

MONEYGRAM INTERNATIONAL INC

Form 424B4

March 28, 2014

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**Filed Pursuant to Rule 424(b)(4)
Registration No. 333-171151**

PROSPECTUS SUPPLEMENT

(To Prospectus dated July 7, 2011)

8,000,000 Shares

Common Stock

The selling stockholders are selling 8,000,000 shares of our common stock. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders.

Pursuant to an agreement with the selling stockholders who are affiliates or coinvestors of Thomas H. Lee Partners, L.P. (Thomas H. Lee Partners), we will repurchase 8,185,092 shares of our common stock concurrently with the closing of this offering, directly from such selling stockholders in a private, non-underwritten transaction at a price per share of common stock equal to the midpoint between the public offering price and the price to the selling stockholders in this offering. We intend to fund the share repurchase with the proceeds of borrowings under a new incremental term loan described in this prospectus supplement under Summary Incremental Term Loan Financing and cash. The closing of the share repurchase, the incremental term loan financing and this offering are all contingent on one another. For more information, see Summary Share Repurchase.

Our shares trade on the NASDAQ Global Select Market under the symbol MGI. On March 27, 2014, the last sale price of the shares as reported on the NASDAQ Global Select Market was \$17.08 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page S-6 of this prospectus supplement.

	Per Share	Total
Public offering price	\$ 16.50	\$ 132,000,000
Underwriting discount payable by the selling stockholders	\$.50	\$ 4,000,000
Proceeds, before expenses, to the selling stockholders	\$ 16.00	\$ 128,000,000

The underwriters may also exercise their option to purchase up to an additional 1,200,000 shares from the selling stockholders, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about April 2, 2014.

Joint Book-Running Managers

**BofA Merrill Lynch
Goldman, Sachs & Co.**

**Wells Fargo Securities
J.P. Morgan**

Co-Managers

Macquarie Capital

William Blair & Company

The date of this prospectus supplement is March 27, 2014.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) utilizing a shelf registration process. This prospectus supplement provides you with specific information about the shares of our common stock that the selling stockholders are selling in this offering and about the offering itself, and the accompanying prospectus provides more general information, some of which may not apply to this offering. Generally, when we refer to the prospectus, we are referring to this prospectus supplement and the accompanying prospectus combined. If information in this prospectus supplement or any related free writing prospectus is inconsistent with information in the accompanying prospectus, you should rely on the information contained in this prospectus supplement or the related free writing prospectus.

Both this prospectus supplement and the accompanying prospectus include or incorporate by reference important information about us, our common stock and other information you should know before investing in our common stock. Before investing in any shares of our common stock, you should carefully read this prospectus supplement, any free writing prospectus related to this offering and the accompanying prospectus, together with the additional information incorporated by reference described under the headings *Where You Can Find More Information* and *Documents Incorporated by Reference*. All references in this prospectus supplement to MoneyGram, we, us, our company are to MoneyGram International, Inc. and not to our consolidated subsidiaries, unless otherwise indicated or the context otherwise requires. All references in this prospectus supplement to \$, U.S. Dollars and dollars are to United States dollars.

Neither we nor the selling stockholders or any of the underwriters have authorized anyone to provide you with any information other than that contained or incorporated by reference in this prospectus supplement, any related free writing prospectus and the accompanying prospectus. Neither we nor the selling stockholders or any of the underwriters take responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. The selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where such offers and sales are permitted. You should not assume that the information in this prospectus supplement, the accompanying prospectus or any document incorporated by reference is accurate as of any date other than the date on the front of that document. Our business, financial condition, results of operations and prospects may have changed since those dates.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, any related free-writing prospectus, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus may contain forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) with respect to the financial condition, results of operations, plans, objectives, future performance and business of MoneyGram and its subsidiaries. Statements preceded by, followed by or that include words such as *may*, *will*, *expect*, *anticipate*, *continue*, *estimate*, *project*, *believe* or similar expressions are intended to identify some of the forward-looking statements. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by these forward-looking statements due to, among other things, the risks and uncertainties described in this prospectus supplement, in *Risk Factors* in the accompanying prospectus. These forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation to update publicly or revise any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as required by federal securities law.

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SUMMARY

This summary highlights information contained elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. It does not contain all of the information that may be important to you. Before deciding whether to invest in our common stock, you should read carefully this entire prospectus supplement, the accompanying prospectus, the information incorporated by reference herein and therein and any free writing prospectus relating to this offering.

The Company

MoneyGram is a leading global money transfer and payment services company. We provide affordable, reliable and convenient money transfer and payment services. Our primary consumers are persons who may not be fully served by other financial institutions, which we refer to as unbanked or underbanked consumers. Unbanked consumers do not have a relationship with a traditional financial institution. Underbanked consumers are not fully served by traditional financial institutions. The World Bank, a key source of industry analysis for developing countries, estimates that roughly half of the world's adult population, or 2.5 billion people, are unbanked or underbanked. As an alternative financial services provider, we provide these consumers with flexibility and convenience to help them meet the financial demands of their daily lives. Other consumers who use our services are convenience users and emergency users who may utilize traditional banking services, but prefer to use our services based on convenience, cost or to make urgent payments or transfers.

Our products include global money transfers, bill payment services, money order services and official check processing. Our global money transfer and bill payment services are our primary revenue drivers. Money transfers are movements of funds between consumers from the origination or send location and the designated receive locations. We also derive revenue from the sale of our money order and official check products and generate revenue from the investment of funds underlying outstanding official checks and money orders.

