

MONEYGRAM INTERNATIONAL INC

Form 10-K

March 06, 2019

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

Form 10-K
(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended
December 31, 2018.

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period
from _____ to _____.

Commission File Number: 001-31950

MONEYGRAM INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	16-1690064
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2828 N. Harwood St., 15th Floor	75201
Dallas, Texas	(Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code
(214) 999-7552

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

Title of each class	Name of each exchange on which registered
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Common stock, \$0.01 par value	The NASDAQ Stock Market LLC
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Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities
Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Exchange Act. Yes ☐ No ☒

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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. (Check one):

Large accelerated filer

☐ Non-accelerated filer ☐

Accelerated filer

☐ Smaller reporting company ☐

(Do not check if a 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 ☒

The aggregate market value of voting and nonvoting common stock held by non-affiliates of the registrant, computed by reference to the last sales price as reported on the NASDAQ Stock Market LLC as of June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter, was \$205.2 million.

56,068,264 shares of common stock were outstanding as of February 27, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this report is incorporated by reference from the registrant's proxy statement for the 2019 Annual Meeting of Stockholders.

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PART I

Item 1. BUSINESS

Overview

MoneyGram International, Inc. (together with our subsidiaries, “MoneyGram,” the “Company,” “we,” “us” and “our”) is a leading global financial technology company that provides innovative services around the world. Our money transfer services connect family and friends through an omnichannel network that delivers unparalleled choice and convenience. Whether through our mobile application, moneygram.com, integration with mobile wallets, a kiosk, or any one of the thousands of agent locations in more than 200 countries and territories, we connect consumers in any way that is convenient for them. Historically, our primary customers are persons who may not be fully served by other financial institutions, which we refer to as unbanked or underbanked consumers. The World Bank, a key source of industry analysis for cross-border remittance data, estimates that 1.7 billion adults are unbanked and 2019 global remittances will approximate \$715 billion, based on 2018 global data. As an alternative financial services company, we provide these individuals with essential services to help them meet the financial demands of their daily lives. Today, our direct-to-consumer digital capabilities enable us to better service a new customer segment, banked consumers who utilize our platform to transfer money. MoneyGram has implemented enhanced compliance measures as part of its commitment to protect customers from fraud.

In addition to money transfers, our offerings include bill payment services, money order services and official check processing. Our money transfer services are our primary revenue driver. Our services are offered across our physical and digital network which is available in hundreds of countries and territories. We have digital capabilities in 64 countries and approximately 350,000 physical locations that are primarily operated by third-party businesses (“agents”) and a limited number of Company-operated retail locations. We have one primary customer care center in Warsaw, Poland, with regional support centers providing ancillary services and additional call center services in various countries. MoneyGram provides call center services 24 hours per day, 365 days per year and provides customer service in dozens of languages.

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, MoneyGram MyWay, MoneyGram MobilePass, MoneyGram Kameleon, ExpressPayment, Send It. Pay It. Load It., Moneygrado, FormFree, AgentWorks, Agent-Connect, Delta, DeltaWorks, PowerTransact and PrimeLink, some of which are registered in the U.S. and other countries. This document also contains trademarks and service marks of other businesses that are the property of their respective holders and are used herein solely for identification purposes. We have omitted the ® and ™ designations, as applicable, for the trademarks we reference in this Annual Report on Form 10-K.

We conduct our business primarily through our wholly-owned subsidiary, MoneyGram Payment Systems, Inc. (“MPSI”), under the MoneyGram brand. The Company was incorporated in Delaware on December 18, 2003 in connection with the June 30, 2004 spin-off from our former parent company, Viad Corporation. Through the Company's predecessors, we have been in operation for over 70 years.

The Company utilizes specific terms related to our business throughout this document, including the following: Corridor — With regard to a money transfer transaction, the originating “send” location and the designated “receive” location are referred to as a corridor.

Corridor mix — The relative impact of increases or decreases in money transfer transaction volume in each corridor versus the comparative prior period.

Face value — The principal amount of each completed transaction, excluding any fees related to the transaction.

Foreign currency — The impact of foreign currency exchange rate fluctuations on our financial results is typically calculated as the difference between current period activity translated using the current period’s currency exchange rates and the comparable prior-year period’s currency exchange rates. We use this method to calculate the impact of

changes in foreign currency exchange rates on revenues, commissions and other operating expenses for all countries where the functional currency is not the U.S. dollar.

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Our Segments

We manage our business primarily through two reporting segments: Global Funds Transfer and Financial Paper Products. The following table presents the components of our consolidated revenue associated with our reporting segments for the years ended December 31:

	2018	2017	2016
Global Funds Transfer			
Money transfer	88 %	89 %	89 %
Bill payment	5 %	5 %	6 %
Financial Paper Products			
Money order	4 %	3 %	3 %
Official check	3 %	3 %	2 %
Total revenue	100%	100%	100%

See Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 15 — Segment Information of the Notes to the Consolidated Financial Statements for additional financial information about our segments and geographic areas.

During 2018, 2017 and 2016, our 10 largest agents accounted for 33%, 34% and 36%, respectively, of total revenue and 34%, 35% and 37%, respectively, of Global Funds Transfer segment revenue. Wal-Mart Stores, Inc. (“Walmart”) is our only agent that accounts for more than 10% of our total revenue. In 2018, 2017 and 2016, Walmart accounted for 16%, 17% and 18%, respectively, of total revenue and 16%, 18% and 19%, respectively, of Global Funds Transfer segment revenue.

Global Funds Transfer Segment

The Global Funds Transfer segment is our primary revenue driver, providing money transfer services and bill payment services primarily to unbanked and underbanked consumers. We utilize a variety of proprietary point-of-sale platforms, including AgentConnect, which is integrated into an agent’s point-of-sale system, DeltaWorks and Delta T3, which are separate software and stand-alone device platforms, and moneygram.com.

We continue to focus on the growth of our Global Funds Transfer segment outside of the U.S. Sends originated outside of the U.S. generated 49% in 2018 and 47% in both 2017 and 2016 of our total revenue, and 52%, 50% and 49% for 2018, 2017 and 2016, respectively, of our total Global Funds Transfer segment revenue. In 2018, our Global Funds Transfer segment had total revenue of \$1.3 billion.

Money Transfer — We earn our money transfer revenues primarily from consumer transaction fees and the management of currency exchange spreads on money transfer transactions involving different “send” and “receive” currencies. We have corridor pricing capabilities that provide us flexibility when establishing consumer fees and foreign exchange rates for our money transfer services, which allow us to remain competitive in all locations. In a cash-to-cash money transfer transaction, both the agent initiating the transaction and the receiving agent earn a commission that is generally a fixed fee or is based on a percentage of the fee charged to the consumer. When a money transfer transaction is initiated at a MoneyGram-owned store, staging kiosk or via our online platform, typically only the receiving agent earns a commission.

In certain countries, we have multi-currency technology that allows consumers to choose a currency when initiating or receiving a money transfer. The currency choice typically consists of local currency, U.S. dollars and/or euros. These capabilities allow consumers to know the amount that will be received in the selected currency.

The majority of our remittances constitute transactions in which cash is collected by one of our agents and funds are available for pick-up at another agent location. Typically, the designated recipient may receive the transferred funds within 10 minutes at any MoneyGram agent location. In select countries, the designated recipient may also receive the transferred funds via a deposit to the recipient’s bank account, mobile phone account or prepaid card. Through our online product offerings, consumers can remit funds from a bank account, credit card or debit card.

We offer a variety of services to provide the best consumer experience possible at our agent locations. We offer transaction-staging kiosks at select agent locations around the world. Our MoneyGram MobilePass product allows customers to stage a transaction on a mobile device or online and pay for the transaction at one of MoneyGram’s thousands of locations across the U.S.

In 2018, we offered our money transfer services on the internet via our moneygram.com service in 24 countries and through our native application in 15 countries globally. Through moneygram.com, consumers can send money from the convenience of their home or internet-enabled mobile device to any of our agent locations worldwide or to a recipient's bank account through a debit or credit card or, in certain cases, funding with a U.S. checking account. Money transfer transactions through moneygram.com grew 13% and revenue grew 8% in 2018 over the prior year.

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We also offer our money transfer services via virtual agents allowing our consumers to send international transfers conveniently from a website or their mobile phone in 26 countries. We continue to expand our money transfer services to consumers through the expansion of moneygram.com and our native iPhone and Android application, the addition of transaction-staging kiosks, ATMs and direct-to-bank account products in various markets around the world.

As of December 31, 2018, our money transfer agent network had approximately 350,000 locations. Our agent network includes agents such as international post offices, formal and alternative financial institutions as well as large and small retailers. Additionally, we have limited Company-operated retail locations in Western Europe. Some of our agents outside the U.S. manage sub-agents. We refer to these agents as super-agents. Although the sub-agents are under contract with these super-agents, the sub-agent locations typically have access to similar technology and services as our other agent locations. Many of our agents have multiple locations, a large number of which operate in locations that are open outside of traditional banking hours, including nights and weekends. Our agents know the markets they serve and they work with our sales and marketing teams to develop business plans for their markets. This may include contributing financial resources to, or otherwise supporting, our efforts to market MoneyGram's services.

Bill Payment Services — We earn our bill payment revenues primarily from fees charged to consumers for each transaction completed. Our primary bill payment service offering is our ExpressPayment service, which we offer at substantially all of our money transfer agent locations in the U.S., Canada and Puerto Rico, at certain agent locations in select Caribbean and European countries and through our Digital solutions.

Through our bill payment services, consumers can complete urgent bill payments, pay routine bills, or load and reload prepaid debit cards with cash at an agent location or through moneygram.com with a credit or debit card. We offer consumers same-day and two- or three-day payment service options; the service option is dependent upon our agreement with the biller. We offer payment options to nearly 13,000 billers in key industries, including the ability to allow the consumer to load or reload funds to nearly 240 prepaid debit card programs. These industries include the credit card, mortgage, auto finance, telecommunications, corrections, health care, utilities, property management, prepaid card and collections industries.

Marketing — The global marketing organization employs an omnichannel approach that tailors our brand message to each specific market, culture and consumer preferences. We use a varied marketing mix that includes traditional, digital and social, corridor specific marketing campaigns, sponsorships and partnerships, point-of-sale materials and signage at our agent locations. Our marketing strategy also includes our loyalty program that provides faster service at the agent locations in various countries around the world and the MoneyGram Plus Rewards loyalty program available in the U.S. (rolling out globally beginning in 2019) that gives consumers the benefit of earning discounts on future transactions and special promotions available only to loyalty members.

Sales — Our sales teams are organized by geographic area, product and delivery channel. We have dedicated teams focused on developing our agent and biller networks to enhance the reach of our money transfer and bill payment products. Our agent requirements vary depending upon the type of outlet, location and compliance and regulatory requirements. Our sales teams and strategic partnership teams continue to improve our agent relationships and overall network strength with a goal of providing the optimal agent and consumer experience.

Competition — The market for money transfer and bill payment services continues to be very competitive and the World Bank estimates that in 2019 global remittances will be \$715 billion. We generally compete on the basis of the customer experience, the ability to conduct both digital and cash transactions, price, the quantity and quality of our agent network, commission payments and marketing efforts.

Our competitors include a small number of large money transfer and bill payment providers, financial institutions, banks and a large number of small niche money transfer service providers that serve select regions. Our largest competitor in the cross-border money transfer industry is The Western Union Company ("Western Union"), which also competes with our bill payment services and money order businesses. Additionally, Walmart has a white-label money transfer service, a program operated by a competitor of MoneyGram that allows consumers to transfer money between Walmart U.S. store locations. In 2018, Walmart launched Walmart2World, Powered by MoneyGram, a new white-label money transfer service that allows customers to send money from Walmart in the U.S. to any MoneyGram location in more than 200 countries and territories. We will encounter increasing competition as digitally-focused new entrants seek to grow revenue through customer acquisition initiatives focused on specific corridors, but we believe

we will continue to differentiate against the competition by competing on a global scale, addressing the entire remittance market by offering digital and cash capabilities, and delivering a superior customer experience in addition to continuing to be a fintech innovator and a leader in protecting consumers through our unparalleled compliance engine.

Seasonality — A larger share of our annual money transfer revenues traditionally occurs in the third and fourth quarters as a result of major global holidays falling during or around this period.

Financial Paper Products Segment

Our Financial Paper Products segment provides money orders to consumers through our agents and financial institutions located throughout the U.S. and Puerto Rico and provides official check outsourcing services for financial institutions across the U.S.

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In 2018, our Financial Paper Products segment generated revenues of \$99.7 million from fee and other revenue and investment revenue. We earn revenue from the investment of funds underlying outstanding official checks and money orders. We refer to our cash and cash equivalents, settlement cash and cash equivalents, interest-bearing investments and available-for-sale investments collectively as our “investment portfolio.” Our investment portfolio primarily consists of low risk, highly liquid, short-term U.S. government securities and bank deposits that produce a low rate of return. Money Orders — Consumers use our money orders to make payments in lieu of cash or personal checks. We generate revenue from money orders by charging per item and other fees, as well as from the investment of funds underlying outstanding money orders, which generally remain outstanding for approximately six days. We sell money orders under the MoneyGram brand and on a private label or co-branded basis with certain agents and financial institutions in the U.S. As of December 31, 2018, we issued money orders through our network of over 15,000 agents and financial institutions located in the U.S. and Puerto Rico.

Official Check Outsourcing Services — Official checks are used by consumers where a payee requires a check drawn on a bank. Financial institutions also use official checks to pay their own obligations. Similar to money orders, we generate revenue from our official check outsourcing services through U.S. banks and credit unions by charging per item and other fees, as well as from the investment of funds underlying outstanding official checks, which generally remain outstanding for approximately four days. As of December 31, 2018, we provided official check outsourcing services through approximately 750 financial institutions at over 5,400 branch bank locations.

Marketing — We employ a wide range of marketing methods. We use a marketing mix to support our brand, which includes traditional, digital and social media, point of sale materials, signage at our agent locations and targeted marketing campaigns. Official checks are financial institution branded, and therefore, all marketing to this segment is business to business.

Sales — Our sales teams are organized by product and delivery channel. We have dedicated teams that focus on developing our agent and financial institution networks to enhance the reach of our official check and money order products. Our agent and financial institution requirements vary depending upon the type of outlet or location, and our sales teams continue to improve and strengthen these relationships with a goal of providing the optimal consumer experience with our agents and financial institutions.

Competition — Our money order competitors include a small number of large money order providers and a large number of small regional and niche money order providers. Our largest competitors in the money order industry are Western Union and the U.S. Postal Service. We generally compete for money order agents on the basis of value, service, quality, technical and operational differences, price, commission and marketing efforts. We compete for money order consumers on the basis of trust, convenience, availability of outlets, price, technology and brand recognition.

Official check competitors include financial institution solution providers, such as core data processors and corporate credit unions. We generally compete against a financial institution’s desire to perform these processes in-house with support from these types of organizations. We compete for official check customers on the basis of value, service, quality, technical and operational differences, price and commission.

Regulation

Compliance with laws and regulations is a highly complex and integral part of our day-to-day operations. Our operations are subject to a wide range of laws and regulations of the U.S. and other countries, including anti-money laundering laws and regulations; financial services regulations; currency control regulations; anti-bribery laws; regulations of the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”); money transfer and payment instrument licensing laws; escheatment laws; privacy, data protection and information security laws; and consumer disclosure and consumer protection laws. Regulators worldwide are exercising heightened supervision of money transfer providers and requiring increased efforts to ensure compliance. Failure to comply with any applicable laws and regulations could result in restrictions on our ability to provide our products and services, as well as the potential imposition of civil fines and possibly criminal penalties. See the “Risk Factors” section in Item 1A for additional discussion regarding potential impacts of failure to comply. We continually monitor and enhance our global compliance programs in light of the most recent legal and regulatory changes.

Deferred Prosecution Agreement — In November 2012, we announced that a settlement was reached with the U.S. Attorney's Office for the Middle District of Pennsylvania (the "MDPA") and the U.S. Department of Justice, Criminal Division, Money Laundering and Asset Recovery Section (the "U.S. DOJ") relating to the previously disclosed investigation of transactions involving certain of our U.S. and Canadian agents, as well as fraud complaint data and the consumer anti-fraud program, during the period from 2003 to early 2009. In connection with this settlement, we entered into the deferred prosecution agreement (the "DPA") with the MDPA and U.S. DOJ (collectively, the "Government") dated November 8, 2012.

On November 1, 2017, the Company agreed to a stipulation with the Government that the five-year term of the Company's DPA be extended for 90 days to February 6, 2018. Between January 31, 2018 and September 14, 2018, the Company agreed to enter into various extensions of the DPA with the Government, with the last extension ending on November 6, 2018. Each extension of the DPA extended all terms of the DPA, including the term of the monitorship for an equivalent period. The purpose of the extensions

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was to provide the Company and the Government additional time to discuss whether the Company was in compliance with the DPA.

On November 8, 2018, the Company announced that it entered into (1) an Amendment to and Extension of Deferred Prosecution Agreement (the “Amended DPA”) with the Government and (2) a Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction (the “Consent Order”) with the Federal Trade Commission (“FTC”). The motions underlying the Amended DPA and Consent Order focus primarily on the Company’s anti-fraud and anti-money laundering programs, including whether the Company had adequate controls to prevent third parties from using its systems to commit fraud. The Amended DPA amended and extended the original DPA entered into on November 9, 2012 by and between the Company and the Government. The DPA, Amended DPA and Consent Order are collectively referred to herein as the “Agreements.”

Under the Agreements, the Company will, among other things, (1) pay an aggregate amount of \$125.0 million to the Government, of which \$70.0 million was paid in November 2018 and the remaining \$55.0 million must be paid by May 8, 2020, eighteen months after the date of the Amended DPA, which amount is being made available to reimburse consumers who were the victims of third-party fraud conducted through the Company’s money transfer services, and (2) continue to retain an independent compliance monitor until May 10, 2021 to review and assess actions taken by the Company under the Agreements to further enhance its compliance program. No separate payment to the FTC is required under the Agreements. If the Company fails to comply with the Agreements, it could face criminal prosecution, civil litigation, significant fines, damage awards or regulatory consequences which could have a material adverse effect on the Company’s business, financial condition, results of operations and cash flows. See “Risk Factors — We face possible uncertainties relating to compliance with and impact of the amended deferred prosecution agreement entered into with the U.S. federal government” for additional information in Item 1A and the “Legal Proceedings” section in Item 3.

Anti-Money Laundering Compliance — Our services are subject to U.S. anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, as well as state laws and regulations and the anti-money laundering laws and regulations of many of the countries in which we operate, particularly in the European Union. Countries in which we operate may require one or more of the following:

- reporting of large cash transactions and suspicious activity;
- screening of transactions against government watch-lists, including but not limited to, the watch-list maintained by OFAC;
- prohibition of transactions in, to or from certain countries, governments, individuals and entities;
- limitations on amounts that may be transferred by a consumer or from a jurisdiction at any one time or over specified periods of time, which require aggregation over multiple transactions;
- consumer information gathering and reporting requirements;
- consumer disclosure requirements, including language requirements and foreign currency restrictions;
- notification requirements as to the identity of contracting agents, governmental approval of contracting agents or requirements and limitations on contract terms with our agents;
- registration or licensing of the Company or our agents with a state or federal agency in the U.S. or with the central bank or other proper authority in a foreign country; and
- minimum capital or capital adequacy requirements.

Anti-money laundering regulations are constantly evolving and vary from country to country. We continuously monitor our compliance with anti-money laundering regulations and implement policies and procedures in light of the most current legal requirements.

We offer our money transfer services primarily through third-party agents with whom we contract and do not directly control. As a money services business, we and our agents are required to establish anti-money laundering compliance programs that include: (i) internal policies and controls; (ii) designation of a compliance officer; (iii) ongoing employee training and (iv) an independent review function. We have developed an anti-money laundering training manual available in multiple languages and a program to assist with the education of our agents on the various rules and regulations. We also offer in-person and online training as part of our agent compliance training program and engage in various agent oversight activities. We have also adopted a global compliance policy that outlines key

principles of our compliance program to our agents.

In connection with regulatory requirements to assist in the prevention of money laundering, terrorist financing and other illegal activities and pursuant to legal obligations and authorizations, the Company makes information available to certain U.S. federal and state, as well as certain foreign, government agencies when required by law. In recent years, the Company has experienced an increase in data sharing requests by these agencies, particularly in connection with efforts to prevent money laundering or terrorist financing or reduce the risk of consumer fraud. In certain cases, the Company is also required by government agencies

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to deny transactions that may be related to persons suspected of money laundering, terrorist financing or other illegal activities, and as a result the Company may inadvertently deny transactions from customers who are making legal money transfers, which could lead to liability or reputational damage. Responding to these agency requests may result in increased operational costs.

