tax U.S. GAAP income, no income tax expense is recognized to the extent there are net operating loss carryforwards to offset the pre-tax U.S. GAAP income. The increase in the effective tax rates for 2017 compared to 2016 is largely due to the recognition of U.S. deferred tax expense on tax amortization of indefinite-life intangible assets and a shift in our mix of earnings to higher tax rate entities.

**NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS**

Noncontrolling interests represents the elimination of net income or loss attributable to the minority shareholders' portion of the following consolidated subsidiaries that are not wholly owned:

| Subsidiary                   | Percent Owned | Segment - Country |
|------------------------------|---------------|-------------------|
| Movilcarga                   | 95%           | epay - Spain      |
| Euronet China                | 85%           | EFT - China       |
| Euronet Pakistan             | 70%           | EFT - Pakistan    |
| Universal Solution Providers | 51%           | EFT - UAE         |

**NET INCOME ATTRIBUTABLE TO EURONET**

Net income attributable to Euronet was \$51.4 million and \$79.5 million for the three and six months ended June 30, 2017, respectively, a decrease of \$4.3 million and \$5.3 million as compared to the same periods in 2016. The decrease in net income for the first half of 2017 was primarily due to a \$19.4 million gain from the sale of our investment in Visa Europe in 2016 which did not recur in the current period, an increase in interest expense of \$2.3 million and an increase in income tax expense of \$3.2 million. The decrease was partly offset by an increase in operating income of \$6.8 million, an increase of \$12.6 million in net foreign currency exchange gains and an increase in interest income of \$0.7 million.

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## LIQUIDITY AND CAPITAL RESOURCES

## Working capital

As of June 30, 2017 and December 31, 2016, we had working capital, which is calculated as the difference between total current assets and total current liabilities, of \$654.0 million and \$405.9 million, respectively. Our ratio of current assets to current liabilities at June 30, 2017 and December 31, 2016 was 1.56 and 1.34, respectively.

We require substantial working capital to finance operations. In the Money Transfer Segment, we fund the payout of the majority of our consumer-to-consumer money transfer services before receiving the benefit of amounts collected from customers by agents. Working capital needs increase due to weekends and international banking holidays. As a result, we may report more or less working capital for the Money Transfer Segment based solely upon the day on which the reporting period ends. The epay Segment produces positive working capital, but much of it is restricted in connection with the administration of its customer collection and vendor remittance activities. In our EFT Processing Segment, we obtain the majority of the cash required to operate our ATMs through various cash supply arrangements, the amount of which is not recorded on Euronet's Consolidated Balance Sheets. However, in certain countries, we fund the cash required to operate our ATM network from borrowings under our revolving credit facilities and cash flows from operations. As of June 30, 2017, we had approximately \$652 million of our own cash in use or designated for use in our ATM network, which is recorded in cash and cash equivalents and trade accounts receivable, for ATM withdrawals pending settlement, on the Consolidated Balance Sheet.

We had cash and cash equivalents of \$1,065.3 million at June 30, 2017, of which \$947.7 million was held outside of the United States and is expected to be indefinitely reinvested for continued use in foreign operations. Repatriation of these assets to the U.S. could have negative tax consequences.

The following table identifies cash and cash equivalents provided by/(used in) our operating, investing and financing activities for the six month periods ended June 30, 2017 and 2016 (in thousands):

|                                                                               | Six Months Ended |            |
|-------------------------------------------------------------------------------|------------------|------------|
|                                                                               | June 30,         | 2016       |
| Liquidity                                                                     | 2017             |            |
| Cash and cash equivalents provided by (used in):                              |                  |            |
| Operating activities                                                          | \$ 92,741        | \$ 134,466 |
| Investing activities                                                          | (50,628 )        | (34,892 )  |
| Financing activities                                                          | 253,575          | 118,864    |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | 35,152           | 4,111      |
| Increase in cash and cash equivalents                                         | \$ 330,840       | \$ 222,549 |

## Operating activity cash flow

Cash flows provided by operating activities were \$92.7 million for the first half of 2017 compared to \$134.5 million for the first half of 2016. The decrease is primarily due to fluctuations in working capital mainly associated with the timing of the settlement processes with content providers in the epay Segment and with correspondents in the Money Transfer Segment, partly offset by improved operating results.