Our money transfer services enable our consumers to send and receive funds worldwide through our extensive global network of agent locations and Company-owned retail locations. Our agent locations have more than doubled since 2007 to approximately 336,000 locations, located in more than 200 countries and territories.

The MoneyGram® brand is recognized throughout the world. We use various trademarks and service marks in our business, including but not limited to MoneyGram, the Globe design logo, MoneyGram Bringing You Closer, ExpressPayment, MoneyGram *xpress*, Moneygrado, FormFree, AgentWorks, Agent Connect, Delta and PrimeLink, some of which are registered in the United States and other countries.

Share Repurchase

Pursuant to an agreement with the selling stockholders who are affiliates or coinvestors of Thomas H. Lee Partners, we will repurchase 8,185,092 shares of our common stock concurrently with the closing of this offering, directly from such selling stockholders in a private, non-underwritten transaction at a price per share of common stock equal to the midpoint between the public offering price and the price to the selling stockholders in this offering (the Share Repurchase). The selling stockholders affiliated with Goldman, Sachs & Co. (Goldman) will only be selling shares in this offering and not in the Share Repurchase. We intend to fund the Share Repurchase with the proceeds of borrowings under a new incremental term loan described under Incremental Term Loan Financing and cash. As a result, the Share Repurchase will increase the amount of debt on our balance sheet by approximately \$130.0 million. The repurchased shares will be cancelled and will no longer be outstanding following the completion of the offering. The consummation of the Share Repurchase, the Financing and this offering are all contingent on one another.

Nothing in this prospectus supplement should be construed as an offer to sell, or the solicitation of an offer to buy, any of our common stock subject to the Share Repurchase.

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Incremental Term Loan Financing

In connection with the Share Repurchase, we intend to enter into an amendment (the Incremental Amendment) to our senior secured credit facility that provides us with \$130.0 million in additional term loan borrowings (the Financing) on substantially the same terms, including with respect to the interest rate and maturity date, as our term loan borrowings under our existing senior secured credit facility. The Incremental Amendment also (a) amends certain of the conditions precedent with respect to incremental borrowings to allow for the additional term loan borrowings, (b) increases the maximum secured leverage ratio that we are required to comply with as of the last day of each fiscal quarter and (c) provides us with additional flexibility to engage in share repurchases from the selling stockholders in an amount up to \$300 million (including the Share Repurchase). We also intend to enter into additional revolving credit commitments in order to increase the aggregate revolving credit commitment under our senior secured credit facility from \$125.0 million to \$150.0 million.

Corporate Information

Our principal executive offices are located at 2828 N. Harwood Street, Suite 1500, Dallas, Texas 75201, and our telephone number is (214) 999-7552. Our website address is www.moneygram.com. The information on or accessible through our website is not incorporated by reference into or otherwise made a part of this prospectus supplement or the accompanying prospectus.

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Common stock offered by the selling stockholders	8,000,000 shares	
Underwriters' option to purchase additional shares	1,200,000 shares	
Common stock outstanding as of March 14, 2014 ⁽¹⁾	Common stock outstanding	58,027,509 shares
	Common stock issuable upon conversion of our outstanding Series D Preferred Stock	13,654,930 shares
	Common stock, as converted	71,682,439 shares
Common stock outstanding immediately after this offering and the Share Repurchase ⁽¹⁾	Common stock outstanding	54,259,611 shares
	Common stock issuable upon conversion of our outstanding Series D Preferred Stock	9,237,739 shares
	Common stock, as converted	63,497,350 shares
	If the underwriters exercise their option to purchase 1,200,000 additional shares from the selling stockholders:	
	Common stock outstanding	54,587,113 shares
	Common stock issuable upon conversion of our outstanding Series D Preferred Stock	8,910,237 shares
	Common stock, as converted	63,497,350 shares
Conflicts of Interest	Affiliates of Goldman, a participating underwriter in this offering, are selling stockholders and will receive more than 5% of the proceeds from this offering. Affiliates of Goldman hold more than 10% of our outstanding preferred stock. Because of the foregoing, a conflict of interest is deemed to exist within the meaning of FINRA Rule 5121. Consequently, this offering is being conducted in compliance with the applicable provisions and exemptions of FINRA Rule 5121.	
Use of proceeds	We will not receive any proceeds from the sale of our common stock in this offering.	
Share Repurchase	Pursuant to an agreement with the selling stockholders who are affiliates or coinvestors of Thomas H. Lee Partners, we will repurchase 8,185,092 shares of our common stock concurrently with the closing of this offering, directly from such selling stockholders. The repurchased shares will be cancelled and will no longer be outstanding following the completion of the offering. We intend to fund the Share Repurchase with borrowings under our new incremental term loan facility and cash. See Share Repurchase and Incremental Term Loan Financing above.	

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Risk factors

Before deciding to invest in our common stock, you should carefully read the Risk Factors section of this prospectus supplement starting on page S-6 and consider the risks set forth in Risk Factors on pages 3 and 4 in the accompanying prospectus. In addition, you should carefully consider the information set forth in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2013, and the cautionary notes regarding forward-looking statements included or incorporated by reference herein.

Nasdaq Global Select Market symbol MGI

(1) Unless otherwise indicated, the number of shares of our common stock to be outstanding after this offering and the Share Repurchase:

excludes an aggregate of 4,910,041 shares of our common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price of \$20.37 per share as of March 14, 2014;

excludes 1,850,124 shares of our common stock reserved for issuance upon the vesting of outstanding restricted stock units as of March 14, 2014; and

excludes 5,401,786 additional shares of our common stock reserved for future issuance under our equity incentive plans as of March 14, 2014.