Money Transfer and Payment Instrument Licensing — In most countries, either we or our agents are required to obtain licenses or to register with a government authority in order to offer money transfer services. Almost all states in the U.S., the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam require us to be licensed to conduct business within their jurisdictions. Our primary overseas operating subsidiary, MoneyGram International Ltd., is a licensed payment institution under the Payment Services Regulations adopted in the United Kingdom pursuant to the European Union Payment Services Directive ("PSD"). As a result of the United Kingdom's planned exit from the European Union, we have obtained authorization as a payment institution from the National Bank of Belgium for the conduct of our business in the European Union following the United Kingdom's departure. In 2016, the PSD was amended by a revised Payment Services Directive ("PSD2"), which was implemented in the national law of the member states during or prior to January 2018. Among other changes, the PSD2 has increased the supervisory powers granted to member states with respect to activities performed by us and our agents in the European Union. We are also subject to increasingly significant licensing or other regulatory requirements in various other jurisdictions. Licensing requirements may include minimum net worth, provision of surety bonds or letters of credit, compliance with operational procedures, agent oversight and the maintenance of reserves or "permissible investments" in an amount equivalent to outstanding payment obligations, as defined by our various regulators. The types of securities that are considered "permissible investments" vary across jurisdictions, but generally include cash and cash equivalents, U.S. government securities and other highly rated debt instruments. Many regulators require us to file reports on a quarterly or more frequent basis to verify our compliance with their requirements. Many regulators also subject us to periodic examinations and require us and our agents to comply with anti-money laundering and other laws and regulations.

Escheatment Regulations — Unclaimed property laws of every state in the U.S., the District of Columbia, Puerto Rico and the U.S. Virgin Islands require that we track certain information on all our payment instruments and money transfers and, if they are unclaimed at the end of an applicable statutory abandonment period, that we remit the proceeds of the unclaimed property to the appropriate jurisdiction. Statutory abandonment periods for payment instruments and money transfers range from three to seven years. Certain foreign jurisdictions also have unclaimed property laws. These laws are evolving and are frequently unclear and inconsistent among various jurisdictions, making compliance challenging. We have an ongoing program designed to comply with escheatment laws as they apply to our business.

Data Privacy and Cybersecurity Laws and Regulations — We are subject to federal, state and international laws and regulations relating to the collection, use, retention, security, transfer, storage and disposal of personally identifiable information of our consumers, agents and employees. In the U.S., we are subject to various federal privacy laws, including the Gramm-Leach-Bliley Act, which requires that financial institutions provide consumers with privacy notices and have in place policies and procedures regarding the safeguarding of personal information. We are also subject to privacy and data breach laws of various states. Outside the U.S., we are subject to privacy laws of numerous countries and jurisdictions. In some cases, these laws are more restrictive than the U.S. laws and impose more stringent duties on companies or penalties for non-compliance. For example, the General Data Protection Regulation in the European Union, which became effective in May 2018, imposes a higher standard of personal data protection with significant penalties for non-compliance for companies operating in the European Union or doing business with European Union residents. The new California Consumer Protection Act, which will become effective on January 1, 2020, will impose heightened data privacy requirements on companies that collect information from California consumers. In addition, government surveillance laws and data localization laws are evolving to address increased and changing threats and risks. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction.

Dodd-Frank Act — The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law in 2010. The Dodd-Frank Act imposes additional regulatory requirements and creates additional regulatory oversight over us. The Dodd-Frank Act created a Bureau of Consumer Financial Protection (the "CFPB") which issues and enforces consumer protection initiatives governing financial products and services, including money

transfer services, in the U.S. The CFPB's Remittance Transfer Rule became effective on October 28, 2013. Its requirements include: a disclosure requirement to provide consumers sending funds internationally from the U.S. enhanced pre-transaction written disclosures, an obligation to resolve certain errors, including errors that may be outside our control, and an obligation to cancel transactions that have not been completed at a customer's request. As a "larger participant" in the market for international money transfers, we are subject to direct examination and supervision by the CFPB. We have modified our systems and consumer disclosures in light of the requirements of the Remittance Transfer Rule. In addition, under the Dodd-Frank Act, it is unlawful for any provider of consumer financial products or services to engage in unfair, deceptive or abusive acts or practices. The CFPB has substantial rule making and enforcement authority to prevent unfair, deceptive or abusive acts or practices in connection with any transaction with a consumer for a financial product or service.

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Foreign Exchange Regulation — Our money transfer services are subject to foreign currency exchange statutes of the U.S., as well as similar state laws and the laws of certain other countries in which we operate. Certain of these statutes require registration or licensure and reporting. Others may impose currency exchange restrictions with which we must comply.

Regulation of Prepaid Cards — We sell our MoneyGram-branded prepaid cards in the U.S., in addition to loading prepaid cards of other card issuers through our ExpressPayment offering. Our prepaid cards and related loading services may be subject to federal and state laws and regulations, including laws related to consumer protection, licensing, unclaimed property, anti-money laundering and the payment of wages. Certain of these federal and state statutes prohibit or limit fees and expiration dates on and/or require specific consumer disclosures related to certain categories of prepaid cards. We continually monitor our prepaid cards and related loading services in light of developments in such statutes and regulations.

Anti-Bribery Regulation — We are subject to regulations imposed by the Foreign Corrupt Practices Act (the "FCPA") in the U.S., the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions. We are subject to recordkeeping and other requirements imposed upon companies related to compliance with these laws. We maintain a compliance program designed to comply with applicable anti-bribery laws and regulations.

Clearing and Cash Management Bank Relationships

Our business involves the transfer of money on a global basis on behalf of our consumers, our agents and ourselves. We buy and sell a number of global currencies and maintain a network of settlement accounts to facilitate the funding of money transfers and foreign exchange trades to ensure that funds are received on a timely basis. Our relationships with the clearing, trading and cash management banks are critical to an efficient and reliable global funding network. In the U.S., we have agreements with six active clearing banks that provide clearing and processing functions for official checks, money orders and other draft instruments. We employ four banks to clear our official checks and three banks to clear our retail money orders. We believe that this network of banks provides sufficient capacity to handle the current and projected volumes of items for these services.

We maintain significant relationships with major international banks which provide the capability to transfer money electronically as well as through domestic and international wire transfer networks. There are a limited number of banks that have capabilities broad enough in scope to handle our volume and complexity. Consequently, we employ banks whose market is not limited to their own country or region, and have extensive systems capabilities and branch networks that can support settlement needs that are often unique to different countries around the world. In 2013, we activated our participation in the Society for Worldwide Interbank Financial Telecommunication network for international wire transfers, which improves access to all banks in the world while lowering the cost of these funds transfers.

Intellectual Property

The MoneyGram brand is important to our business. We have registered our MoneyGram trademark in the U.S. and in a majority of the other countries in which we do business. We maintain a portfolio of other trademarks that are material to our Company, which are discussed above in the "Overview" section. In addition, we maintain a portfolio of MoneyGram branded and related domain names.

We rely on a combination of patent, trademark and copyright laws and trade secret protection and confidentiality or license agreements to protect our proprietary rights in products, services, expertise and information. We believe the intellectual property rights in processing equipment, computer systems, software and business processes held by us and our subsidiaries provide us with a competitive advantage. We take appropriate measures to protect our intellectual property to the extent such intellectual property can be protected.

We own various patents related to our money order and money transfer technologies which have given us competitive advantages in the marketplace. We also have patent applications pending in the U.S. that relate to our money transfer, money order and bill payment technologies and business methods. We anticipate that these applications, if granted, could give us continued competitive advantages in the marketplace.

Employees

As of December 31, 2018, we had 999 employees in the U.S. and 1,437 employees outside of the U.S. In addition, we engage independent contractors to support various aspects of our business. None of our employees in the U.S. are

represented by a labor union.

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Executive Officers of the Registrant

W. Alexander Holmes, age 44, has served as Chief Executive Officer since January 2016 and Chairman of the Board since February 2018. Prior to that, Mr. Holmes served as Executive Vice President, Chief Financial Officer and Chief Operating Officer of the Company since February 2014 and Executive Vice President and Chief Financial Officer since March 2012. He joined the Company in 2009 as Senior Vice President for Corporate Strategy and Investor Relations. From 2003 to 2009, Mr. Holmes served in a variety of positions at First Data Corporation, including chief of staff to the Chief Executive Officer, Director of Investor Relations and Senior Vice President of Global Sourcing & Strategic Initiatives. From 2002 to 2003, he managed Western Union's Benelux region from its offices in Amsterdam. Lawrence Angelilli, age 63, has served as Chief Financial Officer since January 2016. Prior to that, Mr. Angelilli served as Senior Vice President, Corporate Finance and Treasurer since 2014. He joined the Company in August 2011 as Senior Vice President and Treasurer. From 2009 to 2010, Mr. Angelilli served as Director of Underwriting at Hudson Advisors, a global asset management company affiliated with Lone Star Funds, a global private equity fund. From 1998 to 2009, he was Senior Vice President of Finance at Centex Corporation, a publicly traded homebuilder and mortgage originator.

Joann L. Chatfield, age 53, has served as Chief Marketing Officer since May 2017. Ms. Chatfield joined MoneyGram in May 2011 and has held various roles within the Company, including Director of Marketing, U.S. and Canada, Vice President, Global Marketing Services and Head of Marketing for North and South America. Prior to joining MoneyGram, Ms. Chatfield held various management roles at Texans Credit Union and MCI, Inc. Ms. Chatfield has over 21 years of leadership experience in traditional marketing, digital marketing, brand management, product marketing as well as vendor and sponsorship management.

Kamila K. Chytil, age 39, has served as Chief Global Operations Officer since May 2016. Ms. Chytil joined the Company in May 2015 as Senior Vice President of key partnerships and payments. From 2011 to May 2015, Ms. Chytil was Senior Vice President and General Manager of retail payments at Fidelity National Information Services, Inc., a global provider of financial technology solutions, where she was responsible for e-commerce, check cashing and retail payments. From 2004 to 2011, Ms. Chytil held various other management roles at Fidelity National Information Services, overseeing analytics, risk management, and operations.

Laura Gardiner, age 51, has been Chief Human Resources and Communications Officer since February 2017. She joined the Company in April of 2012 as a Senior Director of Human Resources and from 2014 to January 2017 served as Vice President of Human Resources. From 2010 to 2012, Ms. Gardiner served as Director of Human Resources with Western Union. From 2008 to 2009, Ms. Gardiner served as Vice President of Human Resources with Pronerve LLC, a neurophysiologic monitoring service company. Ms. Gardiner has over 21 years of experience in human resources and business roles in a variety of industries.

Francis Aaron Henry, age 53, has served as General Counsel and Corporate Secretary since August 2012 and previously served as interim General Counsel from July 2012 to August 2012. He joined the Company in January 2011 as Senior Vice President, Assistant General Counsel, Global Regulatory and Privacy Officer. From 2008 to 2011, Mr. Henry was Assistant General Counsel at Western Union and from 2004 to 2008, he was Senior Counsel at Western Union.

Grant A. Lines, age 54, has served as Chief Revenue Officer since January 2018. Prior to that, he served as Chief Revenue Officer, Africa, Middle East, Asia Pacific, Russia and CIS from February 2015 until January 2018. Mr. Lines previously served the Company as Executive Vice President, Asia-Pacific, South Asia and Middle East from February 2014 to February 2015. Prior to that, Mr. Lines served the Company as Senior Vice President, Asia-Pacific, South Asia and Middle East from February 2013 to February 2014. Prior to that, Mr. Lines served as General Manager of Black Label Solutions, a leading developer and supplier of computerized retail point of sale systems, from May 2011 to December 2012. He served as Managing Director of First Data Corporation's ANZ business, a global payment processing company, from September 2008 to February 2011. Prior to that, Mr. Lines held various positions in the industry.

Andres Villareal, age 54, has been Chief Compliance Officer since March 2016. He joined the Company in April 2015 as Senior Vice President and Deputy Chief Compliance Officer. From 2004 to April 2015, Mr. Villareal held various positions at Citigroup, a leading global bank, including Global Head of Compliance for Citi Commercial Bank and

Chief Compliance Officer for Citi Assurance Services, a captive insurance company. Mr. Villareal has over 28 years of experience in various compliance, legal and business roles in a variety of industries, including financial services, banking and insurance.

John D. Stoneham, age 40, has been Corporate Controller and Principal Accounting Officer since October 2015. Mr. Stoneham previously served as Vice President and Interim Controller since August 2015. From December 2012 to July 2015, Mr. Stoneham served in various accounting roles at the Company. Prior to December 2012, Mr. Stoneham was the Corporate Controller for Cinsay, Inc., a software provider. From January 2011 to December 2011, he was the SEC Reporting Manager at Archipelago Learning, a software-as-a-service provider of education products. Mr. Stoneham is a Certified Public Accountant and began his career at KPMG LLP, an accounting and financial advisory services firm.

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Available Information

Our website address is corporate.moneygram.com. The information on our website is not part of this Annual Report on Form 10-K. We make our reports on Forms 10-K, 10-Q and 8-K, Section 16 reports on Forms 3, 4 and 5, and all amendments to those reports, available electronically free of charge in the Investor Relations section of our website (ir.moneygram.com) as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (the "SEC"). Additionally, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which may be found at www.sec.gov.

Item 1A. RISK FACTORS

Various risks and uncertainties could affect our business. Any of the risks described below or elsewhere in this Annual Report on Form 10-K or our other filings with the SEC could have a material impact on our business, prospects, financial condition or results of operations.

RISK FACTORS

Risks Related to Our Business and Industry

We face intense competition, and if we are unable to continue to compete effectively for any reason, including due to our enhanced compliance controls, 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, some of which have larger and more established customer bases and substantially greater financial, marketing and other resources than we have. 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. Our money transfer products compete with a variety of financial and non-financial companies, including banks, card associations, web-based services, payment processors, informal remittance systems, consumer money transfer companies and others. The services are differentiated by features and functionalities, including brand recognition, customer service, reliability, distribution network and options, price, speed and convenience. Distribution channels such as online, mobile solutions account deposit and kiosk-based services continue to evolve and impact the competitive environment for money transfers. The electronic bill payment services within our Global Funds Transfer segment compete in a highly fragmented consumer-to-business payment industry. 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.

Our future growth depends on our ability to compete effectively in money transfer, bill payment, money order and official check services. For example, if our products and services do not offer competitive features and functionalities, we may lose customers to our competitors, which could adversely affect our business, financial condition and results of operations. In addition, if we fail to price our services appropriately relative to our competitors, consumers may not use our services, which could adversely affect our business, financial condition and results of operations. For example, transaction volume 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 reduce margins and adversely affect our financial condition and results of operations. We have historically implemented and will likely continue to implement price adjustments from time to time in response to competition and other factors. If we reduce prices in order to more effectively compete, such reductions could adversely affect our financial condition and results of operations in the short term and may also adversely affect our financial condition and results of operations in the long term if transaction volumes do not increase sufficiently.

In addition, our enhanced compliance controls have negatively impacted, and may continue to negatively impact, our

revenue. As previously disclosed, in 2018 we launched new compliance measures representing the highest standards in the industry, including new global customer verification standards for all money transfer services, limits on transaction frequency and limits on the total amount of money an individual can send within a certain period of time. While these measures have resulted in a decline in fraud rates, they have negatively impacted, and may continue to negatively impact, our revenue. Such revenue impacts could adversely affect our financial condition and results of operations in the short term and may also adversely affect our financial condition and results of operations in the long term if transaction volumes do not increase sufficiently.

If we lose key agents, our business with key agents is reduced or we are unable to maintain our agent network under terms consistent with those currently in place, including due to increased costs or loss of business as a result of higher compliance standards, our business, financial condition and results of operations could be adversely affected.

Most of our revenue is earned through our agent network. In addition, our international agents may have subagent relationships in which we are not directly involved. If agents or their subagents decide to leave our network, our revenue and profits could be adversely affected. Agent loss may occur for a number of reasons, including competition from other money transfer providers, an

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agent's dissatisfaction with its relationship with us or the revenue earned from the relationship, or an agent's unwillingness or inability to comply with our standards or legal requirements, including those related to compliance with anti-money laundering regulations, anti-fraud measures or agent monitoring. Under the Amended DPA and Consent Order entered into with the Government and the FTC, we are subject to heightened requirements relating to agent oversight, which may result in agent attrition, and agents may decide to leave our network due to reputational concerns related to the Amended DPA and Consent Order.

Agents may also generate fewer transactions or reduce locations for reasons unrelated to our relationship with them, including increased competition in their business, political unrest, general economic conditions, regulatory costs or other reasons. In addition, we may not be able to maintain our agent network under terms consistent with those already in place. Larger agents may demand additional financial concessions or may not agree to enter into exclusive arrangements, which could increase competitive pressure. The inability to maintain our agent contracts on terms consistent with those already in place, including in respect of exclusivity rights, could adversely affect our business, financial condition and results of operations.

A substantial portion of our agent network locations, transaction volume and revenue is attributable to or generated by a limited number of key agents. During 2018 and 2017, our ten largest agents accounted for 33% and 34%, respectively, of our total revenue. Our largest agent, Walmart, accounted for 16% and 17% of our total revenue in 2018 and 2017, respectively. The current term of our contract with Walmart expires on March 30, 2020. If our contracts with our key agents, including Walmart, are not renewed or are terminated, or are renewed but on less favorable terms, or if such agents generate fewer transactions or reduce their locations, our business, financial condition and results of operations could be adversely affected. In addition, the introduction of additional competitive products by Walmart or our other key agents, including competing white-label products, could reduce our business with those key agents and intensify industry competition, which could adversely affect our business, financial condition and results of operations.

Complex and evolving U.S. and international laws and regulation regarding privacy and data protection could result in claims, changes to our business practices, penalties, increased cost of operations or otherwise harm our business. We are subject to requirements relating to data privacy and the collection, processing, storage, transfer and use of data under U.S. federal, state and foreign laws. For example, the United States Federal Trade Commission routinely investigates the privacy practices of companies and has commenced enforcement actions against many, resulting in multi-million dollar settlements and multi-year agreements governing the settling companies' privacy practices. In addition, the General Data Protection Regulation in the European Union, effective May 2018, imposed a higher standard of personal data protection with significant penalties for non-compliance for companies operating in the European Union or doing business with European Union residents. The new California Consumer Protection Act, which will become effective on January 1, 2020, seeks to impose heightened data privacy requirements on companies that collect information from California residents. If we are unable to meet such requirements, we may be subject to significant fines or penalties. Furthermore, certain industry groups require us to adhere to privacy requirements in addition to federal, state and foreign laws, and certain of our business relationships depend upon our compliance with these requirements. As the number of jurisdictions enacting privacy and related laws increases and the scope of these laws and enforcement efforts expands, we will increasingly become subject to new and varying requirements. Failure to comply with existing or future data privacy laws, regulations and requirements, including by reason of inadvertent disclosure of personal information, could result in significant adverse consequences, including reputational harm, civil litigation, regulatory enforcement, costs of remediation, increased expenses for security systems and personnel, harm to our consumers and harm to our agents. These consequences could materially adversely affect our business, financial condition and results of operations.

In addition, in connection with regulatory requirements to assist in the prevention of money laundering and terrorist financing and pursuant to legal obligations and authorizations, the Company makes information available to certain U.S. federal and state, as well as certain foreign, government agencies. In recent years, the Company has experienced increasing data sharing requests by these agencies, particularly in connection with efforts to prevent terrorist financing or reduce the risk of identity theft. During the same period, there has also been increased public attention to the corporate use and disclosure of personal information, accompanied by legislation and regulations intended to

strengthen data protection, information security and consumer privacy. These regulatory goals may conflict, and the law in these areas is not consistent or settled. While we believe that we are compliant with our regulatory responsibilities, the legal, political and business environments in these areas are rapidly changing, and subsequent legislation, regulation, litigation, court rulings or other events could expose us to increased program costs, liability and reputational damage that could have a material adverse effect on our business, financial condition and results of operations.

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

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 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

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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 lead to the inappropriate use or disclosure of personally identifiable or proprietary information, which could harm our business and result in, among other things, unfavorable publicity, damage to our reputation, loss in our consumers' confidence in our or our agents' business, fines or penalties from regulatory or governmental authorities, a loss of consumers, lawsuits and potential financial losses. In addition, 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. Our agents and third-party independent contractors may also experience security breaches involving the storage and transmission of our data as well as the ability to initiate unauthorized transactions. If users gain improper access to our, our agents' or our third-party independent contractors' computer networks or databases, they may be able to steal, publish, delete or modify confidential customer information or generate unauthorized money transfers. Such a breach could expose us to monetary liability, losses and legal proceedings, lead to reputational harm, cause a disruption in our operations, or make our consumers and agents less confident in our services, which could have a material adverse effect on our business, financial condition and results of operations.

Cybersecurity threats continue to increase in frequency and sophistication; a successful cybersecurity attack could interrupt or disrupt our information technology systems or cause the loss of confidential or protected data which could disrupt our business, force us to incur excessive costs or cause reputational harm.