## Investing activity cash flow

Cash flows used in investing activities were \$50.6 million for the first half of 2017 compared to \$34.9 million for the first half of 2016. The increase is primarily due to increased capital expenditures related to our ATM network expansion and the proceeds of \$11.9 million received for the sale of our ownership interest in Visa Europe which partially offset our capital expenditures in 2016. During the first half of 2017, we used \$47.9 million for purchases of

property and equipment compared to \$42.1 million during the first half of 2016. Cash used for software development and other investing activities totaled \$2.7 million and \$2.5 million for the first half of 2017 and 2016, respectively.



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## Financing activity cash flow

Cash flows used in financing activities were \$253.6 million for the first half of 2017 compared to \$118.9 million for the first half of 2016. Our financing activities for the first half of 2017 consisted of net borrowings of \$253.3 million compared to net debt borrowings of \$192.9 million for the first half of 2016. The increase in borrowing was primarily to fund seasonal ATM cash needs. Additionally, we used \$2.4 million and \$1.2 million during the first half of 2017 and 2016, respectively, for capital lease repayments. We repurchased \$2.3 million and \$76.5 million of our stock during the first half of 2017 and 2016, respectively. During the first half of 2017, we paid \$2.3 million for the amount of payroll taxes represented by the common stock withheld on restricted stock vestings and stock option exercises compared to \$0.9 million for the same period of 2016. We received proceeds from stock option exercises of \$4.6 million and \$3.2 million for the first half of 2017 and 2016, respectively.

## Other sources of capital

Credit Facility - As of June 30, 2017, we had a \$675 million senior secured credit facility that matures on April 9, 2019 (the "Credit Facility") consisting of a \$590 million revolving credit facility, a \$10 million India revolving credit facility and a \$75 million term loan ("Term Loan A"), which has been reduced to \$55.8 million through principal amortization payments. The revolving credit facility allows for borrowings in U.S. dollars, euros, British pounds, Australian dollars and/or Indian rupees and contains a \$200 million sublimit for the issuance of letters of credit and a \$25 million sublimit for swingline loans. We use the revolving credit facility primarily to fund working capital requirements which are expected to increase as we expand the Money Transfer business and our independent ATM network. Based on our current projected working capital requirements, we anticipate that our revolving credit facility will be sufficient to fund our working capital needs.

As of June 30, 2017, fees and interest on borrowings varied based upon the Company's consolidated total leverage ratio (as defined in the Company's Amended and Restated Credit Agreement) (the "Credit Agreement") and are based, in the case of letter of credit fees, on a margin, and in the case of interest, on a margin over LIBOR or a margin over the base rate, as selected by us, with the applicable margin ranging from 1.375% to 2.375% for LIBOR loans and 0.375% to 1.375% for base rate loans.

As of June 30, 2017, we had borrowings of \$55.8 million outstanding under the term loan. We had \$322.8 million of borrowings and \$47.8 million of stand-by letters of credit outstanding under the revolving credit facility as of June 30, 2017. The remaining \$229.4 million under the revolving credit facility was available for borrowing. As of June 30, 2017, the weighted average interest rates under the revolving credit facility and Term Loan A were 2.64% and 2.60%, respectively, excluding amortization of deferred financing costs.

Convertible debt - We have \$402.5 million in principal amount of Convertible Senior Notes due 2044 ("Convertible Notes"). The Convertible Notes have an interest rate of 1.5% per annum payable semi-annually in April and October, and are convertible into shares of Euronet Common Stock at a conversion price of approximately \$72.18 per share if certain conditions are met (relating to the closing prices of Euronet Common Stock exceeding certain thresholds for specified periods). Holders of the Convertible Notes have the option to require us to purchase their notes at par on October 1, 2020, and have additional options to require us to purchase their notes at par on October 1, 2024, 2029, 2034, and 2039, or upon a change in control of the Company. In connection with the issuance of the Convertible Notes, we recorded \$10.7 million in debt issuance costs, which are being amortized through October 1, 2020.