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Our summary historical consolidated financial information as of and for the periods ended December 31, 2011, 2012 and 2013 is derived from our audited historical consolidated financial statements prepared in accordance with generally accepted accounting principles, or GAAP, and audited by Deloitte & Touche LLP, an independent registered public accounting firm. The data should be read in conjunction with and is qualified in its entirety by reference to our historical consolidated financial statements and the notes to those statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which is incorporated herein by reference.

	2013	2012	2011
<i>(Dollars in millions, except per share and location data)</i>			
Operating Results			
Revenue			
Global Funds Transfer segment	\$ 1,389.8	\$ 1,255.2	\$ 1,152.7
Financial Paper Products segment	84.0	84.5	93.3
Other	0.6	1.5	1.8
Total revenue	\$ 1,474.4	\$ 1,341.2	\$ 1,247.8
Net income (loss)	\$ 52.4	\$ (49.3)	\$ 59.4
Net income (loss) per common share:			
Basic	\$ 0.73	\$ (0.69)	\$ (9.03)
Diluted	\$ 0.73	\$ (0.69)	\$ (9.03)
Financial Position			
Assets in excess of payment service obligations ⁽¹⁾	\$ 318.8	\$ 227.9	\$ 211.7
Total assets	\$ 4,786.9	\$ 5,150.6	\$ 5,175.6
Long-term debt	\$ 842.9	\$ 809.9	\$ 810.9
Mezzanine equity ⁽²⁾	\$	\$	\$
Stockholders deficit	\$ (77.0)	\$ (161.4)	\$ (110.2)
Other Selected Data			
Cash dividends declared per share	\$	\$	\$
Number of money transfer locations	336,000	310,000	267,000

- (1) Assets in excess of payment service obligations is our payment service assets less our payment service obligations as calculated in Note 2 *Summary of Significant Accounting Policies* of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which is incorporated herein by reference. Due to our regulatory capital requirements, we deem the following payment service assets, in their entirety, to be substantially restricted: cash and cash equivalents, receivables, net, interest-bearing investments and available-for-sale investments.
- (2) Mezzanine equity related to our Series B Participating Convertible Preferred Stock and our Series B-1 Participating Convertible Preferred Stock (collectively, the Series B Stock). Following the recapitalization that we completed in May 2011, all amounts included in mezzanine equity were converted into components of stockholders deficit and no shares of Series B Stock remained issued at December 31, 2013, 2012 and 2011.

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RISK FACTORS

Investing in our common stock involves risks. You should carefully consider all the information set forth in this prospectus supplement and the accompanying prospectus, the information incorporated by reference herein and therein, and the information set forth in any free writing prospectus relating to this offering before deciding to invest in our common stock. In particular, we urge you to consider carefully the risk factors set forth in **Risk Factors** in the accompanying prospectus on pages 3 and 4. You should also carefully consider the information set forth in **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations** in our Annual Report on Form 10-K for the year ended December 31, 2013 and the cautionary notes regarding forward-looking statements included or incorporated by reference herein or therein.

Risks Related to Our Business and Industry

If we lose key agents, our business with our key agents is reduced, our key agents begin offering money transfer services under their own brand or engage other money transfer service providers, or we are unable to maintain our Global Funds Transfer agent or biller networks, our business, financial condition and results of operations could be adversely affected.

Revenue from our money transfer and bill payment services is derived from transactions conducted through our retail agent and biller networks. Many of our high volume agents are in the check cashing industry. There are risks associated with the check cashing industry that could cause this agent base to decline. We may not be able to retain all of our current retail agents or billers for other reasons, as the competition for retail agents and billers is intense. If agents or billers decide to leave our agent network, or if we are unable to add new agents or billers to our network, our revenue would be adversely affected.

Larger agents and billers in our Global Funds Transfer segment are increasingly demanding financial concessions and more information technology customization. The development, equipment and capital necessary to meet these demands could require substantial expenditures and there can be no assurance that we will have the available capital after servicing our debt, or that we will be allowed to make such expenditures under the terms of our credit agreement. If we are unable to meet these demands, we could lose customers and our business, financial condition and results of operations could be adversely affected.

A substantial portion of our transaction volume is generated by a limited number of key agents. During 2013, 2012 and 2011, our 10 largest agents accounted for 43 percent, 44 percent and 45 percent, respectively, of our total company fee and investment revenue and 44 percent, 46 percent and 48 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment. During 2013, 2012 and 2011, our largest agent, Walmart, accounted for 27 percent, 28 percent and 29 percent, respectively, of our total company fee and investment revenue, and 28 percent, 30 percent and 31 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment. If our contracts with Walmart or any of our other key agents are not renewed or are terminated, or if such agents reduce the number of their locations or the volume of their business with us, or cease doing business, we might not be able to replace the volume of business conducted through these agents, and our business, financial condition and results of operations could be adversely affected. In addition, if any of our key agents begin offering money transfer services under their own brand name, such as a possible Walmart branded product, or if they engage other money transfer service providers, either of which may be permissible under our contract, our business, financial condition and results of operations could be adversely affected. Furthermore, if any of our key agents renew their contracts with us, but on less favorable terms, our business, financial condition and results of operations could be adversely affected.

We face intense competition, and if we are unable to continue to compete effectively, our business, financial condition and results of operations could be adversely affected.