The size and complexity of our information systems make such systems potentially vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or vendors, or from attacks by malicious third parties. Such attacks are of ever-increasing levels of sophistication and are made by groups and individuals with a wide range of motives and expertise. While we have invested in the protection of data and information technology, there can be no assurance that our efforts will prevent or quickly identify service interruptions or security breaches. Any such interruption or breach of our systems could adversely affect our business operations and result in the loss of critical or sensitive confidential information or intellectual property, and could result in financial, legal, business and reputational harm to us. We maintain cyber liability insurance; however, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

Consumer fraud could adversely affect our business, financial condition and results of operations.

Criminals are using increasingly sophisticated methods to engage in illegal activities such as identity theft, fraud and paper instrument counterfeiting. 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 agents have also engaged in fraud against consumers, and existing agents could engage in fraud against consumers. 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.

Our industry is under increasing scrutiny from federal, state and local regulators in the U.S. and regulatory agencies in many countries in connection with the potential for consumer fraud. The Amendments to which the Company is subject resulted in part from this heightened scrutiny. If consumer fraud levels involving our services were to rise, it could lead to further regulatory intervention and reputational and financial damage. This, in turn, could lead to additional 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.

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, and changes in these laws or regulations could result in increased operating costs or reduced demand for our products or services, all of which 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 jurisdiction to jurisdiction. 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.

Our 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 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 in which 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, escheatment laws, privacy and data protection laws and anti-bribery laws. Many of these laws are constantly evolving, and may

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be unclear and inconsistent across various jurisdictions, making compliance challenging. 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 2017 and 2018, there were 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. 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 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 CFPB. Money transmitters such as the Company are subject to direct supervision by the CFPB and are 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). 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. We could be subject to fines or other penalties if we are found to have violated the Dodd-Frank Act's prohibition against unfair, deceptive or abusive acts or practices. The CFPB's authority to change regulations adopted in the past by other regulators could increase our compliance costs and litigation exposure. We may also be liable for failure of our agents to comply with the Dodd-Frank Act. The legislation and implementation of regulations associated with the Dodd-Frank Act have increased our costs of compliance and required changes in the way we and our agents conduct business. In addition, we are subject to periodic examination by the CFPB.

We are also subject to regulations imposed by the FCPA in the U.S., the U.K. Bribery Act 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. In 2017 and 2018, there have been significant regulatory reviews and actions taken by the U.S. and other regulators related to anti-bribery laws, and the trend appears to be greater scrutiny on payments to, and relationships with, foreign entities and individuals. We are also subject to the PSD, which governs the regulatory regime for payment services in the European Union, and similar regulatory or licensing requirements in other jurisdictions. The PSD and other international regulatory or licensing requirements may impose 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 or such other requirements, we could be subject to fines or penalties or revocation of our licenses, which could adversely impact our business, financial condition and results of operations. 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.

In addition, we are subject to escheatment laws in the U.S. and certain foreign jurisdictions in which we conduct business. These laws are evolving and are frequently unclear and inconsistent among various jurisdictions, making compliance challenging. We have an ongoing program designed to comply with escheatment laws as they apply to our business. In the U.S., we are subject to the laws of various states which from time to time take inconsistent or conflicting positions regarding the requirements to escheat property to a particular state. Certain foreign jurisdictions do not have escheatment provisions which apply to our transactions. In these jurisdictions where there is not a requirement to escheat, and when, by utilizing historical data we determine that the likelihood is remote that the item will be paid out, we record a reduction to our payment service obligation and recognize an equivalent amount as a

component of fee and other revenue.

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. In some cases, we could be liable for the failure of our agents or their subagents to comply with laws, which could have an adverse effect on our business, financial condition and results of operations. As a result, the risk of adverse regulatory action against the Company because of actions of its agents or their subagents and the cost to monitor our agents and their subagents has increased. 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.

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In certain cases, regulations may provide administrative discretion regarding enforcement. As a result, regulations may be applied inconsistently across the industry, which could result in additional costs for the Company that may not be required to be incurred by some of its competitors. If the Company were required to maintain a price higher than its competitors to reflect its regulatory costs, this could harm its ability to compete effectively, which could adversely affect its business, financial condition and results of operations. In addition, 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. For example, policymakers may impose heightened customer due diligence requirements or other restrictions, fees or taxes on remittances. 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 certain of our services and the cost of providing such services. Many of our 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 are imposed on our agents, the requirements could lead to a loss of agents, which, in turn, could lead to a loss of retail business.

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 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 including securities litigation, regulatory actions and investigations and other general litigation. The outcome of class action lawsuits, including securities litigation, 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. In addition, improper activities, lawsuits or investigations involving our agents may adversely impact our business operations or reputation even if we are not directly involved.

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

On November 8, 2018, we announced that we entered into (1) the Amended DPA with the Government and (2) the Consent Order with the FTC. The Amended DPA amended and extended the original DPA entered into on November 9, 2012 by and between the Company and the U.S. DOJ.

Under the Agreements, the Company will, among other things, (1) pay an aggregate amount of \$125.0 million to the Government, of which \$70.0 million was paid in November 2018 and the remaining \$55.0 million must be paid by May 8, 2020, eighteen months after the date of the Amended DPA, which is being made available to reimburse consumers who were the victims of third-party fraud conducted through the Company's money transfer services, and (2) continue to retain an independent compliance monitor until May 10, 2021 to review and assess actions taken by the Company under the Agreements to further enhance its compliance program. No separate payment to the FTC is required under the Agreements. If the Company fails to comply with the Agreements, it could face criminal prosecution, civil litigation, significant fines, damage awards or regulatory consequences, which could have a material adverse effect on the Company's business including cash flows, financial condition, and results of operations.

If we fail to successfully develop and timely introduce new and enhanced products and services or if we make substantial investments in an unsuccessful new product, service or infrastructure change, our business, financial condition and results of operations could be adversely affected.

Our future growth will depend, in part, on our ability to continue to develop and successfully introduce new and enhanced methods of providing money transfer, bill payment, money order, official check and related services that keep pace with competitive introductions, technological changes and the demands and preferences of our agents, financial institution customers and consumers. If alternative payment mechanisms become widely substituted for our current products and services, and we do not develop and offer similar alternative payment mechanisms successfully and on a timely basis, our business, financial condition and results of operations could be adversely affected. We may make future investments or enter into strategic alliances to develop new technologies and services or to implement infrastructure changes to further our strategic objectives, strengthen our existing businesses and remain competitive. Such investments and strategic alliances, however, are inherently risky, and we cannot guarantee that such

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investments or strategic alliances will be successful. If such investments and strategic alliances are not successful, they could have a material adverse effect on our business, financial condition and results of operations.

Our substantial debt service obligations, significant debt maturities, significant debt covenant requirements, low market capitalization 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.” We also have a significant debt maturity in April 2020. This requires that we access capital markets that are subject to higher volatility and are more costly 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. Furthermore, refinancing our debt on less favorable terms than in the existing credit facility could also have a significant impact on our cash flow from operations. Our ratings below investment grade also create the potential for a cost of capital that is higher than other companies with which we compete. Further, our debt is subject to floating interest rates. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. Significant increases in interest rates or changes in the terms of our debt could have an adverse effect on our financial position and results of operations.

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. Our low market capitalization could limit our ability to access capital and our ability to refinance or refinance on comparable terms. An interruption of our access to capital could impair our ability to conduct business if our regulatory capital falls below requirements.

Weakness in economic conditions could adversely affect our business, financial condition and results of operations. Our money transfer business relies in part on the overall strength of global and local economic conditions. Our consumers tend to be employed in industries such as construction, energy, 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. For example, sustained weakness in the price of oil could adversely affect economic conditions and lead to reduced job opportunities in certain regions that constitute a significant portion of our total money transfer volume, which could result in a decrease in our transaction volume. 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.

As economic conditions deteriorate in a market important to our business, our revenue, financial condition and results of operations can be adversely impacted. Additionally, if our consumer transactions decline 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 or 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, trade wars, 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.

Additionally, 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 business, financial condition and results of operations. Furthermore, significant changes in international migration patterns could adversely affect our business, financial condition and results of operations.

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There are a number of risks associated with our international sales and operations that could adversely affect our business.

We provide money transfer services between and among more than 200 countries and territories and continue to expand in various international markets. Our ability to grow in international markets and our future results could be adversely affected by a number of factors, including:

- changes in political and economic conditions and potential instability in certain regions, including in particular the recent civil unrest, terrorism, political turmoil and economic uncertainty in Africa, the Middle East and other regions;
- restrictions on money transfers to, from and between certain countries;
- currency controls, new currency adoptions and repatriation issues;
- changes in regulatory requirements or in foreign policy, including the adoption of domestic or foreign laws, regulations and interpretations detrimental to our business;
- possible increased costs and additional regulatory burdens imposed on our business;
- the implementation of U.S. sanctions, resulting in bank closures in certain countries and the ultimate freezing of our assets;
- burdens of complying with a wide variety of laws and regulations;
- possible fraud or theft losses, and lack of compliance by international representatives in foreign legal jurisdictions where collection and legal enforcement may be difficult or costly;
- reduced protection of our intellectual property rights;
- unfavorable tax rules or trade barriers;
- inability to secure, train or monitor international agents; and
- failure to successfully manage our exposure to foreign currency exchange rates, in particular with respect to the euro.

In particular, a portion of our revenue is generated in currencies other than the U.S. dollar. As a result, we are subject to risks associated with changes in the value of our revenues denominated in foreign currencies. In addition, we maintain significant foreign currency balances that are subject to volatility and could result in losses due to a devaluation of the U.S. dollar. As exchange rates among the U.S. dollar, the euro, and other currencies fluctuate, the impact of these fluctuations may have a material adverse effect on our results of operations or financial condition as reported in U.S. dollars. See “Enterprise Risk Management-Foreign Currency Risk” in Item 7A of this Annual Report on Form 10-K for more information.

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

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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.

We conduct money transfer transactions through agents in some regions that are politically volatile, which could increase our cost of operating in those regions.

We conduct money transfer transactions through agents in some regions that are politically volatile, which could increase our cost of operating in those regions. For example, it is possible that our money transfer services or other products could be used in contravention of applicable 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, or other restrictions on our business operations. 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.

We have submitted a Voluntary Self-Disclosure to OFAC that could result in penalties from OFAC, which could have a material adverse impact on our business or financial condition.

We have policies and procedures designed to prevent transactions that are subject to economic and trade sanctions programs administered by OFAC and by certain foreign jurisdictions that prohibit or restrict transactions to or from (or dealings with or involving) certain countries, their governments, and in certain circumstances, their nationals, as well as with certain individuals and entities such as narcotics traffickers, terrorists and terrorist organizations. If such policies and procedures are not effective in preventing such transactions, we may violate sanctions programs, which could have a material adverse impact on our business.

In 2015, we initiated an internal investigation to identify payments processed by the Company that were violations of OFAC sanctions regulations. We notified OFAC of the internal investigation, which was conducted in conjunction with the Company's outside counsel. On March 28, 2017, we filed a Voluntary Self-Disclosure with OFAC regarding the findings of our internal investigation. OFAC is currently reviewing the results of the Company's investigation. OFAC has broad discretion to assess potential violations and impose penalties. At this time, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition or operations, and we cannot predict when OFAC will conclude their review of our Voluntary Self-Disclosure. Adverse findings or penalties imposed by OFAC could have a material adverse impact on our business or financial condition.

Major bank failure or 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.

In the event of a major bank failure, we could 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. A substantial portion of our cash, cash equivalents and interest-bearing deposits are either held at banks that are not subject to insurance protection against loss or exceed the deposit insurance limit.

Our senior secured five-year revolving credit facility ("Revolving Credit Facility") is one source of funding for our corporate transactions and liquidity needs. If any of the banks participating in our Revolving 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.

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, electronic funds transfer 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

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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. The 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 sufficient relationships with large international banks that provide these services, we would be required to establish a global network of local banks to provide us with these services or implement alternative cash management procedures, which may result in increased costs. Relying on local banks in each country in which we do business could alter the complexity of our treasury operations, degrade the level of automation, visibility and service we currently receive from banks and affect patterns of settlement with our agents. This could result in an increase in operating costs and an increase in the amount of time it takes to concentrate agent remittances and to deliver agent payables, potentially adversely impacting our cash flow, working capital needs and exposure to local currency value fluctuations.

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, banks may choose not to provide banking services to Money Services Businesses in certain regions due to the risk of additional regulatory scrutiny and the cost of building and maintaining additional compliance functions. In addition, certain foreign banks have been forced to terminate relationships with Money Services Businesses by U.S. correspondent banks. As a result, we and certain of our agents have been denied access to retail banking services in certain markets by banks that have sought to reduce their exposure to Money Services Businesses and not as a result of any concern related to the Company's compliance programs. If we or our agents are unable to obtain sufficient banking relationships, we or they may not be able to offer our services in a particular region, which could adversely affect 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.

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 that significantly increase our corporate tax rate, our net income could be negatively impacted.

We file tax returns and take positions with respect to federal, state, local and international taxation, and our tax returns and tax positions are subject to review and audit by taxing authorities. An unfavorable outcome in a tax review or audit could result in higher tax expense, including interest and penalties, which could adversely affect our financial condition, 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.

Uncertainties in the interpretation and application of the Tax Cuts and Jobs Act of 2017 could continue to adversely affect our business, financial condition and results of operations.

On December 22, 2017, the legislation commonly known as the "Tax Cuts and Jobs Act" (the "TCJA"), which significantly revises the Internal Revenue Code of 1986, as amended, was enacted. The TCJA, among other things, contains significant changes to the U.S. corporate tax laws, including a permanent reduction of the corporate income tax rate, a limitation on the deductibility of business interest expense, a limitation of the deduction for certain net operating losses to 80% of current year taxable income, an indefinite net operating loss carryforward, immediate deductions for new investments in certain business assets instead of deductions for depreciation expense over time, a modification or repeal of many business deductions and credits (including certain foreign tax credits and further limits on the deductibility of executive compensation), a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a modified territorial system (retaining certain existing rules and containing new rules designed to include in the U.S. income tax base certain income generated in non-U.S. territories whether or not that income has been repatriated to the U.S.), a minimum taxing system related to payments deemed to erode the U.S. tax

base, and a one-time tax on accumulated offshore earnings held in cash and illiquid assets (with the latter taxed at a lower rate). We will continue to perform additional analysis on the application of the TCJA, taking into account any additional regulatory guidance that is issued by the applicable taxing authorities. Any change in the interpretation of the TCJA or other legislative proposals or amendments could have an adverse effect on our financial condition, results of operations, and cash flows. Moreover, the effect of certain aspects of the TCJA on state income tax frameworks is currently unclear, and potential changes to state income tax laws or their interpretation could further increase our income tax expense.

In addition, the TCJA requires complex computations not previously provided in U.S. tax law, and the application of accounting guidance for such items is currently uncertain and diverse in some respects. Further, compliance with the TCJA and the accounting for such provisions require accumulation of information not previously required or regularly produced. The U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how the law is applied and thus impact our results of operations in the period issued.

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We face credit risks from our agents and financial institutions with which we do business.

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 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, 2018, we had credit exposure to our agents of \$363.2 million in the aggregate spread across 6,831 agents.

Financial institutions, which are utilized to conduct business for our Financial Paper Products segment, issue official checks and money orders and remit to us the face amounts of those instruments the day after they are issued. We may be liable for payment on all of those instruments. As of December 31, 2018, we had credit exposure for official checks and money orders conducted by financial institutions of \$311.0 million in the aggregate spread across 1,039 financial institutions.

We monitor the creditworthiness of our agents and the financial institutions with which we do business on an ongoing basis. There can be no assurance that the models and approaches we use to assess and monitor the creditworthiness of our agents and these financial institutions will be sufficiently predictive, and we may be unable to detect and take steps to timely mitigate an increased credit risk.

In the event of an agent bankruptcy, we would generally be in the position of creditor, possibly with limited or no security, and we would therefore be at risk of a reduced recovery. We are not insured against credit losses, except in circumstances of agent theft or fraud. Significant credit losses could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to adequately protect our brand and the intellectual property rights related to our existing and any new or enhanced products and services, or if we infringe on the rights of others, our business, prospects, financial condition and results of operations could be adversely affected.

The MoneyGram brand is important to our business. We utilize trademark registrations in various countries and other tools to protect our brand. Our business would be harmed if we were unable to adequately protect our brand and the value of our brand was to decrease as a result.

We rely on a combination of patent, trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect the intellectual property rights related to our products and services. We also investigate the intellectual property rights of third parties to prevent our infringement of those rights. We may be subject to third-party claims alleging that we infringe their intellectual property rights or have misappropriated other proprietary rights. We may be required to spend resources to defend such claims or to protect and police our own rights. We cannot be certain of the outcome of any such allegations. Some of our intellectual property rights may not be protected by intellectual property laws, particularly in foreign jurisdictions. The loss of our intellectual property protection, the inability to secure or enforce intellectual property protection or to successfully defend against claims of intellectual property infringement could harm our business, prospects, financial condition and results of operation.

Failure to attract and retain key employees could have a material adverse impact on our business.

Our success depends to a large extent upon our ability to attract and retain key employees. Qualified individuals with experience in our industry are in high demand. In addition, legal or enforcement actions against compliance and other personnel in the money transfer industry may affect our ability to attract and retain key employees. The lack of management continuity or the loss of one or more members of our executive management team could harm our business and future development.

Any restructuring activities and cost reduction initiatives that we undertake may not deliver the expected results and these actions may adversely affect our business operations.

We have undertaken and may in the future undertake various restructuring activities and cost reduction initiatives in an effort to better align our organizational structure and costs with our strategy. These activities and initiatives can be substantial in scope and they can involve large expenditures. Such activities could result in significant disruptions to

our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of our strategic objectives and the results of our operations. If we do not fully realize or maintain the anticipated benefits of any restructuring plan or cost reduction initiative, our business, financial condition and results of operations could be adversely affected.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business.

We are required to certify and report on our compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our

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independent registered public accounting firm addressing the effectiveness of our internal control over financial reporting. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. In order to achieve effective internal controls, we may need to enhance our accounting systems or processes, which could increase our cost of doing business. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business.

Risks Related to Ownership of Our Stock

THL owns a substantial percentage of our common stock, and its interests may differ from the interests of our other common stockholders.

As of December 31, 2018, Thomas H. Lee Partners, L.P. ("THL") held 42.7% of our outstanding common shares and 36.8% of our outstanding shares on a fully-converted basis (if all the outstanding shares of the Series D Participating Convertible Preferred (the "D Stock") were converted to common shares), excluding treasury shares held by the Company. The combined ownership percentage of THL and affiliates of Goldman Sachs & Co. ("Goldman Sachs" and, collectively with THL, the "Investors") on a fully-converted basis was 50.6% as of December 31, 2018. Additionally, our charter provides that as long as the Investors have a right to designate directors to our Board of Directors pursuant to the Amended and Restated Purchase Agreement, dated as of March 17, 2008, among the Company and the several Investor parties named therein, THL has the right to designate two to four directors (such directors, the "THL Representatives"), who each have equal votes and who together have a total number of votes equal to the number of directors as is proportionate to the common stock ownership (on an as-converted basis) of the Investors (rounded to the nearest whole number), unlike the other members of our Board of Directors who have only one vote each. THL has appointed two of the nine members of our Board of Directors, each THL Representative currently has multiple votes, and the THL Representatives together currently hold a majority of the votes of our Board of Directors.

We cannot provide assurance that the interests of THL will coincide with the interests of other holders of our common stock and THL's substantial control over us could result in harm to the market price of our common stock by delaying, deferring or preventing a change in control of our company; impeding a merger, consolidation, takeover or other business combination involving our company; or entrenching our management and Board of Directors.

We have a significant number of salable common shares and D Stock held by the Investors relative to our outstanding common shares.

As of December 31, 2018, there were 55.6 million outstanding common shares, excluding treasury shares (or 64.5 million common shares if the outstanding D Stock were converted into common shares). As of December 31, 2018, THL held approximately 23.7 million shares of our common stock and Goldman Sachs held approximately 71,282 shares of D Stock, which are convertible into approximately 8.9 million shares of our common stock. Sales of a substantial number of common shares, or the perception that significant sales could occur (particularly if sales are concentrated in time or amount), may depress the trading price of our common stock.

Our charter and Delaware law contain provisions that could delay or prevent an acquisition of the Company, which could inhibit your ability to receive a premium on your investment from a possible sale of the Company.

Our charter contains provisions that may discourage third parties from seeking to acquire the Company. These provisions and specific provisions of Delaware law relating to business combinations with interested stockholders may have the effect of delaying, deterring or preventing certain business combinations, including a merger or change in control of the Company. Some of these provisions may discourage a future acquisition of the Company even if stockholders would receive an attractive value for their shares or if a significant number of our stockholders believed such a proposed transaction to be in their best interests. As a result, stockholders who desire to participate in such a transaction may not have the opportunity to do so.

Our bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i)

any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or employees, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

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Our Board of Directors has the power to issue series of preferred stock and to designate the rights and preferences of those series, which could adversely affect the voting power, dividend, liquidation and other rights of holders of our common stock.