ATM Facility - On June, 27, 2017, we entered into a short-term credit facility in the amount of \$100 million for the sole purpose of providing cash for our ATM network. Interest is charged on this financing on an annual basis at the Overnight LIBOR rate plus 2.0%. The facility expires on November 30, 2017.

Other debt obligations - Certain of our subsidiaries also have available credit lines and overdraft facilities to generally supplement short-term working capital requirements. As of June 30, 2017, there was \$20.3 million outstanding under these other obligation arrangements. Short-term debt obligations, excluding the ATM facility, as of June 30, 2017 were primarily comprised of \$19.6 million due in the next twelve months under these other obligation arrangements and \$10.8 million of payments due in the next twelve months under the Term Loan A.

## Other uses of capital

Capital expenditures and needs - Total capital expenditures, including capital lease expenditures, for the first half of 2017 were \$52.7 million. These capital expenditures were made primarily for the purchase of ATMs to expand our

independent ATM network in Europe, the purchase and installation of ATMs in key under-penetrated markets, the purchase of POS terminals for the e-pay and Money Transfer Segments, and office, data center and company store computer equipment and software. Total capital expenditures for 2017 are currently estimated to range from approximately \$95 million to \$105 million.

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At current and projected cash flow levels, we anticipate that cash generated from operations, together with cash on hand and amounts available under our revolving credit facility and other existing and potential future financing sources, will be sufficient to meet our debt, leasing and capital expenditure obligations. If our capital resources are not sufficient to meet these obligations, we will seek to refinance our debt and/or issue additional equity under terms acceptable to us. However, we can offer no assurances that we will be able to obtain favorable terms for the refinancing of any of our debt or other obligations or for the issuance of additional equity.

**Inflation and functional currencies**

Generally, the countries in which we operate have experienced low and stable inflation in recent years. Therefore, the local currency in each of these markets is the functional currency. Currently, we do not believe that inflation will have a significant effect on our results of operations or financial position. We continually review inflation and the functional currency in each of the countries where we operate.

**OFF BALANCE SHEET ARRANGEMENTS**

On occasion, we grant guarantees of the obligations of our subsidiaries and we sometimes enter into agreements with unaffiliated third parties that contain indemnification provisions, the terms of which may vary depending on the negotiated terms of each respective agreement. Our liability under such indemnification provisions may be subject to time and materiality limitations, monetary caps and other conditions and defenses. As of June 30, 2017, there were no material changes from the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2016. To date, we are not aware of any significant claims made by the indemnified parties or parties to whom we have provided guarantees on behalf of our subsidiaries and, accordingly, no liabilities have been recorded as of June 30, 2017. See also Note 11, Commitments, to the unaudited consolidated financial statements included elsewhere in this report.

**CONTRACTUAL OBLIGATIONS**

As of June 30, 2017, our future contractual obligations have not changed significantly from the amounts reported within our 2016 Form 10-K, other than those resulting from changes in the amount of outstanding debt discussed in the Liquidity and Capital Resources section.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

As of June 30, 2017, our total debt outstanding was \$862.6 million. Of this amount, \$363.7 million, net of debt discounts, or 42% of our total debt obligations, relates to our Convertible Notes that have a fixed coupon rate. Our \$402.5 million principal amount of Convertible Notes, issued in October 2014, accrue cash interest at a rate of 1.5% of the principal amount per annum. Based on quoted market prices, as of June 30, 2017, the fair value of our fixed rate Convertible Notes was \$518.8 million, compared to a carrying value of \$363.7 million. Interest expense for these notes, including accretion and amortization of deferred debt issuance costs, has a weighted average interest rate of 4.7% annually. Additionally, \$478.6 million, or 55% of our total debt obligations, relates to debt borrowings under our Credit Facility and ATM Facility. If we were to maximize the potential borrowings available under the revolving credit facility and maintain these borrowings for one year, a 1% (100 basis points) increase in the applicable interest rate would result in additional annual interest expense to the Company of approximately \$6.1 million.