The markets in which we compete are highly competitive, and we face a variety of competitors across our businesses, in particular our largest competitor, Western Union. With respect to our money transfer, bill

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payment and money order businesses, our primary competitor is Western Union. In addition, new competitors or alliances among established companies may emerge. Further, some of our competitors have larger and more established consumer bases and substantially greater financial, marketing and other resources than we have. We cannot anticipate every effect that actions taken by our competitors will have on our business, or the money transfer and bill payment industry in general.

If we fail to price our services appropriately relative to our competitors, consumers may not use our services, which could adversely affect our business and financial results. For example, transaction volume in certain key corridors where we face intense competition could be adversely affected by increasing pricing pressures between our money transfer services and those of some of our competitors, which could adversely affect our financial results. If we reduce prices in order to more effectively compete in these corridors, such reductions could adversely affect our financial results.

Money transfer, bill payment and money order services compete in a concentrated industry, with a small number of large competitors and a large number of small, niche competitors. We also compete with banks and niche person-to-person money transfer service providers. The electronic bill payment services within our Global Funds Transfer segment compete in a highly fragmented consumer-to-business payment industry. Competitors in the electronic payments area include financial institutions, third parties that host financial institution and bill payment services, third parties that offer payment services directly to consumers and billers offering their own bill payment services.

Our official check business competes primarily with financial institutions that have developed internal processing capabilities or services similar to ours and do not outsource official check services. Financial institutions could also offer competing official check outsourcing services to our existing and prospective official check customers.

There can be no assurance that growth in consumer money transfer transactions will continue. In addition, consolidation among payment service companies has occurred and could continue to occur in the future. If we are unable to continue to grow our existing products, while also growing newly developed and acquired products, we will be unable to compete effectively in the changing marketplace, and our business, financial condition and results of operations could be adversely affected.

We face fraud risks that could adversely affect our business, financial condition and results of operations.

Criminals are using increasingly sophisticated methods to engage in illegal activities such as paper instrument counterfeiting, fraud and identity theft. As we make more of our services available over the internet and other digital media, we subject ourselves to new types of consumer fraud risk because requirements relating to consumer authentication are more complex with Internet services. Certain former retail agents have also engaged in fraud against consumers or us, and existing agents could engage in fraud against consumers or us. We use a variety of tools to protect against fraud; however, these tools may not always be successful. Allegations of fraud may result in fines, settlements, litigation expenses and reputational damage.

The industry is under increasing scrutiny from federal, state and local regulators in connection with the potential for consumer fraud. Negative economic conditions may result in increased agent or consumer fraud. If consumer fraud levels involving our services were to rise, it could lead to regulatory intervention and reputational and financial damage. This, in turn, could lead to government enforcement actions and investigations, reduce the use and acceptance of our services or increase our compliance costs and thereby have a material adverse impact on our business, financial condition and results of operations.

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MoneyGram and our agents are subject to numerous U.S. and international laws and regulations. Failure to comply with these laws and regulations could result in material settlements, fines or penalties or changes in our or our agents' business operations and may adversely affect our business, financial condition and results of operations.

We operate in a highly regulated environment, and our business is subject to a wide range of laws and regulations that vary from country to country. We are also subject to oversight by various governmental agencies, both in the U.S. and abroad. In light of the current conditions in the global financial markets and economy, lawmakers and regulators in the U.S. in particular have increased their focus on the regulation of the financial services industry. New or modified regulations and increased oversight may have unforeseen or unintended adverse effects on the financial services industry, which could affect our business and operations.

The money transfer business is subject to a variety of regulations aimed at preventing money laundering and terrorism. We are subject to U.S. federal anti-money laundering laws, including the Bank Secrecy Act and the requirements of the U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, which prohibit us from transmitting money to specified countries or to or from prohibited individuals. Additionally, we are subject to anti-money laundering laws in many other countries where we operate, particularly in the European Union. We are also subject to financial services regulations, money transfer and payment instrument licensing regulations, consumer protection laws, currency control regulations, escheat laws and privacy and data protection laws. Many of these laws are constantly evolving, unclear and inconsistent across various jurisdictions, making compliance challenging.

There has been increased public attention and heightened legislation and regulations regarding money laundering, terrorist financing, corporate use and disclosure of personal information, data protection, information security and consumer privacy. The legal, political and business environments in these particular areas are evolving, inconsistent across various jurisdictions and often unclear, which increases our operating compliance costs and our legal risks. Subsequent legislation, regulation, litigation, court rulings or other events could expose us to increased program costs, liability and reputational damage.

We are considered a Money Services Business in the U.S. under the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001. As such, we are subject to reporting, recordkeeping and anti-money laundering provisions in the U.S. as well as many other jurisdictions. During 2013, there have been significant regulatory reviews and actions taken by U.S. and other regulators and law enforcement agencies against banks, Money Services Businesses and other financial institutions related to money laundering, and the trend appears to be greater scrutiny by regulators of potential money laundering activity through financial institutions. We are also subject to regulatory oversight and enforcement by The U.S. Department of the Treasury Financial Crimes Enforcement Network, or FinCEN. Any determination that we have violated the anti-money-laundering laws could have an adverse effect on our business, financial condition and results of operations. The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, increases the regulation and oversight of the financial services industry. The Dodd-Frank Act addresses, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, thrift charters and changes among the bank regulatory agencies. The Dodd-Frank Act requires enforcement by various governmental agencies, including the Bureau of Consumer Financial Protection, or the CFPB. Money transmitters such as the Company will be required to provide additional consumer information and disclosures, adopt error resolution standards, and adjust refund procedures for international transactions originating in the U.S. in a manner consistent with the Remittance Transfer Rule (a rule issued by the CFPB pursuant to the Dodd-Frank Act to amend Regulation E, which implements the Electronic Fund Transfer Act). In addition, the CFPB may adopt other regulations governing consumer financial services, including regulations defining unfair, deceptive, or abusive acts or practices, and new model disclosures. The CFPB's authority to change regulations adopted in the past by other regulators, or to rescind or ignore past regulatory guidance, could

increase our compliance costs and litigation exposure. Our litigation exposure may also be increased by the CFPB's authority to limit or ban pre-dispute arbitration clauses. We may also be liable for failure of our agents to