Under our charter, our Board of Directors has the power to issue series of preferred stock and to designate the rights and preferences of those series. Therefore, our Board of Directors may designate a new series of preferred stock with the rights, preferences and privileges that our Board of Directors deems appropriate, including special dividend, liquidation and voting rights. The creation and designation of a new series of preferred stock could adversely affect the voting power, dividend, liquidation and other rights of holders of our common stock and, possibly, any other class or series of stock that is then in existence.

The market price of our common stock may be volatile.

The market price of our common stock may fluctuate significantly in response to a number of factors, some of which may be beyond our control. These factors include the perceived prospects or actual operating results of our business; changes in estimates of our operating results by analysts, investors or our management; our actual operating results relative to such estimates or expectations; actions or announcements by us or our competitors; litigation and judicial decisions; legislative or regulatory actions; and changes in general economic or market conditions. In addition, the stock market in general has from time to time experienced extreme price and volume fluctuations. These market fluctuations could reduce the market price of our common stock for reasons unrelated to our operating performance.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our leased corporate offices are located in Dallas, TX. We have a number of offices leased in more than 30 countries and territories around the world including, but not limited to: U.S., United Kingdom, Poland and United Arab Emirates. These offices provide operational, sales and marketing support and are used by both our Global Funds Transfer Segment and our Financial Paper Products Segment. We believe that our properties are sufficient to meet our current and projected needs. We periodically review our facility requirements and may acquire new facilities, or modify, consolidate, dispose of or sublet existing facilities, based on business needs.

Item 3. LEGAL PROCEEDINGS

The matters set forth below are subject to uncertainties and outcomes that are not predictable. The Company accrues for these matters as any resulting losses become probable and can be reasonably estimated. Further, the Company maintains insurance coverage for many claims and litigation matters.

Litigation Commenced Against the Company:

The Company is involved in various claims and litigation that arise from time to time in the ordinary course of the Company's business. Management does not believe that after final disposition any of these matters is likely to have a material adverse impact on the Company's financial condition, results of operations or cash flows.

Government Investigations:

OFAC — In 2015, we initiated an internal investigation to identify any payments processed by the Company that were violations of OFAC sanctions regulations. We notified OFAC of the ongoing internal investigation, which was conducted in conjunction with the Company's outside counsel. On March 28, 2017, we filed a Voluntary Self-Disclosure with OFAC regarding the findings of our internal investigation. OFAC is currently reviewing the results of the Company's investigation. At this time, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition or results of operations, and we cannot predict when OFAC will conclude its review of our Voluntary Self-Disclosure.

Deferred Prosecution Agreement — In November 2012, we announced that a settlement was reached with the MDPA and the U.S. DOJ relating to the previously disclosed investigation of transactions involving certain of our U.S. and Canadian agents, as well as fraud complaint data and the consumer anti-fraud program, during the period from 2003 to early 2009. In connection with this settlement, we entered into the DPA with the Government dated November 9, 2012.

On November 1, 2017, the Company agreed to a stipulation with the Government that the five-year term of the Company's DPA be extended for 90 days to February 6, 2018. Between January 31, 2018 and September 14, 2018, the Company agreed to enter into various extensions of the DPA with the Government, with the last extension ending on November 6, 2018. Each extension of

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the DPA extended all terms of the DPA, including the term of the monitorship for an equivalent period. The purpose of the extensions was to provide the Company and the Government additional time to discuss whether the Company was in compliance with the DPA.

On November 8, 2018, the Company announced that it entered into (1) the Amended DPA with the Government and (2) the Consent Order with the FTC. Both the Amended DPA and Consent Order are subject to court approval.

Under the Agreements, the Company will, among other things, (1) pay an aggregate amount of \$125.0 million to the Government, of which \$70.0 million was paid in November 2018 and the remaining \$55.0 million must be paid by May 8, 2020, eighteen months after the date of the Amended DPA, which is being made available to reimburse consumers who were the victims of third-party fraud conducted through the Company's money transfer services, and (2) continue to retain an independent compliance monitor until May 10, 2021 to review and assess actions taken by the Company under the Agreements to further enhance its compliance program. No separate payment to the FTC is required under the Agreements. If the Company fails to comply with the Agreements, it could face criminal prosecution, civil litigation, significant fines, damage awards or regulatory consequences, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

NYDFS — On June 22, 2018, the Company received a request for production of documents from the New York Department of Financial Services (the "NYDFS") related to the subject of the DPA and FTC matters described above. This request followed previous inquiries by the NYDFS regarding certain of our New York based agents. Since then, the Company has continued to receive and respond to inquiries from the NYDFS related to this matter. Although NYDFS has not indicated what, if any, action it might take in connection with this matter, it is possible that it could initiate civil litigation and/or seek to impose fines, damages or other regulatory consequences, any or all of which could have an adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company is unable to predict the outcome, or the possible loss or range of loss, if any, that could be associated with this matter.

Other Matters — The Company is involved in various other government inquiries and other matters that arise from time to time. Management does not believe that any of these other matters is likely to have a material adverse impact on the Company's financial condition, results of operations or cash flows.

Actions Commenced by the Company:

Tax Litigation — The Internal Revenue Service (the "IRS") completed its examination of the Company's consolidated income tax returns through 2013 and issued Notices of Deficiency for 2005-2007 and 2009 and an Examination Report for 2008. The Notices of Deficiency and Examination Report disallow, among other items, approximately \$900.0 million of ordinary deductions on securities losses in the 2007, 2008 and 2009 tax returns. In May 2012 and December 2012, the Company filed petitions in the U.S. Tax Court challenging the 2005-2007 and 2009 Notices of Deficiency, respectively. In 2013, the Company reached a partial settlement with the IRS allowing ordinary loss treatment on \$186.9 million of deductions in dispute. In January 2015, the U.S. Tax Court granted the IRS's motion for summary judgment upholding the remaining adjustments in the Notices of Deficiency. During 2015, the Company made payments to the IRS of \$61.0 million for federal tax payments and associated interest related to the matter. The Company believes that it has substantive tax law arguments in favor of its position. The Company filed a notice of appeal with the U.S. Tax Court on July 27, 2015 for an appeal to the U.S. Court of Appeals for the Fifth Circuit. Oral arguments were held before the Fifth Circuit on June 7, 2016, and on November 15, 2016, the Fifth Circuit vacated the Tax Court's decision and remanded the case to the Tax Court for further proceedings. The Company filed a motion for summary judgment in the Tax Court on May 31, 2017. On August 23, 2017, the IRS filed a motion for summary judgment and its response to the Company's motion for summary judgment. The Tax Court directed the parties to agree to a joint stipulation of facts, which the parties have filed with the court. Each party has since filed updated memorandums in support of its motions for summary judgment in the Tax Court. The Tax Court is expected to schedule oral argument on this matter in mid-2019. Pending the outcome of the appeal, the Company may be required to file amended state returns and make additional cash payments of up to \$19.5 million on amounts that have previously been accrued.

See Note 14 — Commitments and Contingencies of the Notes to the Consolidated Financial Statements for additional disclosure.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NASDAQ Stock Market LLC under the symbol "MGI." As of February 27, 2019, there were 7,622 stockholders of record of our common stock.

Our Board of Directors has authorized the repurchase of a total of 12,000,000 common shares, as announced in our press releases issued on November 18, 2004, August 18, 2005 and May 9, 2007. The repurchase authorization is effective until such time as the Company has repurchased 12,000,000 common shares. The Company may consider repurchasing shares which would be subject to limitations in our debt agreements. Common stock tendered to, or withheld by, the Company in connection with the exercise of stock options or vesting of restricted stock units is not considered repurchased shares under the terms of the repurchase authorization. As of December 31, 2018, the Company had repurchased 9,842,509 common shares under the terms of the repurchase authorization and has remaining authorization to repurchase up to 2,157,491 shares. During the three months ended December 31, 2018, the Company did not repurchase any common shares.

STOCKHOLDER RETURN PERFORMANCE

The Company's peer group consists of companies that are in the money remittance and payment industries, along with companies that effectively capture our competitive landscape given the products and services that we provide. In 2018, we revised our peer group and our new peer group consists of previously included companies, excluding companies that are deemed irrelevant to our competitive landscape. The new peer group is composed of the following companies: Euronet Worldwide Inc., Paypal Holdings, Inc., Fiserv, Inc., Global Payments Inc., Total System Services, Inc. and The Western Union Company.

The old peer group was composed of the following companies: Euronet Worldwide Inc., Fiserv, Inc., MasterCard, Inc., Paypal Holdings, Inc., Visa, Inc. and The Western Union Company.

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The following graph compares the cumulative total return from December 31, 2013 to December 31, 2018 for our common stock, our new and old peer groups of payment services companies and the S&P 500 Index. The graph assumes the investment of \$100 in each of our common stock, our new and old peer groups and the S&P 500 Index on December 31, 2013, and the reinvestment of all dividends as and when distributed. The graph is furnished and shall not be deemed "filed" with the SEC or subject to Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

COMPARISON OF CUMULATIVE TOTAL RETURN*

AMONG MONEYGRAM INTERNATIONAL, INC.,

S&P 500 INDEX AND PEER GROUP INDEX

*\$100 invested on 12/31/2013 in stock or index, including reinvestment of dividends.

The following table is a summary of the cumulative total return for the fiscal years ending December 31:

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
MoneyGram International, Inc.	100.00	43.74	30.17	56.83	63.43	9.62
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
New Peer Group	100.00	114.29	148.92	164.89	254.07	281.50
Old Peer Group	100.00	112.16	131.61	139.11	207.47	245.43

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Item 6. SELECTED FINANCIAL DATA

The information set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and Notes thereto. The following table presents our selected consolidated financial data for the years ended December 31:

(Amounts in millions, except per share and location data)	2018	2017	2016	2015	2014
Operating Results					
Revenue					
Global Funds Transfer segment	\$1,347.9	\$1,508.1	\$1,553.7	\$1,465.8	\$1,470.1
Financial Paper Products segment	99.7	94.0	75.6	73.3	80.3
Other	—	—	1.1	—	—
Total revenue	\$1,447.6	\$1,602.1	\$1,630.4	\$1,539.1	\$1,550.4
Net (loss) income					
	\$(24.0)	\$(29.8)	\$15.9	\$(77.7)	\$71.6
Net (loss) income per common share:					
Basic	\$(0.37)	\$(0.47)	\$0.26	\$(1.25)	\$1.10
Diluted	\$(0.37)	\$(0.47)	\$0.24	\$(1.25)	\$1.09
Financial Position					
Cash and cash equivalents	\$145.5	\$190.0	\$157.2	\$164.5	\$250.6
Total assets	\$4,296.1	\$4,772.5	\$4,597.4	\$4,505.2	\$4,628.3
Long-term debt	\$901.0	\$908.1	\$915.2	\$942.6	\$949.6
Stockholders’ deficit	\$(268.8)	\$(245.3)	\$(215.6)	\$(229.5)	\$(189.0)

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Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Consolidated Financial Statements and related Notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated due to various factors discussed below under the caption “Cautionary Statements Regarding Forward-Looking Statements” and under the caption “Risk Factors” in Part 1, Item 1A of this Annual Report on Form 10-K.

The comparisons presented in this discussion refer to the same period in the prior year, unless otherwise noted. This discussion is organized in the following sections:

Overview

Results of Operations

Liquidity and Capital Resources

Critical Accounting Policies and Estimates

Cautionary Statements Regarding Forward-Looking Statements

Overview

MoneyGram is a leading global financial technology company that provides innovative services around the world. Our money transfer services connect family and friends through an omnichannel network that delivers unparalleled choice and convenience. Whether through our mobile application, moneygram.com, integration with mobile wallets, a kiosk, or any one of the thousands of agent locations in more than 200 countries and territories, we connect consumers in any way that is convenient for them. We also provide bill payment services, issue money orders and process official checks in the U.S. and in select countries and territories. We primarily offer our services and products through third-party agents and directly to consumers through our Digital solutions. Third-party agents include retail chains, independent retailers, post offices and financial institutions. Digital solutions include moneygram.com, mobile solutions, account deposit and kiosk-based services. MoneyGram also has a limited number of Company-operated retail locations.

We manage our revenue and related commissions expense through two reporting segments: Global Funds Transfer and Financial Paper Products. The Global Funds Transfer segment provides global money transfer services in approximately 350,000 agent locations. Our global money transfer services are our primary revenue driver, accounting for 88% of total revenue for the year ended December 31, 2018. The Global Funds Transfer segment also provides bill payment services to consumers through substantially all of our money transfer agent locations, at certain agent locations in select Caribbean and European countries and through our Digital solutions. The Financial Paper Products segment provides money order services to consumers through retail locations and financial institutions located in the U.S. and Puerto Rico, and provides official check services to financial institutions in the U.S. Corporate expenses that are not related to our segments’ performance are excluded from operating income for Global Funds Transfer and Financial Paper Products segments.

Business Environment

In 2018, worldwide political and economic conditions remained highly dynamic, as evidenced by both economic growth and political unrest in key markets, currency controls in certain countries and a volatile immigration environment. Given the global extent of the current political and economic conditions, money transfer volumes and the average face value of money transfers continue to be highly variable by corridor and country, but the overall remittance market continues to grow as indicated by the World Bank.

The competitive environment is also changing as both established players and new, digital-only entrants work to innovate and deliver a superior customer experience to win market share. As a result, in 2018, MoneyGram focused on positioning the company to better compete by building and expanding customer-centric digital capabilities, modernizing operations and expense structures, de-risking the business to better protect consumers and expanding our offerings through partnerships. As part of these initiatives, the Company was able to reduce costs and the capital

expenditures associated with IT processes and its agent and consumer facing systems.

We generally compete on the basis of the customer experience, the ability to conduct both digital and cash transactions, price, the quantity and quality of our agent network, commission payments and marketing efforts. One way we improved our network in 2018 was by entering into new partnerships with OXXO and Visa Direct. OXXO is Mexico's largest convenience store retailer with more than 17,000 locations across the country. Visa Direct is Visa Inc.'s real-time push payments platform and our partnership will give customers the choice to receive funds either directly into their bank account or to a Visa prepaid card. Earlier in the year, the Company and Walmart, our largest agent, announced the launch of Walmart2World, Powered by MoneyGram, a new white-label money transfer service that allows customers to send money from Walmart in the U.S. to any MoneyGram location. The Company expects the Walmart2World products to continue to negatively impact our top-line growth during the first half of 2019

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due to lower revenue per transaction, but we expect this negative impact to be partially offset by the new OXXO and Visa Direct partnerships.

In addition to the competitive environment, global compliance requirements are becoming increasingly more complex, which has been affecting our top line growth. In 2018, the Company launched new compliance measures including new global customer verification standards for all money transfer services, limits on transaction frequency and limits on the total amount of money an individual can send within a certain period of time. We continue to enhance our compliance tools to comply with various government and other regulatory programs around the world, as well as address corridor specific risks associated with fraud or money laundering. Due to the implementation of these compliance and fraud prevention measures, the Company has seen a negative impact on our top-line and Adjusted EBITDA growth in 2018 and we will continue to see the effects of our de-risking efforts in the first half of 2019.

On November 8, 2018, the Company announced that it entered into (1) the Amended DPA with the Government and (2) a Consent Order with the FTC. The motions underlying the Amended DPA and Consent Order focus primarily on the Company's anti-fraud and anti-money laundering programs, including whether the Company had adequate controls to prevent third parties from using its systems to commit fraud. Under the Agreements, the Company will, among other things, (1) pay an aggregate amount of \$125.0 million to the Government, of which \$70.0 million was paid in November 2018 and the remaining \$55.0 million must be paid by May 8, 2020, eighteen months after the date of the Amended DPA, which is being made available to reimburse consumers who were the victims of third-party fraud conducted through the Company's money transfer services, and (2) continue to retain an independent compliance monitor until May 10, 2021 to review and assess actions taken by the Company under the Agreements to further enhance its compliance program. For more details see Note 14 — Commitments and Contingencies of the Notes to the Consolidated Financial Statements and in Part I, Item 3, "Legal Proceedings" in this Annual Report on Form 10-K.

We are making progress toward becoming a digitally-enabled, customer-centric organization to better position the Company to compete with new entrants focused solely on digital money transfer solutions. We believe that our continued investment in innovative products and services, such as moneygram.com, mobile solutions including our new application, integration with mobile wallets, account deposit services and kiosk-based services, positions the Company to accelerate its digital transformation and diversify its product and service offerings to meet consumers' needs. Furthermore, we believe that combining our cash and digital capabilities enables us to differentiate against digital-only competitors who are not able to serve a significant portion of the remittance market that relies on cash. In the first quarter of 2018, the Company initiated a restructuring and reorganization program (the "Digital Transformation Program") to modernize the business, reduce operating expenses, focus on improving profitability and better align the organization to deliver new digital touch-points for customers and agents.

During 2018, the Company decreased headcount, reduced costs related to outsourcing, independent contractor and consultant activities and accelerated its network optimization efforts by closing over 61,000 unproductive and/or higher risk locations globally. These efforts resulted in the elimination of overhead costs and a reduction in potential risks while improving productivity. As of December 31, 2018, the Company expanded its moneygram.com product platform to be available in 24 countries and will continue to improve and increase its presence during 2019. Digital solutions revenue for 2018 was \$204.1 million, or 16% of money transfer revenue. Digital solutions revenue for 2017 was \$211.6 million, or 14% of money transfer revenue. Moneygram.com revenue for 2018 grew by \$7.0 million or 8% over 2017.

In connection with the Digital Transformation Program, which is expected to be substantially completed in 2019, the Company expects over 400 employees to be affected, possibly through transfers or terminations, representing over 14% of the Company's global workforce as of December 31, 2017. The Company expects to incur restructuring and reorganization charges between \$24.5 million and \$26.5 million, consisting primarily of severance and outplacement benefits (between \$19.0 million and \$19.5 million), real estate lease termination and other associated costs (between \$3.0 million and \$3.5 million), legal and other costs (between \$2.0 million and \$3.0 million), and reorganization costs (approximately \$0.5 million). For the year ended December 31, 2018, the Company has incurred \$20.4 million of restructuring and reorganization charges. Additionally, the Company anticipates between \$21.5 million and \$23.5 million of the restructuring and reorganization charges to be paid in cash, \$11.1 million of which were payments made in 2018, with the remaining expected to be made during 2019. We realized efficiencies that resulted in \$30.5 million

of expense reductions in 2018 and, upon completion, expect \$55.0 million on an annualized basis. The actual timing and costs of the plan may differ from the Company's current expectations and estimates.

Anticipated Trends

This discussion of trends expected to impact our business in 2019 is based on information presently available and reflects certain assumptions, including assumptions regarding future economic conditions. Differences in actual economic conditions compared with our assumptions could have a material impact on our results. See "Cautionary Statements Regarding Forward-Looking Statements" and Part I, Item 1A, "Risk Factors" of this Annual Report on Form 10-K for additional factors that could cause results to differ materially from those contemplated by the following forward-looking statements.

In 2019, the industry will see a number of trends continue: the growth of digital transactions, the importance of customer experience and geopolitical volatility. To position the company to respond to these trends, we are focused on our strategy to deliver a

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differentiated customer experience, capitalize on the strength of our leading digital and physical footprint, accelerate growth in key regions and identify new areas of growth.

We continue to see increased opportunities to capitalize on growth and expansion through product and service offerings. The Company is growing its digital footprint through the introduction of new countries for the moneygram.com platform, new partnerships and the introduction of new ways to send and receive money. Furthermore, the Company is expanding its online presence through the continued growth of its new native application. MoneyGram is also enhancing its customer interface to provide a more personalized consumer experience. The personalized experience includes notifications through email and SMS text, profile services, as well as a new loyalty program. However, compliance measures and pricing pressure continue to negatively impact our growth specifically in the U.S. and West Africa, where we decided to be more selective and de-risk the business by placing larger restrictions on transactions. Furthermore, economic issues in Africa have restricted our ability to transact in certain markets. Currency volatility, liquidity pressure on central banks and pressure on labor markets in specific countries may continue to impact our business in 2019.

The June 23, 2016 referendum by British voters to exit the European Union (referred to as Brexit), which was followed by Britain providing official notice to leave the European Union in March of 2017, introduced additional uncertainty in global markets and currency exchange rates. We are currently unable to determine the long-term impact that Brexit will have on us, as any impact will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations. As the UK is expected to leave the European Union in the first quarter of 2019, the Company anticipates making a number of operational changes to accommodate any potential business impact.

For our Financial Paper Products segment, we expect the decline in overall paper-based transactions to continue primarily due to continued migration by customers to other payment methods. Our investment revenue, which consists primarily of interest income generated through the investment of cash balances received from the sale of our Financial Paper Products, is dependent on the interest rate environment. The Company would see a positive impact on its investment revenue if interest rates continue to rise. As interest rates also affect the payments we make for interest on our credit facility, our liquidity would be negatively impacted by the continued rise in interest rates. Furthermore, we have begun the process of refinancing our long-term debt, which could also impact our interest expense in 2019.

Financial Measures and Key Metrics

This Annual Report on Form 10-K includes financial information prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP") as well as certain non-GAAP financial measures that we use to assess our overall performance.