The remaining \$20.3 million, or 2%, of our total debt obligations, is related to borrowings by certain subsidiaries to fund, from time to time, working capital requirements. These arrangements generally are due within one year and accrue interest at variable rates.

Additionally, as of June 30, 2017, we had approximately \$13.9 million of capitalized leases with fixed payment and interest terms that expire between 2017 and 2021.

Our excess cash is invested in instruments with original maturities of three months or less or in certificates of deposit that may be withdrawn at any time without penalty; therefore, as investments mature and are reinvested, the amount we earn will increase or decrease with changes in the underlying short-term interest rates.

Foreign currency exchange rate risk

For the first half of 2017, approximately 72% of our revenues were generated in non-U.S. dollar countries and we expect to continue generating a significant portion of our revenues in countries with currencies other than the U.S. dollar.

We are particularly vulnerable to fluctuations in exchange rates of the U.S. dollar to the currencies of countries in which we have significant operations, primarily the euro, British pound, Australian dollar, Polish zloty, Indian rupee, New Zealand dollar, Malaysian ringgit and Hungarian forint. As of June 30, 2017, we estimate that a 10% fluctuation in these foreign currency exchange rates would have the combined annualized effect on reported net income and working capital of approximately \$110 million to \$115 million. This effect is estimated by applying a 10% adjustment factor to our non-U.S. dollar results from operations, intercompany loans that generate foreign currency exchange gains or losses and working capital balances that require translation from the respective functional currency to the U.S. dollar reporting currency.

Additionally, we have other non-current, non-U.S. dollar assets and liabilities on our balance sheet that are translated to the U.S. dollar during consolidation. These items primarily represent goodwill and intangible assets recorded in connection with acquisitions in countries other than the U.S. We estimate that a 10% fluctuation in foreign currency exchange rates would have a non-cash impact on total comprehensive income of approximately \$100 million to \$105 million as a result of the change in value of these items during translation to the U.S. dollar. For the fluctuations described above, a strengthening U.S. dollar produces a financial loss, while a weakening U.S. dollar produces a financial gain.

We believe this quantitative measure has inherent limitations and does not take into account any governmental actions or changes in either customer purchasing patterns or our financing or operating strategies. Because a majority of our revenues and expenses is incurred in the functional currencies of our international operating entities, the profits we earn in foreign currencies are positively impacted by a weakening of the U.S. dollar and negatively impacted by a strengthening of the U.S. dollar. Additionally, our debt obligations are primarily in U.S. dollars; therefore, as foreign currency exchange rates fluctuate, the amount available for repayment of debt will also increase or decrease.

We use derivatives to minimize our exposures related to changes in foreign currency exchange rates and facilitate foreign currency risk management services by writing derivatives to customers. Derivatives are used to manage the overall market risk associated with foreign currency exchange rates; however, we do not perform the extensive record-keeping required to account for the derivative transactions as hedges. Due to the relatively short duration of the

derivative contracts, we use the derivatives primarily as economic hedges. Since we do not designate foreign currency derivatives as hedging instruments pursuant to the accounting standards, we record gains and losses on foreign exchange derivatives in earnings in the period of change.

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A majority of our consumer-to-consumer money transfer operations involves receiving and disbursing different currencies, in which we earn a foreign currency spread based on the difference between buying currency at wholesale exchange rates and selling the currency to consumers at retail exchange rates. We enter into foreign currency forward and cross-currency swap contracts to minimize exposure related to fluctuations in foreign currency exchange rates. The changes in fair value related to these contracts are recorded in Foreign currency exchange gain, net on the Consolidated Statements of Income. As of June 30, 2017, we had foreign currency derivative contracts outstanding with a notional value of \$256 million, primarily in Australian dollars, British pounds, Canadian dollars, euros and Mexican pesos, that were not designated as hedges and mature within a few days.