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comply with the Dodd-Frank Act. We may also be subject to examination by the CFPB. The legislation and implementing regulations associated with the Dodd-Frank Act will increase our costs of compliance and will require changes in the way we and our agents conduct business.

We are also subject to regulations imposed by the Foreign Corrupt Practices Act, or the FCPA, in the U.S. and similar anti-bribery laws in other jurisdictions. Because of the scope and nature of our global operations, we experience a higher risk associated with the FCPA and similar anti-bribery laws than many other companies. We are subject to recordkeeping and other requirements imposed upon companies related to compliance with these laws.

The European Union's Payment Services Directive, or PSD, imposes potential liability on us for the conduct of our agents and the commission of third party fraud utilizing our services. If we fail to comply with the PSD, our business, financial condition and results of operations may be adversely impacted. Additionally, the U.S. and other countries periodically consider initiatives designed to lower costs of international remittances which, if implemented, may adversely impact our business, financial condition and results of operations. The application of regulations relating to money transfers, such as the PSD and other initiatives, can be uncertain. This uncertainty increases the risk of a regulator challenging one or more of our procedures that are designed to handle transfers in compliance with applicable regulations. If a regulator were to take such a contrary view, our business, financial condition and results of operations could be adversely impacted.

Changes in laws, regulations or other industry practices and standards, or interpretations of legal or regulatory requirements, may reduce the market for or value of our products or services or render our products or services less profitable or obsolete. Changes in the laws affecting the kinds of entities that are permitted to act as money transfer agents (such as changes in requirements for capitalization or ownership) could adversely affect our ability to distribute our services and the cost of providing such services. Many of our high volume agents are in the check cashing industry. Any regulatory action that negatively impacts check cashers could also cause this portion of our agent base to decline. If onerous regulatory requirements were imposed on our agents, the requirements could lead to a loss of agents, which, in turn, could lead to a loss of retail business.

Any violation by us of the laws and regulations set forth above could lead to significant fines or penalties and could limit our ability to conduct business in some jurisdictions. Our systems, employees and processes may not be sufficient to detect and prevent violations of the laws and regulations set forth above by our agents, which could also lead to us being subject to significant fines or penalties. In addition to these fines and penalties, a failure by us or our agents to comply with applicable laws and regulations also could seriously damage our reputation and result in diminished revenue and profit and increase our operating costs and could result in, among other things, revocation of required licenses or registrations, loss of approved status, termination of contracts with banks or retail representatives, administrative enforcement actions and fines, class action lawsuits, cease and desist orders and civil and criminal liability.

The occurrence of one or more of these events could have a material adverse effect on our business, financial condition and results of operations.

Litigation or investigations involving us or our agents could result in material settlements, fines or penalties and may adversely affect our business, financial condition and results of operations.

We have been, and in the future may be, subject to allegations and complaints that individuals or entities have used our money transfer services for fraud-induced money transfers, as well as certain money laundering activities, which may result in fines, penalties, judgments, settlements and litigation expenses. We also are the subject from time to time of litigation related to our business. The outcome of such allegations, complaints, claims and litigation cannot be

predicted.

Regulatory and judicial proceedings and potential adverse developments in connection with ongoing litigation may adversely affect our business, financial condition and results of operations. There may also be

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adverse publicity associated with lawsuits and investigations that could decrease agent and consumer acceptance of our services. Additionally, our business has been in the past, and may be in the future, the subject of class action lawsuits, regulatory actions and investigations and other general litigation. The outcome of class action lawsuits, regulatory actions and investigations and other litigation is difficult to assess or quantify but may include substantial fines and expenses, as well as the revocation of required licenses or registrations or the loss of approved status, which could have a material adverse effect on our business, financial position and results of operations or consumers confidence in our business. Plaintiffs or regulatory agencies in these lawsuits, actions or investigations may seek recovery of very large or indeterminate amounts, and the magnitude of these actions may remain unknown for substantial periods of time. The cost to defend or settle future lawsuits or investigations may be significant.

We have received Civil Investigative Demands from a working group of nine state attorneys general who have initiated an investigation into whether we took adequate steps to prevent consumer fraud during the period starting in 2007. The Civil Investigative Demands seek information and documents relating to our procedures to prevent fraudulent transfers and consumer complaint information. We continue to cooperate fully with the states. We have submitted the information and documents requested by the states. No claims have been filed against MoneyGram at this time in connection with this investigation. Accordingly, we are unable to estimate the potential dollar amount of any loss in connection with this investigation or whether any loss in connection with this investigation could have a material adverse effect on our results of operations, cash flows or financial position. While we do not believe there is a basis for any claim or recovery with respect to this matter and intend to vigorously defend the Company if any claim is asserted, the outcome of these Civil Investigative Demands could include additional compliance costs and substantial fines, settlements or expenses and may adversely affect our business, financial condition and results of operations.