GAAP Measures — We utilize certain financial measures prepared in accordance with GAAP to assess the Company's overall performance. These measures include fee and other revenue, fee and other commissions expense, fee and other revenue less commissions, operating income and operating margin.

Non-GAAP Measures — Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. We strongly encourage investors and stockholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. While we believe that these metrics enhance investors' understanding of our business, these metrics are not necessarily comparable with similarly named metrics of other companies. The following are non-GAAP financial measures we use to assess our overall performance:

EBITDA (Earnings before interest, taxes, depreciation and amortization, including agent signing bonus amortization)
Adjusted EBITDA (EBITDA adjusted for certain significant items) — Adjusted EBITDA does not reflect cash requirements necessary to service interest or principal payments on our indebtedness or tax payments that may result in a reduction in cash available.

Adjusted Free Cash Flow (Adjusted EBITDA less cash interest, cash taxes, cash payments for capital expenditures and cash payments for agent signing bonuses) — Adjusted Free Cash Flow does not reflect cash payments related to the adjustment of certain significant items in Adjusted EBITDA.

Constant Currency — Constant currency metrics assume that amounts denominated in foreign currencies are translated to the U.S. dollar at rates consistent with those in the prior year.

The Company utilizes specific terms related to our business throughout this document, including the following:

Corridor — With regard to a money transfer transaction, the originating "send" location and the designated "receive" location are referred to as a corridor.

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Corridor mix — The relative impact of increases or decreases in money transfer transaction volume in each corridor versus the comparative prior period.

Face value — The principal amount of each completed transaction, excluding any fees related to the transaction.

Foreign currency — The impact of foreign currency exchange rate fluctuations on our financial results is typically calculated as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior-year period's currency exchange rates. We use this method to calculate the impact of changes in foreign currency exchange rates on revenues, commissions and other operating expenses for all countries where the functional currency is not the U.S. dollar.

RESULTS OF OPERATIONS

The following table is a summary of the results of operations for the years ended December 31:

(Amounts in millions, except percentages)	2018	2017	2016	2018 vs 2017	2017 vs 2016	2018 vs 2017	2017 vs 2016
Revenue							
Fee and other revenue	\$1,398.1	\$1,560.9	\$1,612.4	\$(162.8)	\$(51.5)	(10)%	(3)%
Investment revenue	49.5	41.2	18.0	8.3	23.2	20 %	NM
Total revenue	1,447.6	1,602.1	1,630.4	(154.5)	(28.3)	(10)%	(2)%
Expenses							
Fee and other commissions expense	688.6	763.5	793.1	(74.9)	(29.6)	(10)%	(4)%
Investment commissions expense	19.3	8.7	2.5	10.6	6.2	NM	NM
Direct transaction expense	24.3	21.8	18.8	2.5	3.0	11 %	16 %
Total commissions and direct transaction expenses	732.2	794.0	814.4	(61.8)	(20.4)	(8)%	(3)%
Compensation and benefits	259.8	271.8	288.5	(12.0)	(16.7)	(4)%	(6)%
Transaction and operations support	298.8	380.5	290.7	(81.7)	89.8	(21)%	31 %
Occupancy, equipment and supplies	62.0	66.1	61.9	(4.1)	4.2	(6)%	7 %
Depreciation and amortization	76.3	75.1	79.9	1.2	(4.8)	2 %	(6)%
Total operating expenses	1,429.1	1,587.5	1,535.4	(158.4)	52.1	(10)%	3 %
Operating income	18.5	14.6	95.0	3.9	(80.4)	27 %	(85)%
Other expenses							
Interest expense	53.6	45.3	45.0	8.3	0.3	18 %	1 %
Debt extinguishment costs	—	—	0.3	—	(0.3)	NM	NM
Other non-operating (income) expense	(24.2)	5.9	7.2	(30.1)	(1.3)	NM	(18)%
Total other expenses	29.4	51.2	52.5	(21.8)	(1.3)	(43)%	(2)%
(Loss) income before income taxes	(10.9)	(36.6)	42.5	25.7	(79.1)	70 %	NM
Income tax expense (benefit)	13.1	(6.8)	26.6	19.9	(33.4)	NM	NM
Net (loss) income	\$(24.0)	\$(29.8)	\$15.9	\$5.8	\$(45.7)	19 %	NM

NM = Not meaningful

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Revenues

The following table is a summary of the revenues for the years ended December 31:

	2018			2017			2016		
(Amounts in millions, except percentages)	Dollars	Percent of Total Revenue		Dollars	Percent of Total Revenue		Dollars	Percent of Total Revenue	
Global Funds Transfer fee and other revenue	\$1,347.7	93	%	\$1,508.1	94	%	\$1,553.7	95	%
Financial Paper Product fee and other revenue	50.4	3	%	52.8	3	%	57.6	4	%
Investment revenue	49.5	3	%	41.2	3	%	18.0	1	%
Other revenue	—	—	%	—	—	%	1.1	—	%
Total revenue	\$1,447.6	100	%	\$1,602.1	100	%	\$1,630.4	100	%

In 2018, total revenue declined due to the decline in the Global Funds Transfer fee and other revenue, which included the impact of de-risking the business through transaction and corridor specific compliance controls implemented during the year, Walmart2World service and increased competition. See the "Segments Results" section below for a detailed discussion of revenues by segment. In 2018, investment revenue increased primarily from higher yields, partially offset by the reduction in revenue related to the \$12.2 million gain on a one-time redemption of an asset-backed security in 2017.

In 2017, total revenue declined primarily due to the decline in Global Funds Transfer fee and other revenue, which was primarily driven by a negative change in corridor mix and a decrease in the average face value per transaction and pricing, partially offset by increased Non-U.S. and U.S. Outbound money transfer volume. Investment revenue in 2017 increased \$23.2 million when compared to 2016 due to a one-time redemption of an asset-backed security as well as higher yields earned on investment balances.

Operating Expenses

The following table is a summary of the operating expenses for the years ended December 31:

	2018			2017			2016		
(Amounts in millions, except percentages)	Dollars	Percent of Total Revenue		Dollars	Percent of Total Revenue		Dollars	Percent of Total Revenue	
Total commissions and direct transaction expenses	\$732.2	51	%	\$794.0	50	%	\$814.4	50	%
Compensation and benefits	259.8	18	%	271.8	17	%	288.5	18	%
Transaction and operations support	298.8	21	%	380.5	24	%	290.7	18	%
Occupancy, equipment and supplies	62.0	4	%	66.1	4	%	61.9	4	%
Depreciation and amortization	76.3	5	%	75.1	5	%	79.9	5	%
Total operating expenses	\$1,429.1	99	%	\$1,587.5	99	%	\$1,535.4	94	%

In 2018, total operating expenses as a percentage of total revenue remained flat when compared to 2017 as declines in revenue were offset by declines in operating expenses.

In 2017, total operating expenses as a percentage of total revenue increased when compared to 2016 due to an \$85.0 million accrual related to the DPA matter.

Total Commissions and Direct Transaction Expenses

In 2018, total commissions and direct transaction expenses as a percent of revenues slightly increased primarily from increases in investment commissions expense and signing bonus amortization, both of which are discussed in more detail below in the "Segments Results" section.

In 2017, total commissions and direct transaction expenses as a percent of revenues remained flat when compared to 2016.

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Compensation and Benefits

Compensation and benefits include salaries and benefits, management incentive programs, related payroll taxes and other employee related costs. The following table is a summary of the change in compensation and benefits from the respective prior year for the years ended December 31:

(Amounts in millions)	2018	2017
Prior year ended	\$271.8	\$288.5
Change resulting from:		
Net salaries, related payroll taxes and cash incentive compensation	(26.5)	(11.7)
Restructuring and reorganization costs	16.1	—
Impact from changes in exchange rates	3.5	2.3
Severance and related costs	(2.8)	(6.0)
Employee stock-based compensation	(2.4)	(3.4)
Other	0.1	2.1
Current year ended	\$259.8	\$271.8

In 2018, compensation and benefits decreased primarily due to a decrease in net salaries, related payroll taxes and cash incentive compensation due to the reduction in headcount, partially offset by the restructuring and reorganization costs discussed in Note 3 — Restructuring and Reorganization Costs of the Notes to the Consolidated Financial Statements.

In 2017, compensation and benefits decreased due to the decrease in net salaries, related payroll taxes and cash incentive compensation primarily driven by lower headcount, a decrease in severance and related costs and lower employee stock-based compensation expense. These decreases were partially offset by the changes in exchange rates due to a weaker U.S. dollar.

Transaction and Operations Support

Transaction and operations support primarily includes marketing, professional fees and other outside services, telecommunications, agent support costs, including forms related to our products, non-compensation employee costs, including training, travel and relocation costs, director stock-based compensation expense, bank charges and the impact of foreign exchange rate movements on our monetary transactions, assets and liabilities denominated in a currency other than the U.S. dollar.

The following table is a summary of the change in transaction and operations support from the respective prior year for the years ended December 31:

(Amounts in millions)	2018	2017
Prior year ended	\$380.5	\$290.7
Change resulting from:		
Legal expenses	(50.6)	94.2
Outsourcing, independent contractor and consultant costs	(18.6)	(10.6)
Marketing costs	(6.3)	(8.4)
Bank charges	(5.5)	4.2
Direct monitor costs	(4.7)	6.9
Provision for loss	3.2	(4.9)
Net gains from foreign currency transactions and related forward contracts	3.1	10.7
Travel and entertainment expenses	(3.1)	(2.0)
Restructuring and reorganization costs	2.0	—
Other	(1.2)	(0.3)
Current year ended	\$298.8	\$380.5

In 2018, transaction and operations support decreased primarily due to a decrease in legal expenses driven by the lower accrual recorded in 2018 for the DPA matter and decreases in outsourcing, independent contractor and consultant and other costs due to ongoing cost-savings initiatives related to the Digital Transformation Program. The decrease was partially offset by an increase in the provision for loss primarily driven by an increase in moneygram.com revenues, the change in net gains from foreign currency transactions and related forward contracts

and restructuring and reorganization costs.

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In 2017, transaction and operations support increased primarily due to an increase in legal expenses driven by the \$85.0 million accrual related to the DPA and costs incurred in connection with the terminated merger with Ant Financial. Additional factors contributing to the increase include the change in net gains from foreign currency transactions and related forward contracts, direct monitor costs and bank charges from fees on foreign exchange trades. The increase was partially offset by decreases in outsourcing, independent contractor and consultant costs, marketing costs and a reduction in our provision for loss.

Occupancy, Equipment and Supplies

Occupancy, equipment and supplies expense include facilities rent and maintenance costs, software and equipment maintenance costs, freight and delivery costs and supplies.

In 2018, occupancy, equipment and supplies expense decreased by \$4.1 million due to cost-savings from the Digital Transformation Program, reduced freight and delivery costs and a decrease in software maintenance costs.

In 2017, occupancy, equipment and supplies expense increased by \$4.2 million as a result of an increase in equipment maintenance costs.

Depreciation and Amortization

Depreciation and amortization includes depreciation on computer hardware and software, agent signage, point of sale equipment, capitalized software development costs, office furniture, equipment and leasehold improvements and amortization of intangible assets.

In 2018, depreciation and amortization increased by \$1.2 million because of accelerated depreciation from certain restructuring and other activities.

In 2017, depreciation and amortization decreased by \$4.8 million as a result of higher costs during the first half of 2016 from the accelerated depreciation expense on our non-core point of sale equipment that was retired early.

Segments Results**Global Funds Transfer**

The following table sets forth our Global Funds Transfer segment results of operations for the years ended December 31:

(Amounts in millions)	2018	2017	2016	2018 vs 2017	2017 vs 2016
Money transfer revenue	\$1,273.4	\$1,421.8	\$1,456.2	\$(148.4)	\$(34.4)
Bill payment revenue	74.5	86.3	97.5	(11.8)	(11.2)
Total Global Funds Transfer revenue	\$1,347.9	\$1,508.1	\$1,553.7	\$(160.2)	\$(45.6)

Fee and other commissions and direct transaction expenses \$711.6 \$784.0 \$810.7 \$(72.4) \$(26.7)

Money Transfer Fee and Other Revenue

The following table details the changes in money transfer fee and other revenue from the respective prior year for the years ended December 31:

(Amounts in millions)	2018	2017
Prior year ended	\$1,421.8	\$1,456.2
Change resulting from:		
Money transfer volume	(116.3)	17.2
Average face value per transaction and pricing	(48.7)	(15.5)
Impact from changes in exchange rates	15.9	1.7
Corridor mix	(2.5)	(41.1)
Investment revenue	0.2	—
Other	3.0	3.3
Current year ended	\$1,273.4	\$1,421.8

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In 2018, the decrease in money transfer fee and other revenue was primarily driven by decreases in money transfer transaction volume and average face value per transaction and pricing due to transaction and corridor specific compliance controls implemented during the year, increased competition and the introduction of the Walmart2World, Powered by MoneyGram service. The decline was partially offset by the impact from changes in exchange rates.

In 2017, the decrease in money transfer fee and other revenue was primarily driven by a negative change in corridor mix and a decrease in the average face value per transaction and pricing, partially offset by increased Non-U.S. and U.S. Outbound money transfer volume.

Bill Payment Fee and Other Revenue

In 2018, bill payment fee and other revenue decreased by \$11.8 million due to increased competition, which impacted our pricing, partially offset by transaction volume increase.

In 2017, bill payment fee and other revenue decreased by \$11.2 million due to lower transactions resulting from shifts in industry mix.

Fee and Other Commissions and Direct Transaction Expenses

The following table details the changes in fee and other commissions expense for the Global Funds Transfer segment from the respective prior year for the years ended December 31:

(Amounts in millions)	2018	2017
Prior year ended	\$762.2	\$791.9
Change resulting from:		
Money transfer revenue	(78.4)	(17.4)
Impact from changes in exchange rates	6.7	(0.1)
Bill payment revenue and commission rates	(3.4)	(6.6)
Signing bonuses	1.2	(1.9)
Money transfer corridor and agent mix	(1.0)	(3.7)
Current year ended	\$687.3	\$762.2

In 2018, fee and other commissions decreased by \$74.9 million due to decreases in money transfer revenue and bill payment revenue and commission rates from the decline in volume and pricing discussed above, partially offset by changes in exchange rates.

In 2017, fee and other commissions expense decreased by \$29.7 million. The decrease in commissions expense was primarily driven by decreases in money transfer revenue, bill payment revenue and commissions rates and money transfer corridor and agent mix.

In 2018, direct transaction expense was \$24.3 million, an increase of \$2.5 million when compared to the prior year. In 2017, direct transaction expense was \$21.8 million, an increase of \$3.0 million over the prior year. The increases in 2018 and 2017 were primarily due to an increase in moneygram.com revenues.

Financial Paper Products

The following table sets forth our Financial Paper Products segment results of operations:

	2018		2017	
(Amounts in millions)	2018	2017	2016	2015
Money order revenue	\$55.3	\$55.0	\$50.8	\$0.3
Official check revenue	44.4	39.0	24.8	5.4
Total Financial Paper Products revenue	\$99.7	\$94.0	\$75.6	\$5.7

Commissions expense \$20.6 \$10.0 \$3.7 \$10.6 \$6.3

Financial Paper Products revenue increased by \$5.7 million in 2018 primarily due to higher yields on our investment portfolio partially offset by a decline in fee and other revenue. The year ended December 31, 2017 included a one-time \$12.2 million gain on the redemption of an asset-backed security, which partially offset the growth in 2018. Financial Paper Products revenue increased by \$18.4 million in 2017 due to the gain on a one-time redemption of an asset-backed security partially offset by transaction declines from the migration of consumers to other payment methods.

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In 2018 and 2017, commissions expense for Financial Paper Products increased by \$10.6 million and \$6.3 million, respectively, due to an increase in investment commissions expense due to higher interest rates.

Operating Income and Operating Margin

The following table provides a summary overview of operating income and operating margin:

(Amounts in millions, except percentages)	2018	2017	2016
Operating income:			
Global Funds Transfer	\$(5.9)	\$4.9	\$95.8
Financial Paper Products	30.6	31.8	18.5
Total segment operating income	24.7	36.7	114.3
Other	(6.2)	(22.1)	(19.3)
Total operating income	\$18.5	\$14.6	\$95.0
Total operating margin	1.3 %	0.9 %	5.8 %
Global Funds Transfer	(0.4)%	0.3 %	6.2 %
Financial Paper Products	30.7 %	33.8 %	24.5 %

2018 Compared to 2017

In 2018, the Company's Global Funds Transfer segment had an operating loss of \$5.9 million, as compared to an operating income of \$4.9 million during 2017. The Company's Global Funds Transfer segment operating margin in 2018 also decreased by 0.7% when compared to 2017. The decline in operating income and margin during 2018 was due to the decline in money transfer fee and other revenue, as well as restructuring and reorganization costs, primarily driven by severance, which are discussed in Note 3 — Restructuring and Reorganization Costs of the Notes to the Consolidated Financial Statements. The decreases were partially offset by declines in fee and other commissions expense and other operating expenses as a result of cost-savings initiatives and the lower additional accrual recorded in 2018 for the DPA matter.

Financial Paper Products segment operating income and margin decreased in 2018 primarily due to the gain recognized on a one-time redemption of an asset-backed security in 2017, partially offset by investment income in 2018.

Other operating loss decreased because 2017 included costs related to the proposed merger with Ant Financial that was terminated in January 2018. See Note 1 — Description of the Business and Basis of Presentation of the Notes to the Consolidated Financial Statements for more information about the terminated merger.

2017 Compared to 2016

In 2017, the Global Funds Transfer segment operating income and operating margin decreased due to a decline in money transfer fee and other revenue and an \$85.0 million accrual related to the DPA discussed in more detail in Note 14 — Commitments and Contingencies of the Notes to the Consolidated Financial Statements, partially offset by the decrease in operating expenses as a result of various cost-saving initiatives throughout the year.

The Financial Paper Products segment operating income and operating margin increased when compared to 2016 due to higher segment revenues from the one-time redemption of an asset-backed security.

The increase in Other operating losses was primarily driven by costs incurred in connection with the terminated merger with Ant Financial in 2017, partially offset by lower severance and related costs.

Other Expenses

Total other expenses in 2018 were \$29.4 million compared to \$51.2 million in 2017. The decrease in other expenses of \$21.8 million was due to the \$30.0 million payment related to the terminated merger with Ant Financial, partially offset by the increase in interest expense.

Other expenses in 2017 remained relatively flat when compared to 2016.

Income Taxes

The following table represents our provision for income taxes and effective tax rate for the years ended December 31:

(Amounts in millions, except percentages)	2018	2017	2016
Provision for income taxes	\$13.1	\$(6.8)	\$26.6

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In 2018, the Company recognized an income tax expense of \$13.1 million on a pre-tax loss of \$10.9 million. The recorded income tax expense differs from taxes calculated at the statutory rate primarily due to the tax impact of the nondeductibility of the accrual related to the DPA as further discussed in Note 14 - Commitments and Contingencies of the Notes to the Consolidated Financial Statements and the adverse tax consequences related to the new provisions enacted under the TCJA, partially offset by the one-time \$3.6 million deferred tax benefit from a reorganization of our corporate structure.

In 2017, the Company recognized a tax benefit of \$6.8 million on a pre-tax loss of \$36.6 million. The most significant items impacting the effective tax rate were the tax impacts of the TCJA, discussed below, and the tax impact of an accrual related to the DPA as further discussed in Note 14 — Commitments and Contingencies of the Notes to the Consolidated Financial Statements. As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the TCJA, the Company revalued its ending net deferred tax liabilities as of December 31, 2017 and recognized a provisional \$19.8 million tax benefit in the Company's consolidated statement of income for the year ended December 31, 2017. Additionally, the Company recognized a provisional net \$3.0 million tax benefit for the remeasurement of previously recorded deferred tax assets and liabilities primarily associated with historical earnings in its foreign subsidiaries.

Our provision for income taxes is volatile and could be affected by changes in the valuation of our deferred tax assets and liabilities, changes in tax laws and regulations, ultimate settlements of the IRS matter further discussed in Note 14 - Commitments and Contingencies of the Notes to the Consolidated Financial Statements and examinations by tax authorities. We will continue to perform additional analysis on the application of the TCJA, taking into account any additional regulatory guidance that is issued by the applicable taxing authorities.

EBITDA, Adjusted EBITDA, Adjusted Free Cash Flow and Constant Currency

We believe that EBITDA (earnings before interest, taxes, depreciation and amortization, including agent signing bonus amortization), Adjusted EBITDA (EBITDA adjusted for certain significant items), Adjusted Free Cash Flow (Adjusted EBITDA less cash interest, cash taxes, cash payments for capital expenditures and cash payments for agent signing bonuses) and constant currency measures (which assume that amounts denominated in foreign currencies are translated to the U.S. dollar at rates consistent with those in the prior year) provide useful information to investors because they are indicators of the strength and performance of our ongoing business operations. These calculations are commonly used as a basis for investors, analysts and other interested parties to evaluate and compare the operating performance and value of companies within our industry. In addition, our debt agreements require compliance with covenants that incorporate a financial measure similar to Adjusted EBITDA.