For derivative instruments our HiFX operations write for customers, we aggregate the foreign currency exposure arising from customer contracts, and hedge the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties as part of a broader foreign currency portfolio. The changes in fair value related to the total portfolio of positions are recorded in Revenues on the Consolidated Statements of Income. As of June 30, 2017, we held foreign currency derivative contracts outstanding with a notional value of \$1.2 billion, primarily in U.S. dollars, euros, British pounds, Australian dollars and New Zealand dollars, that were not designated as hedges and for which the majority mature within the next twelve months.

We use longer-term foreign currency forward contracts to mitigate risks associated with changes in foreign currency exchange rates on certain foreign currency denominated other asset and liability positions. As of June 30, 2017, the Company had foreign currency forward contracts outstanding with a notional value of \$571 million, primarily in British pounds, euros and Polish zloty.

See Note 7, Derivative Instruments and Hedging Activities to our Consolidated Financial Statements for additional information.

## ITEM 4. CONTROLS AND PROCEDURES

Our executive management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act as of June 30, 2017. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of these disclosure controls and procedures were effective as of such date to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

### Change in Internal Controls

There have not been any changes in internal control over financial reporting during the three months ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, a party to legal or regulatory proceedings arising in the ordinary course of its business.

The discussion regarding contingencies in Part I, Item 1 — Financial Statements (unaudited), Note 12, Litigation and Contingencies, to the unaudited consolidated financial statements in this report is incorporated herein by reference. Currently, there are no legal or regulatory proceedings that management believes, either individually or in the aggregate, would have a material adverse effect on the Company's consolidated financial condition or results of operations. In accordance with U.S. GAAP, we record a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These liabilities are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and

events pertaining to a particular case or proceeding.

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ITEM 1A. RISK FACTORS

There were no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.



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ITEM 6. EXHIBITS

Exhibit Description

- 3.1 Amended and Restated Bylaws of Euronet Worldwide, Inc. (as amended February 22, 2017) (filed as Exhibit 3.2 to the Company's Form 8-K filed on February 28, 2017 and incorporated herein by reference)
- 12.1\* Computation of Ratio of Earnings to Fixed Charges
- 31.1\* Section 302 — Certification of Chief Executive Officer
- 31.2\* Section 302 — Certification of Chief Financial Officer
- 32.1\*\* Section 906 — Certification of Chief Executive Officer
- 32.2\*\* Section 906 — Certification of Chief Financial Officer
- 101\* The following materials from Euronet Worldwide, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at June 30, 2017 (unaudited) and December 31, 2016, (ii) Consolidated Statements of Income (unaudited) for the three and six months ended June 30, 2017 and 2016, (iii) Consolidated Statements of Comprehensive Income (unaudited) for the three and six months ended June 30, 2017 and 2016, (iv) Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2017 and 2016, and (v) Notes to the Unaudited Consolidated Financial Statements.

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\* Filed herewith.

\*\* Pursuant to Item 601(b)(32) of Regulation S-K, this Exhibit is furnished rather than filed with this Form 10-Q.

PLEASE NOTE: Pursuant to the rules and regulations of the Securities and Exchange Commission, we have filed or incorporated by reference the agreements referenced above as exhibits to this Quarterly Report on Form 10-Q. The agreements have been filed to provide investors with information regarding their respective terms. The agreements are not intended to provide any other factual information about the Company or its business or operations. In particular, the assertions embodied in any representations, warranties and covenants contained in the agreements may be subject to qualifications with respect to knowledge and materiality different from those applicable to investors and may be qualified by information in confidential disclosure schedules not included with the exhibits. These disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the agreements. Moreover, certain representations, warranties and covenants in the agreements may have been used for the purpose of allocating risk between the parties, rather than establishing matters as facts. In addition, information concerning the subject matter of the representations, warranties and covenants may have changed after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. Accordingly, investors should not rely on the representations, warranties and covenants in the agreements as characterizations of the actual state of facts about the Company or its business or operations on the date hereof.

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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.

July 28, 2017

Euronet Worldwide, Inc.

By: /s/ MICHAEL J. BROWN

Michael J. Brown

Chief Executive Officer

By: /s/ RICK L. WELLER

Rick L. Weller

Chief Financial Officer