We face possible uncertainties relating to compliance with and the impact of the deferred prosecution agreement entered into with the U.S. federal government.

In November 2012, we announced that we had entered into a Deferred Prosecution Agreement, or DPA, with the U.S. Attorney's Office for the Middle District of Pennsylvania, or MDPA, and the Asset Forfeiture and Money Laundering Section of the Criminal Division of the Department of Justice, or U.S. DOJ, relating to the investigation of transactions involving certain of the Company's U.S. and Canadian agents, as well as its fraud complaint data and consumer anti-fraud program, during the period from 2003 to early 2009. Under the DPA, the Company agreed to pay to the U.S. a \$100.0 million forfeiture that is available to victims of the consumer fraud scams perpetrated through MoneyGram agents.

Pursuant to the DPA, the MDPA/U.S. DOJ filed a two-count criminal Information in the U.S. District Court for the Middle District of Pennsylvania. The MDPA/U.S. DOJ will seek dismissal with prejudice of the Information if the Company has complied with its obligations during the five-year term of the DPA. Under the DPA, the Company has agreed, among other things, to retain an independent compliance monitor for a period of five years, subject to adjustment to a shorter period under certain circumstances. If the Company fails to make progress towards its compliance obligations under the DPA, the independent compliance monitor could issue an unfavorable report, which could lead to heightened scrutiny by the MDPA and U.S. DOJ.

If the Company fails to comply with the DPA, the MDPA/U.S. DOJ have the right to prosecute the Company. While the Company expects to be in compliance with the DPA, a failure to comply, and a prosecution of the Company by the MDPA/U.S. DOJ, could lead to a severe material adverse effect upon the Company's ability to conduct its business. Additionally, the terms of the DPA will impose additional costs upon the Company related to compliance and other required terms, and such additional compliance costs could be substantial. Additional compliance obligations could also have an adverse impact on the Company's operations. Furthermore, this does not resolve all inquiries from other

governmental agencies such as FinCEN, which could result in additional costs, expenses and fines. The Company does not anticipate material adverse consequences from entry into the DPA on the Company's reputation and business, but there can be no assurance that such unanticipated consequences will not occur.

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We conduct money transfer transactions through agents in some regions that are politically volatile or, in a limited number of cases, which are subject to certain OFAC restrictions.

We conduct money transfer transactions through agents in some regions that are politically volatile or, in a limited number of cases, are subject to certain OFAC restrictions. It is possible that our money transfer services or other products could be used by wrong-doers in contravention of U.S. law or regulations. Such circumstances could result in increased compliance costs, regulatory inquiries, suspension or revocation of required licenses or registrations, seizure or forfeiture of assets and the imposition of civil and criminal fees and penalties. In addition to monetary fines or penalties that we could incur, we could be subject to reputational harm that could have a material adverse effect on our business, financial condition and results of operations.

Changes in tax laws and unfavorable outcomes of tax positions we take could adversely affect our tax expense and liquidity.

Our future tax rate could be adversely affected by changes in tax laws, both domestically and internationally. From time to time, the U.S. and foreign, state and local governments consider legislation that could increase our effective tax rates. If changes to applicable tax laws are enacted, our results of operations could be negatively impacted.

We file tax returns and take positions with respect to federal, state, local and international taxation, including positions that relate to our historical securities losses, and our tax returns and tax positions are subject to review and audit by taxing authorities. The Internal Revenue Service, or the IRS, has issued Notices of Deficiency for 2005-2007 and 2009, and has also issued an Examination Report for 2008. The Company is contesting the adjustments in the Notices of Deficiency, which are related to deductions taken on securities losses. The IRS issued Notices of Deficiency disallowing among other items approximately \$900.0 million of deductions on securities losses in the 2007, 2008 and 2009 tax returns. As of December 31, 2013, the Company had recognized a benefit of approximately \$139.9 million relating to these deductions. If our petitions contesting the Notices of Deficiency are denied, the Company would be required to make cash payments of approximately \$60.7 million, based on benefits taken and taxable income earned through December 31, 2013. An unfavorable outcome in these audits or other tax reviews or audits could result in higher tax expense, including interest and penalties, which could adversely affect our results of operations and cash flows. We establish reserves for material known tax exposures; however, there can be no assurance that an actual taxation event would not exceed our reserves.

Our substantial debt service obligations, significant debt covenant requirements and our credit rating could impair our access to capital and financial condition and adversely affect our ability to operate and grow our business.

We have substantial interest expense on our debt, and our ratings are below investment grade. This requires that we access capital markets that are subject to higher volatility than those that support higher rated companies. Since a significant portion of our cash flow from operations is dedicated to debt service, a reduction in cash flow could result in an event of default, or significantly restrict our access to capital. Our ratings below investment grade also create the potential for a cost of capital that is higher than other companies with which we compete.

We are also subject to capital requirements imposed by various regulatory bodies throughout the world. We may need access to external capital to support these regulatory requirements in order to maintain our licenses and our ability to earn revenue in these jurisdictions. An interruption of our access to capital could impair our ability to conduct business if our regulatory capital falls below requirements.

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Sustained financial market illiquidity, or illiquidity at our clearing, cash management and custodial financial institutions, could adversely affect our business, financial condition and results of operations.