EBITDA, Adjusted EBITDA, Adjusted Free Cash Flow and constant currency are financial and performance measures used by management in reviewing results of operations, forecasting, allocating resources and establishing employee incentive programs. We also present Adjusted EBITDA growth, constant currency adjusted, which provides information to investors regarding MoneyGram's performance without the effect of foreign currency exchange rate fluctuations year-over-year.

Although we believe that EBITDA, Adjusted EBITDA, Adjusted Free Cash Flow and constant currency measures enhance investors' understanding of our business and performance, these non-GAAP financial measures should not be considered in isolation or as substitutes for the accompanying GAAP financial measures. These metrics are not necessarily comparable with similarly named metrics of other companies.

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The following table is a reconciliation of our non-GAAP financial measures to the related GAAP financial measures:

(Amounts in millions)	2018	2017	2016
(Loss) income before income taxes	\$(10.9)	\$(36.6)	\$42.5
Interest expense	53.6	45.3	45.0
Depreciation and amortization	76.3	75.1	79.9
Signing bonus amortization	53.9	51.9	54.0
EBITDA	172.9	135.7	221.4
Significant items impacting EBITDA:			
Legal and contingent matters ⁽¹⁾	45.0	85.9	2.3
(Income) costs related to the terminated merger with Ant Financial ⁽²⁾	(29.3)	12.7	—
Restructuring and reorganization costs	20.1	—	—
Compliance enhancement program	12.9	9.6	10.3
Stock-based, contingent and incentive compensation	12.4	14.5	19.0
Direct monitor costs	11.3	16.0	9.1
Severance and related costs	0.6	1.5	1.9
Adjusted EBITDA	\$245.9	\$275.9	\$264.0
Adjusted EBITDA change, as reported	(11)%		
Adjusted EBITDA change, constant currency adjusted	(13)%		

Adjusted EBITDA	\$245.9	\$275.9	\$264.0
Cash payments for interest	(50.7)	(41.9)	(41.6)
Cash payments for taxes, net of refunds	(4.8)	(5.0)	(9.5)
Cash payments for capital expenditures	(57.8)	(83.6)	(82.8)
Cash payments for agent signing bonuses	(31.6)	(40.3)	(34.0)
Adjusted Free Cash Flow	\$101.0	\$105.1	\$96.1

(1) 2018 and 2017 include accruals of \$40.0 million and \$85.0 million, respectively, related to the DPA matter.

(2) Income includes the \$30.0 million merger termination fee and costs include, but are not limited to, legal, bank and consultant fees.

2018 Compared to 2017

The Company generated EBITDA of \$172.9 million and \$135.7 million and Adjusted EBITDA of \$245.9 million and \$275.9 million for the years ended December 31, 2018 and 2017, respectively. Adjusted EBITDA declined when compared to the same period in 2017 because of a decrease in fee and other revenue, partially offset by decreases in fee and other commissions expense, net salaries, related payroll taxes and cash incentive compensation and outsourcing, and independent contractor and consultant costs as a result of ongoing cost-savings initiatives. The year-over-year change in Adjusted EBITDA was also negatively impacted due to a realized gain on a one-time redemption of an asset-backed security in 2017.

For the year ended December 31, 2018, EBITDA increased due to the other non-operating income of \$30.0 million related to the terminated merger with Ant Financial and the lower additional accrual recorded in 2018 for the DPA matter. The increase was partially offset by restructuring and reorganization costs primarily driven by severance.

For the year ended December 31, 2018, Adjusted Free Cash Flow decreased by \$4.1 million. The decrease was primarily a result of a decrease in Adjusted EBITDA and the increase in cash payments for interest, partially offset by decreases in cash payments for capital expenditures and agent signing bonuses.

2017 Compared to 2016

The Company generated EBITDA of \$135.7 million and \$221.4 million and Adjusted EBITDA of \$275.9 million and \$264.0 million for the years ended December 31, 2017 and 2016, respectively. Adjusted EBITDA increased when compared to the same period in 2016 primarily due to a decrease in total operating expenses driven by a decrease in net salaries, related payroll taxes and cash incentive compensation, outsourcing, independent contractor and consultant

costs and marketing costs. EBITDA decreased primarily due to an \$85.0 million accrual related to the DPA discussed in more detail in Note 14 — Commitments and Contingencies of the Notes to the Consolidated Financial Statements when compared to 2016.

For 2017, Adjusted Free Cash Flow increased by \$9.0 million. The increase was a result of an increase in Adjusted EBITDA, decreases in payments for net cash taxes, partially offset by increases in agent signing bonuses.

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See "Results of Operations" and "Analysis of Cash Flows" sections for additional information regarding these changes.

LIQUIDITY AND CAPITAL RESOURCES

We have various resources available for purposes of managing liquidity and capital needs, including our investment portfolio, credit facilities and letters of credit. We refer to our cash and cash equivalents, settlement cash and cash equivalents, interest-bearing investments and available-for-sale investments collectively as our "investment portfolio."

The Company utilizes cash and cash equivalents in various liquidity and capital assessments.

Cash and Cash Equivalents, Settlement Assets and Payment Service Obligations

The following table shows the components of the Company's cash and cash equivalents and settlement assets as of December 31:

(Amounts in millions)	2018	2017
Cash and cash equivalents	\$145.5	\$190.0
Settlement assets:		
Settlement cash and cash equivalents	1,435.7	1,469.9
Receivables, net	777.7	1,125.8
Interest-bearing investments	1,154.7	1,154.2
Available-for-sale investments	5.7	7.0
	\$3,373.8	\$3,756.9
Payment service obligations	\$(3,373.8)	\$(3,756.9)

Our primary sources of liquidity include cash flows generated by the sale of our payment instruments, our cash and cash equivalents and interest-bearing investment balances, and proceeds from our investment portfolio. Our primary operating liquidity needs are related to the settlement of payment service obligations to our agents and financial institution customers, general operating expenses and debt service.

To meet our payment service obligations at all times, we must have sufficient highly liquid assets and be able to move funds globally on a timely basis. On average, we receive in and pay out a similar amount of funds on a daily basis to collect and settle the principal amount of our payment instruments sold and related fees and commissions with our end consumers and agents. This pattern of cash flows allows us to settle our payment service obligations through existing cash balances and ongoing cash generation rather than liquidating investments or utilizing our Revolving Credit Facility. We have historically generated, and expect to continue generating, sufficient cash flows from daily operations to fund ongoing operational needs.

We preposition cash in various countries and currencies to facilitate settlement of transactions. We also maintain funding capacity beyond our daily operating needs to provide a cushion through the normal fluctuations in our payment service obligations, as well as to provide working capital for the operational and growth requirements of our business. We believe we have sufficient liquid assets and funding capacity to operate and grow our business for the next 12 months. Should our liquidity needs exceed our operating cash flows, we believe that external financing sources, including availability under our credit facility, will be sufficient to meet our anticipated funding requirements.

Cash and Cash Equivalents and Interest-bearing Investments

To ensure we maintain adequate liquidity to meet our payment service obligations at all times, we keep a significant portion of our investment portfolio in cash and cash equivalents and interest-bearing investments at financial institutions rated A- or better by two of the following three rating agencies: Moody's Investor Service ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings, Inc. ("Fitch"); and in AAA rated U.S. government money market funds. If the rating agencies have split ratings, the Company uses the lower of the highest two out of three ratings across the agencies for disclosure purposes. If the institution has only two ratings, the Company uses the lower of the two ratings for disclosure purposes. As of December 31, 2018, cash and cash equivalents (including unrestricted and settlement cash and cash equivalents) and interest-bearing investments totaled \$2.7 billion. Cash and cash equivalents consist of interest-bearing deposit accounts, non-interest-bearing transaction accounts and money market securities; interest-bearing investments consist of time deposits and certificates of deposit with maturities of up to 24 months.

Available-for-sale Investments

Our investment portfolio includes \$5.7 million of available-for-sale investments as of December 31, 2018. U.S. government agency residential mortgage-backed securities comprise \$4.5 million of our available-for-sale investments, while asset-backed and other securities compose the remaining \$1.2 million.

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Clearing and Cash Management Banks

We collect and disburse money through a network of clearing and cash management banks. The relationships with these banks are a critical component of our ability to maintain our global active funding requirements on a timely basis. We have agreements with six active clearing banks that provide clearing and processing functions for official checks, money orders and other draft instruments. We have four active official check clearing banks, which provide sufficient capacity for our official check business. We rely on three active banks to clear our retail money orders and believe that these banks provide sufficient capacity for that business. We also maintain relationships with a variety of domestic and international cash management banks for electronic funds transfer and wire transfer services used in the movement of consumer funds and agent settlements.

Credit Facilities

On March 28, 2013, we entered into an Amended and Restated Credit Agreement ("the 2013 Credit Agreement") with Bank of America, N.A. ("BOA"), as administrative agent, the financial institutions party thereto as lenders and the other agents party thereto. The 2013 Credit Agreement provided for (i) a senior secured five-year Revolving Credit Facility up to an aggregate principal amount of \$125.0 million and (ii) a senior secured seven-year term loan facility of \$850.0 million ("Term Facility"). The Revolving Credit Facility includes a sub-facility that permits the Company to request the issuance of letters of credit up to an aggregate amount of \$50.0 million, with borrowings available for general corporate purposes and which would reduce the amount available under the Revolving Credit Facility.

On April 2, 2014, we entered into a First Incremental Amendment and Joinder Agreement ("the Incremental Agreement") with BOA, as administrative agent, and various lenders, which provided for (i) a tranche under the Term Facility in an aggregate principal amount of \$130.0 million, (ii) an increase in the aggregate revolving loan commitments under the 2013 Credit Agreement from \$125.0 million to \$150.0 million, and (iii) certain other amendments to the 2013 Credit Agreement.

On December 12, 2016, we entered into Amendment No. 2 to the 2013 Credit Agreement (the "2016 Amendment") with BOA and various lenders. The 2016 Amendment includes, but is not limited to, decreasing the aggregate revolving credit commitments from \$150.0 million to \$125.0 million from December 12, 2016 to March 27, 2018 (the remainder of the original Revolving Credit Facility term), and increasing the maximum secured leverage ratio, effective the first quarter of 2017. The 2016 Amendment also extends the maturity date of the revolving credit commitments of the extending lenders, which represent commitments of \$85.8 million in the aggregate, from March 28, 2018 to September 28, 2019.

On January 31, 2019, the Company entered into Amendment No. 4 to Amended and Restated Credit Agreement, effective January 31, 2019 (the "Amendment") to the 2013 Credit Agreement. The Amendment increased the maximum secured leverage ratio for the fourth quarter of 2018 from 3.75:1 to 4.00:1, for the first quarter of 2019 from 3.50:1 to 4.25:1 and for the second quarter of 2019 from 3.50:1 to 4.50:1. In addition, the Amendment decreased the aggregate revolving credit commitments from \$85.8 million to \$45.0 million and tightened certain negative covenant baskets for the benefit of the revolving lenders only when the pro forma secured leverage ratio of the Company is greater than 3.75:1. The Amendment also provides that in the event the Company's cash balance exceeds \$140.0 million at the end of any month, the Company would be required to use such excess cash to pay any outstanding obligations to the revolving lenders under the 2013 Credit Agreement, and that the Company may not draw on the Revolving Credit Facility to the extent that the Company would have a cash balance in excess of \$140.0 million after giving effect to such borrowing.

As of December 31, 2018, the Company had an outstanding balance of \$904.4 million on its senior secured borrowings. The Company's effective interest rate on senior secured borrowings increased from 4.94% as of December 31, 2017 to 5.59% as of December 31, 2018, due to increases in the Eurodollar rate. As of December 31, 2018, the Company had no borrowings and no outstanding letters of credit under the Revolving Credit Facility, and subsequent to the January 31, 2019 amendment, the Company has \$45.0 million of availability. See Note 9 — Debt of the Notes to the Consolidated Financial Statements for additional disclosure related to the Company's credit facilities and financial covenants.

Credit Ratings

As of December 31, 2018, our credit ratings from Moody's and S&P were B2 with a negative outlook and B with a stable outlook, respectively. Our credit facilities, regulatory capital requirements and other obligations will not be impacted by a future change in our credit ratings.

Regulatory Capital Requirements and Contractual Obligations

Regulatory Capital Requirements

We have capital requirements relating to government regulations in the U.S. and other countries where we operate. Such regulations typically require us to maintain certain assets in a defined ratio to our payment service obligations. Through our wholly-owned subsidiary and licensed entity, MPSI, we are regulated in the U.S. by various state agencies that generally require us to maintain a pool of liquid assets and investments in an amount generally equal to the regulatory payment service obligation measure, as defined by each state, for our regulated payment instruments, namely teller checks, agent checks, money orders and money transfers.

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The regulatory requirements do not require us to specify individual assets held to meet our payment service obligations, nor are we required to deposit specific assets into a trust, escrow or other special account. Rather, we must maintain a pool of liquid assets. Provided we maintain a total pool of liquid assets sufficient to meet the regulatory and contractual requirements, we are able to withdraw, deposit or sell our individual liquid assets at will, without prior notice, penalty or limitations. We were in compliance with all state and regulatory capital requirements as of December 31, 2018. We believe that our liquidity and capital resources will remain sufficient to ensure ongoing compliance with all regulatory capital requirements.

Contractual Obligations

The following table includes aggregated information about the Company's contractual obligations that impact our liquidity and capital needs. The table includes information about payments due under specified contractual obligations, aggregated by type of contractual obligation as of December 31, 2018:

(Amounts in millions)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt, including interest payments ⁽¹⁾	\$967.9	\$ 60.7	\$907.2	\$ —	\$ —
Non-cancellable leases ⁽²⁾	64.7	17.5	27.0	15.0	5.2
DPA settlement ⁽³⁾	55.0	—	55.0	—	—
Signing bonuses ⁽⁴⁾	38.1	28.5	6.7	2.9	—
Marketing ⁽⁵⁾	48.2	26.1	15.4	6.7	—
Total contractual cash obligations	\$1,173.9	\$ 132.8	\$1,011.3	\$ 24.6	\$ 5.2

Our Consolidated Balance Sheet at December 31, 2018 includes \$904.4 million of debt, netted with unamortized debt issuance costs and debt discount of \$3.4 million. The above table reflects the principal and interest that will be paid through the maturity of the debt using the rates in effect on December 31, 2018, and assuming no prepayments of principal.

Noncancellable leases include operating leases for buildings, vehicles and equipment and other leases. For more detail see Note 14 — Commitments and Contingencies of the Notes to the Consolidated Financial Statements.

The Company has a remaining \$55.0 million of payments related to the DPA matter that must be paid by May 8, 2020, eighteen months after the date of the Amended DPA. For more detail see Note 14 — Commitments and Contingencies of the Notes to the Consolidated Financial Statements and in Part I, Item 3, "Legal Proceedings" in this Annual Report on Form 10-K.

Signing bonuses are payments to certain agents and financial institution customers as an incentive to enter into long-term contracts.

Marketing represents contractual marketing obligations with certain agents, billers and corporate sponsorships. We have other commitments as described further below that are not included in this table as the timing and/or amount of payments are difficult to estimate.

We have a funded, noncontributory defined benefit pension plan ("Pension Plan") that is frozen to both future benefit accruals and new participants. It is our policy to fund at least the minimum required contribution each year plus additional discretionary amounts as available and necessary to minimize expenses of the plan. We made contributions of \$8.0 million to the Pension Plan during 2018. Although the Company has no minimum contribution requirement for the Pension Plan in 2019, we expect to contribute \$8.0 million to the Pension Plan in 2019.

The Company has certain unfunded defined benefit plans: supplemental executive retirement plans ("SERPs"), which are unfunded non-qualified defined benefit pension plans providing postretirement income to their participants, and a postretirement plan ("Postretirement Benefits") that provides medical and life insurance for its participants. These plans require payments over extended periods of time. The Company will continue to make contributions to the SERPs and the Postretirement Benefits to the extent benefits are paid. Aggregate benefits paid for the unfunded plans are expected to be \$5.7 million in 2019.

As discussed in Note 14 — Commitments and Contingencies of the Notes to the Consolidated Financial Statements, the IRS completed its examination of the Company's consolidated income tax returns through 2013 and issued Notices of Deficiency for 2005-2007 and 2009 and an Examination Report for 2008. The Notices of Deficiency and Examination

Report disallow, among other items, approximately \$900.0 million of ordinary deductions on securities losses in the 2007, 2008 and 2009 tax returns. In May 2012 and December 2012, the Company filed petitions in the U.S. Tax Court challenging the 2005-2007 and 2009 Notices of Deficiency, respectively. In 2013, the Company reached a partial settlement with the IRS allowing ordinary loss treatment on \$186.9 million of deductions in dispute. In January 2015, the U.S. Tax Court granted the IRS's motion for summary judgment upholding the remaining adjustments in the Notices of Deficiency. During 2015, the Company made payments to the IRS of \$61.0 million for federal tax payments and associated interest related to the matter. The Company believes that it has substantive tax

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law arguments in favor of its position. The Company filed a notice of appeal with the U.S. Tax Court on July 27, 2015 for an appeal to the U.S. Court of Appeals for the Fifth Circuit. Oral arguments were held before the Fifth Circuit on June 7, 2016, and on November 15, 2016, the Fifth Circuit vacated the Tax Court's decision and remanded the case to the Tax Court for further proceedings. The Company filed a motion for summary judgment in the Tax Court on May 31, 2017. On August 23, 2017, the IRS filed a motion for summary judgment and its response to the Company's motion for summary judgment. The Tax Court directed the parties to agree to a joint stipulation of facts, which the parties have filed with the court. Each party has filed a revised memorandum in support of its motion for summary judgment in the Tax Court. The Tax Court is expected to schedule oral argument on this matter in early 2019. Pending the outcome of the appeal, the Company may be required to file amended state returns and make additional cash payments of up to \$19.5 million on amounts that have previously been accrued.

Analysis of Cash Flows

(Amounts in millions)	2018	2017	2016	2018 vs 2017	2017 vs 2016
Net cash provided by operating activities	\$29.3	\$132.5	\$120.9	\$(103.2)	\$11.6
Net cash used in investing activities	(57.8)	(83.6)	(82.8)	25.8	(0.8)
Net cash used in financing activities	(16.0)	(16.1)	(45.4)	0.1	29.3
Net change in cash and cash equivalents	\$(44.5)	\$32.8	\$(7.3)	\$(77.3)	\$40.1

Cash Flows from Operating Activities

During 2018, cash provided by operating activities decreased primarily from the \$70.0 million payment related to the DPA matter made in November 2018, severance payments made in connection with the Digital Transformation Program and an increase in payments for interest of \$8.8 million due to higher interest rates. The decrease was partially offset by the \$30.0 million payment related to the terminated merger with Ant Financial, a decrease in cash spent on outsourcing and independent contractor and consultant costs, marketing and other costs as part of ongoing cost-savings initiatives and a decrease in signing bonus payments of \$8.7 million, which included signing bonus recoveries of \$1.7 million.

During 2017, cash provided by operating activities increased due to a decrease in cash taxes, net and reduction in expenditures for working capital items. The increase was partially offset by an increase in signing bonus payments of \$6.3 million driven by the timing of agent expansion and retention efforts.

Cash Flows from Investing Activities

Items impacting net cash used in investing activities in 2018, 2017 and 2016 were from capital expenditures of \$57.8 million, \$83.6 million and \$82.8 million, respectively. During 2018, as the Company modernized its infrastructure and employed more advanced computer programming techniques, it reduced costs and the capital expenditures associated with IT processes and its agent and consumer facing systems.

Cash Flows from Financing Activities

In 2018, items impacting net cash used in financing activities were \$9.8 million of principal payments on debt and payments to tax authorities for stock-based compensation of \$6.2 million. In 2017, items impacting net cash used in financing activities were \$9.8 million of principal payments on debt and payments to tax authorities for stock-based compensation of \$8.0 million.

Stockholders' Deficit

Stockholders' Deficit — The Company is authorized to repurchase up to 12,000,000 shares of our common stock. As of December 31, 2018, we had repurchased a total of 9,842,509 shares of our common stock under this authorization and have remaining authorization to purchase up to 2,157,491 shares.

Under the terms of our outstanding credit facilities, we are restricted in our ability to pay dividends on our common stock. No dividends were paid on our common stock in 2018, and we do not anticipate declaring any dividends on our common stock during 2019.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts and related disclosures in the consolidated financial statements. Actual results could differ from those estimates. On a regular basis, management reviews its accounting policies, assumptions and estimates to ensure that our financial statements are presented fairly and in accordance with GAAP. Our significant accounting policies are discussed in Note 2 — Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements.

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Critical accounting policies are those policies that management believes are very important to the portrayal of our financial position and results of operations, and that require management to make estimates that are difficult, subjective or complex. Based on these criteria, management has identified and discussed with the Audit Committee the following critical accounting policies and estimates, including the methodology and disclosures related to those estimates.

Goodwill — We have two reporting units: Global Funds Transfer and Financial Paper Products. Our Global Funds Transfer reporting unit is the only reporting unit that carries goodwill. We evaluate goodwill for impairment annually as of October 1, or more frequently upon occurrence of certain events. When testing goodwill for impairment, we may elect to perform either a qualitative test or a quantitative test to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value. During a qualitative analysis, we consider the impact of any changes to the following factors: macroeconomic, industry and market factors, cost factors, and changes in overall financial performance, as well as any other relevant events and uncertainties impacting a reporting unit. If our qualitative assessment does not conclude that it is more likely than not that the estimated fair value of the reporting unit is greater than the carrying value, we perform a quantitative analysis. In a quantitative test, the fair value of a reporting unit is determined based on a discounted cash flow analysis and further analyzed using other methods of valuation. A discounted cash flow analysis requires us to make various assumptions, including assumptions about future cash flows, growth rates and discount rates. The assumptions about future cash flows and growth rates are based on our long-term projections by reporting unit. In addition, an assumed terminal value is used to project future cash flows beyond base years. Assumptions used in our impairment testing are consistent with our internal forecasts and operating plans. Our discount rate is based on our debt and equity balances, adjusted for current market conditions and investor expectations of return on our equity. If the fair value of a reporting unit exceeds its carrying amount, there is no impairment. If not, we compare the fair value of the reporting unit with its carrying amount. To the extent the carrying amount of the reporting unit exceeds its fair value, a write-down of the reporting unit's goodwill would be necessary.

We did not recognize a goodwill impairment loss for 2018, 2017 or 2016. The carrying value of goodwill assigned to the Global Funds Transfer reporting unit at December 31, 2018 was \$442.2 million. The annual impairment test indicated a fair value for the Global Funds Transfer reporting unit that was substantially in excess of the reporting unit's carrying value. In order to evaluate the sensitivity of the fair value calculations, we applied a hypothetical 10% decrease to the fair value of the Global Funds Transfer reporting unit. Had the estimated fair value been hypothetically lower by 10% as of December 31, 2018, the fair value of goodwill would still be substantially in excess of the reporting unit's carrying value.

During the fourth quarter of 2018, after the October 1 test date, the Company's stock price changed from \$5.35 per share on October 1, 2018, to a low point of \$1.59 per share and closed on December 31, 2018 at \$2.00 per share. The Company evaluated the impact of the decline in the stock price, which did not fall below our Global Funds Transfer reporting unit book value. As of December 31, 2018, the Global Funds Transfer reporting unit fair value is still substantially in excess of the reporting unit's carrying value and there were no qualitative factors that indicated that the fair value of the reporting unit is less than the carrying value.

Pension — Through the Company's Pension Plan and SERPs, collectively referred to as our "Pension," we provide defined benefit pension plan coverage to certain of our employees and certain employees of Viad Corporation, our former parent. Our pension obligations under these plans are measured as of December 31, the measurement date. Pension benefit obligations and the related expense are based upon actuarial projections using assumptions regarding mortality, discount rates, long-term return on assets and other factors.

Our assumptions reflect our historical experience and management's best judgment regarding future expectations. Certain of the assumptions, particularly the discount rate and expected return on plan assets, require significant judgment and could have a material impact on the measurement of our pension obligation.

In order to estimate the interest cost components of net periodic benefit expense for its Pension and Postretirement Benefits, the Company utilizes a full yield curve approach by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows.

At each measurement date, the discount rate used to measure total benefit obligation for the Pension and Postretirement Benefits is based on the then current interest rate yield curves for long-term corporate debt securities with maturities rated AA comparable to our obligations.

Our Pension Plan assets are primarily invested in commingled trust funds. Our investments are periodically realigned in accordance with the investment guidelines. The expected return on Pension Plan assets is based on our historical market experience, our asset allocations and our expectations for long-term rates of return. We also consider peer data and historical returns to assess the reasonableness and appropriateness of our assumption. Our Pension Plan asset allocations are reviewed periodically and are based upon plan funded ratio, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments.

Lower discount rates increase the Pension and Postretirement Benefits obligation and subsequent year pension expense, while higher discount rates decrease the Pension and Postretirement Benefits obligation and subsequent year pension expense. Decreasing the discount rate by 50 basis points would have increased the 2018 Pension and Postretirement Benefits net periodic benefit expense by \$0.5 million. If the discount rate increased by 50 basis points, the Pension and Postretirement Benefits net periodic benefit

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expense would have decreased by \$0.5 million. Decreasing the expected rate of return by 50 basis points would have increased the 2018 Pension Plan net periodic benefit expense by \$0.5 million and increasing the expected rate of return by 50 basis points would have decreased the 2018 Pension Plan net periodic benefit expense by \$0.5 million. **Income Taxes, Tax Contingencies** — We are subject to income taxes in the U.S. and various foreign jurisdictions. In determining taxable income, income or loss before taxes is adjusted for differences between local tax laws and GAAP. We file tax returns in multiple states within the U.S. and various countries. Generally, our tax filings are subject to audit by tax authorities for three to five years following submission of a return. With a few exceptions, the Company is no longer subject to foreign or U.S., state and local income tax examinations for years prior to 2013. The U.S. federal income tax filings are subject to audit for fiscal years 2015 through 2018.

The benefits of tax positions are recorded in the income statement if we determine it is more-likely-than-not, based on the technical merits of the position, that the tax position will be sustained upon examination, including any related appeals or litigation. The one exception to the more-likely-than-not recognition threshold is the reliance on past administrative practices and precedents, where a taxing authority with full knowledge of all relevant facts will accept a position as filed. In these limited situations, the Company will recognize the associated tax benefit.

Changes in tax laws, regulations, agreements and treaties, foreign currency exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact on the amount of income taxes that we provide during any given year. The determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of deductions and the sources and character of income and tax credits.

These assumptions and probabilities are periodically reviewed and revised based upon new information.

Changes in our current estimates due to unanticipated events, or other factors, could have a material effect on our financial condition and results of operations. Actual tax amounts may be materially different from amounts accrued based upon the results of audits due to different interpretations by the tax authorities than those of the Company.

While we believe that our reserves are adequate to cover reasonably expected tax risks, an unfavorable tax settlement generally requires the use of cash and an increase in the amount of income tax expense that we recognize. A favorable tax settlement generally requires a decrease in the amount of income taxes that we recognize.

Income Taxes, Valuation of Deferred Tax Assets — Deferred tax assets and liabilities are recorded based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax basis, and operating loss and tax credit carry-forwards on a taxing jurisdiction basis. We measure deferred tax assets and liabilities using enacted statutory tax rates that will apply in the years in which we expect the temporary differences to be recovered or paid.

The carrying amount of deferred tax assets must be reduced through valuation allowances if it is more-likely-than-not that the deferred tax asset will not be realized. In the period in which a valuation allowance is recorded, we would record tax expense, whereas a tax benefit would be recorded in the period a valuation allowance is released.

In assessing the need for valuation allowances, we consider both positive and negative evidence related to the likelihood that the deferred tax assets will be realized. Our assessment of whether a valuation allowance is required or should be adjusted requires judgment and is completed on a taxing jurisdiction basis. We consider, among other matters: the nature, frequency and severity of any cumulative financial reporting losses; the ability to carry back losses to prior years; future reversals of existing taxable temporary differences; tax planning strategies and projections of future taxable income. We also consider our best estimate of the outcome of any on-going examinations based on the technical merits of the position, historical procedures and case law, among other items.

As of December 31, 2018, we have recorded valuation allowances of \$68.9 million against deferred tax assets of \$104.7 million. The valuation allowances primarily relate to basis differences in revalued investments, capital losses and certain foreign tax loss carryovers. While we believe that the basis for estimating our valuation allowances is appropriate, changes in our current estimates due to unanticipated events, or other factors, could have a material effect on our financial condition and results of operations.

In accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 118, the Company recorded, in the fourth quarter of 2017, a \$19.8 million provisional tax benefit related to the remeasurement of its net U.S. deferred tax liabilities from 35% to 21%, along with a \$3.0 million tax benefit related to the remeasurement of its

deferred tax assets and liabilities primarily associated with historical earnings on its foreign subsidiaries. During the year ended December 31, 2018, the Company completed its accounting for the income tax effects of the TCJA giving consideration to additional notices and proposed regulations made available as of December 31, 2018. As a result of the additional information obtained and analyzed during the measurement period, the Company recognized an additional net tax benefit of \$1.3 million during the year ended December 31, 2018. The total tax benefit recognized as a result of the enactment was \$20.1 million

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tax benefit related to the remeasurement of our net U.S. deferred tax liabilities for the corporate rate reduction and \$4.0 million tax benefit related to the remeasurement of our deferred tax assets and liabilities primarily associated with historical earnings in our foreign subsidiaries. In light of the pending regulations surrounding the TCJA, we will continue to examine the impact the new tax law has on the Company, which could adversely affect our business, financial condition and results of operations.

The TCJA includes global intangible low-taxed income ("GILTI") provisions, which impose a U.S. income inclusion on foreign income in excess of a deemed return on tangible assets of foreign corporations. In accordance with Accounting Standards Codification ("ASC") 235-10-50, the Company elected in the fourth quarter of 2018 to treat GILTI inclusions as a current period expense when incurred under ASC Topic 740, "Income Taxes."

Recent Accounting Developments

Recent accounting developments are set forth in Note 2 — Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated by reference herein may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements with respect to, among other things, 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 "believes," "estimates," "expects," "projects," "plans," "anticipates," "intends," "continues," "will," "should," "could," "may," and other similar expressions are intended to identify some of the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with this statement, for purposes of complying with the safe harbor provisions of the Act. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the risks and uncertainties described in Part I, Item 1A under the caption "Risk Factors" of this Annual Report. These forward-looking statements speak only as of the date they are made, and MoneyGram undertakes no obligation to publicly update 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. These forward-looking statements are based on management's current expectations, beliefs and assumptions and are subject to certain risks, uncertainties and changes in circumstances due to a number of factors. These factors include, but are not limited to:

- our ability to compete effectively;
- our ability to maintain key agent or biller relationships, or a reduction in business or transaction volume from these relationships, including with our largest agent, Walmart, through its introduction of additional competing white-label money transfer products or otherwise, and due to increased costs or loss of business as a result of higher compliance standards;
- a security or privacy breach in systems, networks or databases on which we rely;
- current and proposed regulations addressing consumer privacy and data use and security;
- our ability to manage fraud risks from consumers or agents; litigation and regulatory proceedings involving us or our agents, which could result in material settlements, fines or penalties, revocation of required licenses or registrations, termination of contracts, other administrative actions or lawsuits and negative publicity;
- possible uncertainties relating to compliance with and the impact of the Amended DPA;
- disruptions to our computer systems and data centers and our ability to effectively operate and adapt our technology;
- our ability to successfully develop and timely introduce new and enhanced products and services and our investments in new products, services or infrastructure changes;
- our substantial debt service obligations, significant debt covenant requirements and credit rating and our ability to maintain sufficient capital;
- continued weakness in economic conditions, in both the U.S. and global markets;
- a significant change, material slow down or complete disruption of international migration patterns;
- our ability to manage risks associated with our international sales and operations, including exchange rates among currencies;
-

our offering of money transfer services through agents in regions that are politically volatile or, in a limited number of cases, that may be subject to certain OFAC restrictions;

- major bank failure or sustained financial market illiquidity, or illiquidity at our clearing, cash management and custodial financial institutions;

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the ability of us and our agents to maintain adequate banking relationships;
 changes in tax laws or unfavorable outcomes of tax positions we take, or a failure by us to establish adequate reserves for tax events;
 our ability to manage credit risks from our agents and official check financial institution customers;
 our ability to adequately protect our brand and intellectual property rights and to avoid infringing on the rights of others;
 our ability to attract and retain key employees;
 our ability to manage risks related to the operation of retail locations and the acquisition or start-up of businesses;
 any restructuring actions and cost reduction initiatives that we undertake may not deliver the expected results and these actions may adversely affect our business;
 our ability to maintain effective internal controls;
 our capital structure and the special voting rights provided to the designees of Thomas H. Lee Partners, L.P. on our Board of Directors; and
 the risks and uncertainties described in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of this Annual Report on Form 10-K, as well as any additional risk factors that may be described in our other filings with the SEC from time to time.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Enterprise Risk Management

Risk is an inherent part of any business. Our most prominent risk exposures are credit, interest rate and foreign currency exchange. See Part 1, Item 1A “Risk Factors” of this Annual Report on Form 10-K for a description of the principal risks to our business. Appropriately managing risk is important to the success of our business, and the extent to which we effectively manage each of the various types of risk is critical to our financial condition and profitability. Our risk management objective is to monitor and control risk exposures to produce steady earnings growth and long-term economic value.

Management implements policies approved by our Board of Directors that cover our investment, capital, credit and foreign currency practices and strategies. The Board receives periodic reports regarding each of these areas and approves significant changes to policy and strategy. The Asset/Liability Committee composed of senior management, routinely reviews investment and risk management strategies and results. The Credit Committee, composed of senior management, routinely reviews credit exposure to our agents.

The following is a discussion of the risks we deem most critical to our business and the strategies we use to manage and mitigate such risks. While containing forward-looking statements related to risks and uncertainties, this discussion and related analyses are not predictions of future events. Our actual results could differ materially from those anticipated due to various factors discussed under “Cautionary Statements Regarding Forward-Looking Statements” and under “Risk Factors” in Part 1, Item 1A of this Annual Report on Form 10-K.

Credit Risk

Credit risk, or the potential risk that we may not collect amounts owed to us, affects our business primarily through receivables, investments and derivative financial instruments. In addition, the concentration of our cash, cash equivalents and investments at large financial institutions exposes us to credit risk.

Investment Portfolio — Credit risk from our investment portfolio relates to the risk that we may be unable to collect the interest or principal owed to us under the legal terms of the various securities. Our primary exposure to credit risk arises through the concentration of a large amount of our investment portfolio at a few large banks, also referred to as financial institution risk, as well as a concentration in securities issued by U.S. government agencies.

At December 31, 2018, the Company’s investment portfolio of \$2.7 billion was primarily comprised of cash and cash equivalents, consisting of interest-bearing deposit accounts, non-interest-bearing transaction accounts and money market funds backed by U.S. government securities, and interest-bearing investments consisting of time deposits and certificates of deposit. Based on investment policy restrictions, investments are limited to those rated A- or better by

two of the following three rating agencies: Moody's, S&P and Fitch. If the rating agencies have split ratings, the Company uses the lower of the highest two out of three ratings across the agencies for disclosure purposes. If the institution has only two ratings, the Company uses the lower of the two ratings for disclosure purposes. No maturity of interest-bearing investments exceeds 24 months from the date of purchase.

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The financial institutions holding significant portions of our investment portfolio may act as custodians for our asset accounts, serve as counterparties to our foreign currency transactions and conduct cash transfers on our behalf for the purpose of clearing our payment instruments and related agent receivables and agent payables. Through certain check clearing agreements and other contracts, we are required to utilize several of these financial institutions.

The concentration in U.S. government agencies includes agencies placed under conservatorship by the U.S. government in 2008 and extended unlimited lines of credit from the U.S. Treasury. The implicit guarantee of the U.S. government and its actions to date support our belief that the U.S. government will honor the obligations of its agencies if the agencies are unable to do so themselves.

The following table is a detailed summary of our investment portfolio as of December 31, 2018:

(Amounts in millions, except percentages and financial institutions)	Number of Financial Institutions ⁽¹⁾	Amount	Percent of Investment Portfolio	
Cash held on-hand at owned retail locations	N/A	\$—	—	%
Cash equivalents collateralized by securities issued by U.S. government agencies	1	2.5	—	%
Available-for-sale investments issued by U.S. government agencies	N/A	4.5	—	%
Cash, cash equivalents and interest-bearing investments at institutions rated AAA ⁽²⁾	1	45.7	2	%
Cash, cash equivalents and interest-bearing investments at institutions rated AA	7	521.1	19	%
Cash, cash equivalents and interest-bearing investments at institutions rated A	11	1,579.4	58	%
Cash, cash equivalents and interest-bearing investments at institutions rated BBB	3	89.9	3	%
Cash, cash equivalents and interest-bearing investments at institutions rated below BBB	3	46.1	2	%
Asset-backed and other securities	N/A	1.2	—	%
Investment portfolio held within the U.S.	26	2,290.4	84	%
Cash held on-hand at owned retail locations	N/A	14.3	—	%
Cash, cash equivalents and interest-bearing investments held at institutions rated AA	7	222.3	8	%
Cash, cash equivalents and interest-bearing investments at institutions rated A	14	60.1	2	%
Cash, cash equivalents and interest-bearing investments at institutions rated below A	50	154.5	6	%
Investment portfolio held outside the U.S.	71	451.2	16	%
Total investment portfolio		\$2,741.6	100	%

⁽¹⁾ Financial institutions, located both in the U.S. and outside of the U.S., are included in each of their respective total number of financial institutions.

⁽²⁾ Inclusive of deposits with FDIC-insured institutions and where such deposits are fully insured by the Federal Deposit Insurance Corporation.

At December 31, 2018, all but \$1.2 million of the investment portfolio is invested in cash, cash equivalents, interest-bearing investments and investments issued or collateralized by U.S. government agencies. Approximately 84% of our total investment portfolio is invested at financial institutions located within the U.S.

Receivables — We have credit exposure to receivables from our agents through the money transfer, bill payment and money order settlement process. These receivables originate from independent agents who collect funds from consumers who are transferring money or buying money orders, and agents who receive proceeds from us in anticipation of payment to the recipients of money transfers. Agents typically have from one to three days to remit the funds, with longer remittance schedules granted to certain agents on a limited basis. The Company has a credit risk management function that conducts the underwriting of credit on new agents as well as conducting credit surveillance on all agents to monitor their financial health and the history of settlement activity with us. The Company's credit risk management function also maintains daily contact with agents and performs a collection function. For the year ended December 31, 2018, our annual credit losses from agents, as a percentage of total fee and other revenue, was less than 1%. As of December 31, 2018, we had credit exposure to our agents of \$363.2 million in the aggregate spread across 6,831 agents, of which two agents, individually, owed us in excess of \$15.0 million.

In addition, we are exposed to credit risk directly from consumer transactions particularly through our Digital solutions, where transactions are originated through means other than cash, and therefore are subject to credit card chargebacks, insufficient funds or other collection impediments, such as fraud. As the Digital solutions become a greater proportion of our money transfer business, these losses may increase.

We also have credit exposure to receivables from our financial institution customers for business conducted by the Financial Paper Products segment. Financial institutions collect proceeds for official checks and money orders and remit those proceeds to us. We actively monitor the credit risk associated with financial institutions such as banks and credit unions and have not incurred any losses associated with the failure or merger of any bank or non-bank financial institution customer. As of December 31, 2018, we

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had a credit exposure to our official check and money order financial institution customers of \$311.0 million in the aggregate spread across 1,039 financial institutions, of which one owed us in excess of \$15.0 million.

With respect to our credit union customers, our credit exposure is partially mitigated by National Credit Union Administration insurance and we have required certain credit union customers to provide us with larger balances on deposit and/or to issue cashier's checks only. While the value of these assets is not at risk in a disruption or collapse of a counterparty financial institution, the delay in accessing our assets could adversely affect our liquidity and potentially our earnings depending upon the severity of the delay and corrective actions we may need to take.

While the extent of credit risk may vary by product, the process for mitigating risk is similar. We assess the creditworthiness of each potential agent before accepting them into our distribution network. This underwriting process includes not only a determination of whether to accept a new agent, but also the remittance schedule and volume of transactions that the agent will be allowed to perform in a given timeframe. We actively monitor the credit risk of our existing agents by conducting periodic financial reviews and cash flow analyses of our agents that average high volumes of transactions and monitoring remittance patterns versus reported sales on a daily basis.

The timely remittance of funds by our agents and financial institution customers is an important component of our liquidity. If the timing of the remittance of funds were to deteriorate, it would alter our pattern of cash flows and could require us to liquidate investments or utilize our Revolving Credit Facility to settle payment service obligations. To manage this risk, we closely monitor the remittance patterns of our agents and financial institution customers and act quickly if we detect deterioration or alteration in remittance timing or patterns. If deemed appropriate, we have the ability to immediately deactivate an agent's equipment at any time, thereby preventing the initiation or issuance of further money transfers and money orders.

Credit risk management is complemented through functionality within our point-of-sale system, which can enforce credit limits on a real-time basis. The system also permits us to remotely disable an agent's terminals and cause a cessation of transactions.

Derivative Financial Instruments — Credit risk related to our derivative financial instruments relates to the risk that we are unable to collect amounts owed to us by the counterparties to our derivative agreements. Our derivative financial instruments are used to manage exposures to fluctuations in foreign currency exchange rates. If the counterparties to any of our derivative financial instruments were to default on payments, it could result in a delay or interruption of payments to our agents. We manage credit risk related to derivative financial instruments by entering into agreements with only major banks and regularly monitoring the credit ratings of these banks. See Note 6 — Derivative Financial Instruments of the Notes to the Consolidated Financial Statements for additional disclosure.