We face certain risks in the event of a sustained deterioration of financial market liquidity, as well as in the event of sustained deterioration in the liquidity, or failure, of our clearing, cash management and custodial financial institutions. In particular:

We may be unable to access funds in our investment portfolio, deposit accounts and clearing accounts on a timely basis to settle our payment instruments, pay money transfers and make related settlements to agents. Any resulting need to access other sources of liquidity or short-term borrowing would increase our costs. Any delay or inability to settle our payment instruments, pay money transfers or make related settlements with our agents could adversely impact our business, financial condition and results of operations.

Our revolving credit facility is one source of funding for our corporate transactions and liquidity needs. If any of the banks participating in our credit facility were unable or unwilling to fulfill its lending commitment to us, our short-term liquidity and ability to engage in corporate transactions such as acquisitions could be adversely affected.

We may be unable to borrow from financial institutions or institutional investors on favorable terms, which could adversely impact our ability to pursue our growth strategy and fund key strategic initiatives, such as product development and acquisitions.

If financial liquidity deteriorates, there can be no assurance we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

We have significant exposure to loss in the event of a major bank failure or a loss of liquidity in the bank deposit market.

In the event of a major bank failure, where bank regulators elect to impose losses on uninsured depositors, we would face major risks to the recovery of our bank deposits used for the purpose of settling with our agents, and to the recovery of a significant portion of our investment portfolio. At December 31, 2013, we maintained cash, cash equivalents and interest bearing deposits of \$3.0 billion at commercial banks in the United States in excess of the Federal Deposit Insurance Corporation insurance limit of \$250,000 per bank. We also had cash, cash equivalents and interest bearing deposits of \$0.2 billion at commercial banks outside of the United States that are not subject to insurance protection against loss.

A major bank failure that results in a loss to depositors could cause a significant reduction in liquidity in the global financial system. Such an event could result in our inability to access funds in our investment portfolio, cash management accounts, and clearing accounts, which would limit our ability to settle our funds transfers and check presentments on a timely basis. Any delay in settlement of our payment services obligations can adversely impact our business, our financial condition, and our results of operations, as well as cause damage to relationships with our agents.

Such a liquidity event in the banking system could also result in our banks inability to meet their funding obligations under our revolving credit facility, which would also contribute to our difficulties in meeting our payment services obligations, especially in a global liquidity crisis. From time to time, we access the bank market for debt, which represents a significant portion of our capital structure. Our ability to access debt markets is essential to our liquidity, and the sustained loss of liquidity to debt markets could result in a material adverse impact on us, especially if our existing debt is approaching its maturity.

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An inability by us or our agents to maintain adequate banking relationships may adversely affect our business, financial condition and results of operations.

We rely on domestic and international banks for international cash management, Automated Clearing House and wire transfer services to pay money transfers and settle with our agents. We also rely on domestic banks to provide clearing, processing and settlement functions for our paper-based instruments, including official checks and money orders. Our relationships with these banks are a critical component of our ability to conduct our official check, money order and money transfer businesses. An inability on our part to maintain existing or establish new banking relationships sufficient to enable us to conduct our official check, money order and money transfer businesses could adversely affect our business, financial condition and results of operations. There can be no assurance that we will be able to establish and maintain adequate banking relationships.

If we cannot maintain a sufficient relationship with a limited number of large international banks that provide these services, we would be required to establish a global network of banks to provide us with these services. Utilizing a global network of banks could alter the pattern of settlement with our agents and result in our agent receivables and agent payables being outstanding for longer periods than the current remittance schedule, potentially adversely impacting our cash flow. Maintaining a global network of banks may also increase our overall costs for banking services.

We and our agents are considered Money Service Businesses in the U.S. under the Bank Secrecy Act. U.S. regulators are increasingly taking the position that Money Service Businesses, as a class, are high risk businesses. In addition, the creation of anti-money laundering laws has created concern and awareness among banks of the negative implications of aiding and abetting money laundering activity. As a result, certain of our agents have been denied access to retail banking services in certain markets regardless of the mitigating factors and controls in place to prevent anti-money laundering law violations. If our agents are unable to obtain sufficient banking relationships, they may not be able to offer our services, which could adversely affect our business, financial condition and results of operations.

Concerns regarding the financial health of certain European countries, and the impact that these countries might have on the sustainability of the euro, could adversely impact our business, results of operations and financing.

In the normal course of our business, we maintain significant euro denominated cash balances. In 2013, the euro was our second largest currency position in the world following the U.S. dollar. The secession of a country from the euro, or the demise of the use of the euro, could result in a sudden and substantial devaluation of the euro and other currencies against the U.S. dollar. In addition, financial markets could be impaired and bank liquidity could be restricted.

Our ability to generate fee revenue from our money transfer business could be impaired if the level of economic activity in the Eurozone were to decrease. Our own ability to fund our operations could be impaired if our access to our euro deposits were restricted, or if damage to the banking system were to result from a currency crisis. We could also lose value in our deposits, which in turn could be material to our operating results.

A breach of security in the systems on which we rely could adversely affect our business, financial condition and results of operations.

We obtain, transmit and store confidential consumer, employer and agent information in connection with certain of our services. These activities are subject to laws and regulations in the U.S. and other jurisdictions. The requirements imposed by these laws and regulations, which often differ materially among the many jurisdictions, are designed to protect the privacy of personal information and to prevent that information from being inappropriately disclosed. Any

security breaches in our computer networks, databases or facilities could harm our business and reputation, adversely affect consumers' confidence in our or our agents' business,

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cause inquiries and fines or penalties from regulatory or governmental authorities, cause a loss of consumers, subject us to lawsuits and subject us to potential financial losses. We rely on a variety of technologies to provide security for our systems. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures we use to protect our systems. We may be required to expend significant capital and other resources to protect against these security breaches or to alleviate problems caused by these breaches. Third-party contractors and agents also may experience security breaches involving the storage and transmission of our data. If users gain improper access to our, our agents , or our contractors systems or databases, they may be able to steal, publish, delete or modify confidential customer information. A security breach could expose us to monetary liability and legal proceedings, lead to reputational harm, cause a disruption in our operations, and make our consumers less confident in our services, which could have a material adverse effect on our business, financial condition and results of operations.

Because our business is particularly dependent on the efficient and uninterrupted operation of our information technology, computer network systems and data centers, disruptions to these systems and data centers could adversely affect our business, financial condition and results of operations.

Our ability to provide reliable services largely depends on the efficient and uninterrupted operation of our computer network systems and data centers. Our business involves the movement of large sums of money and the management of data necessary to do so. The success of our business particularly depends upon the efficient and error-free handling of transactions and data. We rely on the ability of our employees and our internal systems and processes to process these transactions in an efficient, uninterrupted and error-free manner.

In the event of a breakdown, catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), security breach, computer virus, improper operation, improper action by our employees, agents, consumers, financial institutions or third party vendors or any other event impacting our systems or processes or our agents or vendors systems or processes, we could suffer financial loss, loss of consumers, regulatory sanctions, lawsuits and damage to our reputation or consumers confidence in our business. The measures we have enacted, such as the implementation of disaster recovery plans and redundant computer systems, may not be successful. We may also experience problems other than system failures, including software defects, development delays and installation difficulties, which would harm our business and reputation and expose us to potential liability and increased operating expenses. In addition, any work stoppages or other labor actions by employees who support our systems or perform any of our major functions could adversely affect our business. Certain of our agent contracts, including our contract with Walmart, contain service level standards pertaining to the operation of our system, and give the agent a right to collect damages or engage other providers and, in extreme situations, a right of termination for system downtime exceeding agreed upon service levels. If we experience significant system interruptions or system failures, our business interruption insurance may not be adequate to compensate us for all losses or damages that we may incur.

In addition, our ability to continue to provide our services to a growing number of agents and consumers, as well as to enhance our existing services and offer new services, is dependent on our information technology systems. If we are unable to effectively manage the technology associated with our business, we could experience increased costs, reductions in system availability and loss of agents or consumers. Any failure of our systems in scalability, reliability and functionality could adversely impact our business, financial condition and results of operations.

Continued weakness in economic conditions, in both the U.S. and global markets, could adversely affect our business, financial condition and results of operations.

Our money transfer business relies in part on the overall strength of global economic conditions as well as international migration patterns. Consumer money transfer transactions and international migration patterns

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are affected by, among other things, employment opportunities and overall economic conditions. Our consumers tend to be employed in industries such as construction, manufacturing and retail that tend to be cyclical and more significantly impacted by weak economic conditions than other industries. This may result in reduced job opportunities for our customers in the U.S. or other countries that are important to our business, which could adversely affect our business, financial condition and results of operations. In addition, increases in employment opportunities may lag other elements of any economic recovery.

Our agents or billers may have reduced sales or business as a result of weak economic conditions. As a result, our agents could reduce their number of locations or hours of operation, or cease doing business altogether. Our billers may have fewer consumers making payments to them, particularly billers in those industries that may be more affected by an economic downturn such as the automobile, mortgage and retail industries.

If general market conditions in the U.S. or other national economies important to our business were to deteriorate, our business, financial condition and results of operations could be adversely impacted. Additionally, if our consumer transactions decline or international migration patterns shift due to deteriorating economic conditions, we may be unable to timely and effectively reduce our operating costs or take other actions in response, which could adversely affect our business, financial condition and results of operations.

A significant change, material slow down or complete disruption in international migration patterns could adversely affect our business, financial condition and results of operations.

Our money transfer business relies in part on international migration patterns, as individuals move from their native countries to countries with greater economic opportunities or a more stable political environment. A significant portion of money transfer transactions are initiated by immigrants or refugees sending money back to their native countries. Changes in immigration laws that discourage international migration and political or other events (such as war, terrorism or health emergencies) that make it more difficult for individuals to migrate or work abroad could adversely affect our money transfer remittance volume or growth rate. Sustained weakness in global economic conditions could reduce economic opportunities for migrant workers and result in reduced or disrupted international migration patterns. Reduced or disrupted international migration patterns, particularly in the U.S. or Europe, are likely to reduce money transfer transaction volumes and therefore have an adverse effect on our results of operations. Furthermore, significant changes in international migration patterns could adversely affect our business, financial condition and results of operations.

We face credit risks from our retail agents and financial institution customers.

The vast majority of our money transfer, bill payment and money order business is conducted through independent agents that provide our products and services to consumers at their business locations. Our agents receive the proceeds from the sale of our payment instruments and money transfers, and we must then collect these funds from the agents. If an agent becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit payment instruments or money transfer proceeds to us, we must nonetheless pay the payment instrument or complete the money transfer on behalf of the consumer.

Moreover, we have made, and may make in the future, secured or unsecured loans to retail agents under limited circumstances or allow agents to retain our funds for a period of time before remitting them to us. As of December 31, 2013, we had credit exposure to our agents of approximately \$484.1 million in the aggregate spread across 11,355 agents.