Interest Rate Risk

Interest rate risk represents the risk that our operating results are negatively impacted, and our investment portfolio declines in value, due to changes in interest rates. Given the short maturity profile of the investment portfolio and the low level of interest rates, we believe there is an extremely low risk that the value of these securities would decline such that we would have a material adverse change in our operating results. As of December 31, 2018, the Company held \$210.3 million, or 8%, of the investment portfolio in fixed rate investments.

Our operating results are impacted by interest rate risk through our net investment margin, which is investment revenue less investment commissions expense. As the money transfer business is not materially affected by investment revenue and pays commissions that are not tied to an interest rate index, interest rate risk has the most impact on our money order and official check businesses. We are invested primarily in interest-bearing deposit accounts, non-interest-bearing transaction accounts, money market funds backed by U.S. government securities, time deposits and certificates of deposit. These types of investments have minimal risk of declines in fair value from changes in interest rates. Our commissions paid to financial institution customers are determined using a variable rate based primarily on the federal funds effective rate and are reset daily. Accordingly, both our investment revenue and our investment commissions expense will decrease when rates decline and increase when rates rise.

Our results are impacted by interest rate risk through our interest expense for borrowings under the 2013 Credit Agreement. The Company may elect an interest rate for its debt under the 2013 Credit Agreement at each reset period based on the BOA prime bank rate or the Eurodollar rate. The interest rate election may be made individually for the Term Facility and each draw under the Revolving Credit Facility. The interest rate will be either the "alternate base rate"

(calculated in part based on the BOA prime rate) plus either 200 or 225 basis points (depending on the Company's secured leverage ratio or total leverage ratio, as applicable, at such time) or the Eurodollar rate plus either 300 or 325 basis points (depending on the Company's secured leverage ratio or total leverage ratio, as applicable, at such time). In connection with the initial funding under the 2013 Credit Agreement, the Company elected the Eurodollar rate as its primary interest basis. Under the terms of the 2013 Credit Agreement, the minimum interest rate applicable to Eurodollar borrowings under the Term Facility is 100 basis points plus the applicable margins previously referred to in this paragraph. Accordingly, any increases in interest rates will adversely affect interest expense.

The tables below incorporate substantially all of our interest rate sensitive assets and assumptions that reflect changes in all interest rates pertaining to the balance sheet. The “ramp” analysis assumes that interest rates change in even increments over the next 12

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months. The “shock” analysis assumes interest rates change immediately and remain at the changed level for the next twelve months. Components of our pre-tax income (loss) that are interest rate sensitive include “Investment revenue,” “Investment commissions expense” and “Interest expense.” Many of the Company’s assets reset or can be repriced when interest rates change, generally in line with changes in the Company’s floating rate liabilities. Therefore, our risk associated with interest rates is not material.

The following table summarizes the changes to affected components of the income statement under various ramp scenarios as of December 31, 2018:

	Basis Point Change in Interest Rates					
	Down 200	Down 100	Down 50	Up 50	Up 100	Up 200
(Amounts in millions)						
Investment revenue	(22.7)	(11.4)	(5.7)	5.7	11.4	22.7
Investment commissions expense	13.3	6.7	3.4	(3.4)	(6.7)	(13.5)
Interest expense	7.9	4.2	2.1	(2.1)	(4.2)	(8.3)
Change in pretax income	(1.5)	(0.5)	(0.2)	0.2	0.5	0.9

The following table summarizes the changes to affected components of the income statement under various shock scenarios as of December 31, 2018:

	Basis Point Change in Interest Rates					
	Down 200	Down 100	Down 50	Up 50	Up 100	Up 200
(Amounts in millions)						
Investment revenue	(43.3)	(21.9)	(11.0)	11.0	22.0	44.0
Investment commissions expense	22.1	11.4	5.7	(5.7)	(11.4)	(22.8)
Interest expense	12.7	8.3	4.2	(4.2)	(8.3)	(16.7)
Change in pretax income	(8.5)	(2.2)	(1.1)	1.1	2.3	4.5

Foreign Currency Risk

We are exposed to foreign currency risk in the ordinary course of business as we offer our products and services through a network of agents and financial institutions with locations in more than 200 countries and territories. By policy, we do not speculate in foreign currencies; all currency trades relate to underlying transactional exposures. Our primary source of foreign exchange risk is transactional risk. This risk is predominantly incurred in the money transfer business in which funds are frequently transferred cross-border and we settle with agents in multiple currencies. Although this risk is somewhat limited due to the fact that these transactions are short-term in nature, we currently manage some of this risk with forward contracts to protect against potential short-term market volatility. The primary currency pairs, based on volume, that are traded against the U.S. dollar in the spot and forward markets include the European euro, Mexican peso, British pound and Indian rupee. The tenor of forward contracts is typically fewer than 30 days.

Realized and unrealized gains or losses on transactional currency and any associated revaluation of balance sheet exposures are recorded in “Transaction and operations support” in the Consolidated Statements of Operations. The fair market value of any open forward contracts at period end are recorded in “Other assets” or “Accounts payable and other liabilities” in the Consolidated Balance Sheets. The net effect of changes in foreign exchange rates and the related forward contracts for the year ended December 31, 2018 was a gain of \$4.4 million.

Additional foreign currency risk is generated from fluctuations in the U.S. dollar value of future foreign currency-denominated earnings. In 2018, fluctuations in the euro exchange rate (net of transactional hedging activities) resulted in a net increase to our operating income of \$3.3 million.

In 2018, the euro was our second largest currency position in the world following the U.S. dollar. Had the euro appreciated or depreciated relative to the U.S. dollar by 20% from actual exchange rates for 2018, operating income would have increased or decreased approximately \$17.2 million for the year, as applicable. There are inherent limitations in this sensitivity analysis, primarily due to the assumption that foreign exchange rate movements are linear and instantaneous, that the unhedged exposure is static and that we would not hedge any additional exposure. As a result, the analysis cannot reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income.

Translation risk is generated from the accounting translation of the financial statements of foreign subsidiaries (from their functional currency) into U.S. dollars for consolidation and does not have a significant impact on our results. These translation adjustments are recorded in "Accumulated other comprehensive loss" on the Consolidated Balance Sheets.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by Item 8 is found in a separate section of this Annual Report on Form 10-K starting on page F-1. See the [“Index to Financial Statements”](#) on page F-1.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company’s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures are designed, without limitation, to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including the Company’s Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company’s management carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2018, the Company’s disclosure controls and procedures were effective. There were no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the fiscal quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Management’s annual report on internal control over financial reporting is provided on page F-2 of this Annual Report on Form 10-K. The attestation report of the Company’s independent registered public accounting firm, KPMG LLP, regarding the Company’s internal control over financial reporting is provided on page F-3 of this Annual Report on Form 10-K.

Item 9B. OTHER INFORMATION

None.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this Item is contained in Item 1 of this Annual Report on Form 10-K under the caption “Executive Officers of the Registrant” and in our definitive Proxy Statement for our 2019 Annual Meeting of Stockholders, and is incorporated herein by reference.

All of our employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, also referred to as the Principal Officers, are subject to our Code of Conduct. Our directors are also subject to our Code of Conduct, which is posted on our website at ir.moneygram.com in the Corporate Governance section. We will disclose any amendments to, or waivers of, our Code of Conduct for directors or Principal Officers on our website. The information on our website is not part of this Annual Report on Form 10-K.

Item 11. EXECUTIVE COMPENSATION

The information called for by this Item is contained in our definitive Proxy Statement for our 2019 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this Item is contained in our definitive Proxy Statement for our 2019 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by this Item is contained in our definitive Proxy Statement for our 2019 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this Item is contained in our definitive Proxy Statement for our 2019 Annual Meeting of Stockholders, and is incorporated herein by reference.

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PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) (1) The financial statements listed in the “Index to Financial Statements” are filed as part of this Annual Report on Form 10-K.
- (2) All financial statement schedules are omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or notes thereto listed in the “Index to Financial Statements.”
- (3) Exhibits are filed with this Annual Report on Form 10-K or incorporated herein by reference as listed in the accompanying Exhibit Index.
- The following exhibits are filed or incorporated by reference herein in response to Item 601 of Regulation S-K.
- (b) (1) The Company files Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K pursuant to the Securities Exchange Act of 1934 under Commission File No. 1-31950.

EXHIBIT INDEX

Exhibit Number	Description
2.1	<u>Separation and Distribution Agreement, dated as of June 30, 2004, by and among Viad Corporation, MoneyGram International, Inc., MGI Merger Sub, Inc. and Travelers Express Company, Inc. (Incorporated by reference from Exhibit 2.1 to Registrant’s Quarterly Report on Form 10-Q filed on August 13, 2004).</u>
2.2	<u>Recapitalization Agreement, dated as of March 7, 2011, among MoneyGram International, Inc., certain affiliates and co-investors of Thomas H. Lee Partners, L.P. and Goldman, Sachs & Co. and certain of its affiliates (Incorporated by reference from Exhibit 2.1 to Registrant’s Current Report on Form 8-K filed March 9, 2011).</u>
2.3	<u>Amendment No. 1 to Recapitalization Agreement, dated as of May 4, 2011, among MoneyGram International, Inc., certain affiliates and co-investors of Thomas H. Lee Partners, L.P. and Goldman, Sachs & Co. and certain of its affiliates (Incorporated by reference from Exhibit 2.1 to Registrant’s Current Report on Form 8-K filed May 6, 2011).</u>
2.4	<u>Agreement and Plan of Merger, dated January 26, 2017, by and among MoneyGram International, Inc., Alipay (UK) Limited, Matrix Acquisition Corp. and, solely for purposes of certain specified provisions thereof, Alipay (Hong Kong) Holding Limited (Incorporated by reference from Exhibit 2.1 to Registrant’s Current Report on Form 8-K filed January 26, 2017).</u>
2.5	<u>First Amendment to the Agreement and Plan of Merger, dated April 15, 2017, by and among MoneyGram International, Inc., Alipay (UK) Limited, Matrix Acquisition Corp. and Alipay (Hong Kong) Holding Limited (Incorporated by reference from Exhibit 2.1 to Registrant’s Current Report on Form 8-K filed April 17, 2017).</u>
2.6	<u>Termination Agreement, dated as of January 2, 2018, by and among MoneyGram International, Inc., Alipay (UK) Limited, Matrix Acquisition Corp. and Alipay (Hong Kong) Holding Limited (Incorporated by reference from Exhibit 10.1 to Registrant’s Current Report on Form 8-K filed January 2, 2018).</u>
3.1	<u>Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated June 28, 2004 (Incorporated by reference from Exhibit 3.1 to Registrant’s Annual Report on Form 10-K filed on March 15, 2010).</u>
3.2	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated May 12, 2009 (Incorporated by reference from Exhibit 3.1 to Registrant’s Annual Report on Form 10-K filed March 15, 2010).</u>
3.3	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated May 18, 2011 (Incorporated by reference from Exhibit 3.1 to Registrant’s Current Report on Form 8-K filed May 23, 2011).</u>
3.4	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram</u>

International, Inc., dated November 14, 2011 (Incorporated by reference from Exhibit 3.1 to Registrant's Current Report on Form 8-K filed November 14, 2011).

3.5 Amended and Restated Bylaws of MoneyGram International, Inc., dated October 28, 2015 (Incorporated by reference from Exhibit 3.5 to Registrant's Quarterly Report on Form 10-Q filed on November 2, 2015).

3.6 Amendment to the Amended and Restated Bylaws of MoneyGram International, Inc., dated March 2, 2016 (Incorporated by reference from Exhibit 3.6 to Registrant's Annual Report on Form 10-K filed on March 2, 2016).

3.7 Amended and Restated Certificate of Designations, Preferences and Rights of Series D Participating Convertible Preferred Stock of MoneyGram International, Inc., dated May 18, 2011 (Incorporated by reference from Exhibit 3.2 to Registrant's Current Report on Form 8-K filed May 23, 2011).

4.1 Form of Specimen Certificate for MoneyGram Common Stock (Incorporated by reference from Exhibit 4.1 to Amendment No. 4 to Registrant's Form 10 filed on June 14, 2004).

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- 4.2 Registration Rights Agreement, dated as of March 25, 2008, by and among the several Investor parties named therein and MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.5 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
- 4.3 Amendment No. 1 to Registration Rights Agreement, dated as of May 18, 2011, by and among MoneyGram International, Inc., certain affiliates and co-investors of Thomas H. Lee Partners, L.P., and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8-K filed May 23, 2011).
- 10.1 Employee Benefits Agreement, dated as of June 30, 2004, by and among Viad Corporation, MoneyGram International, Inc. and Travelers Express Company, Inc. (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).
- 10.2 Tax Sharing Agreement, dated as of June 30, 2004, by and between Viad Corporation and MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).
- †10.3 Form of Amended and Restated Non-Employee Director Indemnification Agreement between MoneyGram International, Inc. and Non-Employee Directors of MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on February 13, 2009).
- †10.4 Form of Employee Director Indemnification Agreement between MoneyGram International, Inc. and Employee Directors of MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8-K filed on February 13, 2009).
- †10.5 MoneyGram International, Inc. Performance Bonus Plan, as amended and restated February 17, 2010 (formerly known as the MoneyGram International, Inc. Management and Line of Business Incentive Plan) (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on February 22, 2010).
- †10.6 Deferred Compensation Plan for Directors of Viad Corp. as amended August 19, 2004 (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on November 12, 2004).
- †10.7 MoneyGram Supplemental Pension Plan, as amended and restated December 28, 2007 (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8-K filed on January 4, 2008).
- †10.8 First Amendment of MoneyGram Supplemental Pension Plan (Incorporated by reference from Exhibit 10.28 to Amendment No. 1 to Registrant's Annual Report on Form 10-K/A filed on August 9, 2010).
- †10.9 Description of MoneyGram International, Inc. Director's Charitable Matching Program (Incorporated by reference from Exhibit 10.13 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).
- †10.10 Viad Corporation Director's Charitable Award Program (Incorporated by reference from Exhibit 10.14 to Amendment No. 3 to Registrant's Form 10 filed on June 3, 2004).
- 10.11 Amended and Restated Purchase Agreement, dated as of March 17, 2008, among MoneyGram International, Inc. and the several Investor parties named therein (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on March 18, 2008).
- 10.12 Subscription Agreement, dated as of March 25, 2008, by and between MoneyGram International, Inc. and The Goldman Sachs Group, Inc. (Incorporated by reference from Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
- †10.13 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective August 11, 2009 (version 1) (Incorporated by reference from Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q filed on November 9, 2009).
- †10.14 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective August 11, 2009 (version 2) (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q filed on November 9, 2009).
- †10.15 Non-Qualified Stock Option Agreement, dated May 12, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on May 18, 2009).
- †10.16 Non-Qualified Stock Option Agreement, dated August 31, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K

filed on September 4, 2009).

†10.17 Amendment to Non-Qualified Stock Option Agreements, dated August 31, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8-K filed on September 4, 2009).

†10.18 The MoneyGram International, Inc. Outside Directors' Deferred Compensation Trust, dated January 5, 2005 (Incorporated by reference from Exhibit 99.05 to Registrant's Current Report on Form 8-K filed on November 22, 2005).

†10.19 Form of Employee Trade Secret, Confidential Information and Post-Employment Restriction Agreement (Incorporated by reference from Exhibit 10.27 to Registrant's Quarterly Report on Form 10-Q filed on May 12, 2008).

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- †10.20 MoneyGram International, Inc. Deferred Compensation Plan, as amended and restated February 16, 2011 (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed February 23, 2011).
- 10.21 Consent Agreement, dated as of March 7, 2011, among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc. and certain of its subsidiaries and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 9, 2011).
- †10.22 MoneyGram International, Inc. 2005 Omnibus Incentive Plan, as amended and restated May 8, 2015 (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed May 14, 2015).
- +10.23 Amended and Restated Credit Agreement, dated as of March 28, 2013, by and among MoneyGram International, Inc., Bank of America, N.A., as administrative agent, the financial institutions party thereto as lenders and the other agents party thereto (Incorporated by reference from Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2013).
- +10.24 Amendment No. 2 to Amended and Restated Credit Agreement, dated December 12, 2016, relating to Amended and Restated Credit Agreement dated March 28, 2013 between MoneyGram International, Inc., the lenders from time to time party thereto and Bank of America, N.A. as Administrative Agent (Incorporated by reference from Exhibit 10.107 to Registrant's Annual Report on Form 10-K filed March 16, 2017).
- 10.25 Amendment No. 3 to Amended and Restated Credit Agreement, dated December 30, 2016, relating to Amended and Restated Credit Agreement dated March 28, 2013 between MoneyGram International, Inc., the lenders from time to time party thereto and Bank of America, N.A. as Administrative Agent (Incorporated by reference from Exhibit 10.108 to Registrant's Annual Report on Form 10-K filed March 16, 2017).
- 10.26 Amendment No. 4 to Amended and Restated Credit Agreement and its related cover amendment, dated January 31, 2019, relating to Amended and Restated Credit Agreement dated March 28, 2013 between MoneyGram International, Inc., the lenders from time to time party thereto and Bank of America, N.A. as Administrative Agent (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed February 1, 2019).
- 10.27 Guaranty, dated as of May 18, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York LLC, and Bank of America, N.A., as administrative agent (Incorporated by reference from Exhibit 10.2 to Registrant's Current Report on Form 8-K filed May 23, 2011).
- 10.28 Pledge Agreement, dated as of May 18, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York LLC, and Bank of America, N.A., as collateral agent (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8-K filed May 23, 2011).
- 10.29 Security Agreement, dated as of May 18, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York LLC, and Bank of America, N.A., as collateral agent (Incorporated by reference from Exhibit 10.4 to Registrant's Current Report on Form 8-K filed May 23, 2011).
- 10.30 Intercreditor Agreement, dated as of May 18, 2011, among MoneyGram Payment Systems Worldwide, Inc., the First Priority Secured Parties as defined therein, the Second Priority Secured Parties as defined therein, and Deutsche Bank Trust Company Americas, as Trustee and Collateral Agent (Incorporated by reference from Exhibit 10.5 to Registrant's Current Report on Form 8-K filed May 23, 2011).
- 10.31 Patent Security Agreement, dated as of May 18, 2011, between MoneyGram International, Inc. and Bank of America, N.A., as Collateral Agent (Incorporated by reference from Exhibit 10.6 to Registrant's Current Report on Form 8-K filed May 23, 2011).
- 10.32 Patent Security Agreement, dated as of May 18, 2011, between MoneyGram Payment Systems, Inc. and Bank of America, N.A., as Collateral Agent (Incorporated by reference from Exhibit 10.7 to Registrant's Current Report on Form 8-K filed May 23, 2011).
- 10.33 Trademark Security Agreement, dated as of May 18, 2011, between MoneyGram International, Inc. and Bank of America, N.A., as Collateral Agent (Incorporated by reference from Exhibit 10.8 to Registrant's Current

Report on Form 8-K filed May 23, 2011).

10.34 Trademark Security Agreement, dated as of May 18, 2011, between MoneyGram Payment Systems, Inc. and Bank of America, N.A., as Collateral Agent (Incorporated by reference from Exhibit 10.9 to Registrant's Current Report on Form 8-K filed May 23, 2011).

10.35 Copyright Security Agreement, dated as of May 18, 2011, between MoneyGram International, Inc. and Bank of America, N.A., as Collateral Agent (Incorporated by reference from Exhibit 10.10 to Registrant's Current Report on Form 8-K filed May 23, 2011).

+10.36 First Incremental Amendment and Joinder Agreement, dated April 2, 2014, by and among MoneyGram International, Inc., as borrower, MoneyGram Payment Systems Worldwide, Inc., MoneyGram Payment Systems, Inc., and MoneyGram of New York LLC, Bank of America, N.A., as administrative agent, and the financial institutions party thereto as Lenders (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed May 2, 2014).

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- 10.37 Consent Agreement, dated as of August 12, 2011, by and among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc. and certain of its subsidiaries, and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference From Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed November 3, 2011).
- 10.38 Consent Agreement, dated as of August 12, 2011, by and among MoneyGram International, Inc., and certain affiliates and co-investors of Thomas H. Lee Partners, L.P. and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference From Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed November 3, 2011).
- 10.39 Consent Agreement, dated as of October 24, 2011, by and among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc. and certain of its subsidiaries, and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 10.85 to Registrant's Annual Report on Form 10-K filed on March 9, 2012).
- 10.40 Consent Agreement, dated as of November 15, 2011, by and among MoneyGram International, Inc., and certain affiliates and co-investors of Thomas H. Lee Partners, L.P. and affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8-K filed November 16, 2011).
- 10.41 Consent Agreement, dated as of November 17, 2011, by and among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc. and certain of its subsidiaries and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8-K filed November 18, 2011).
- †10.42 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Performance Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 99.1 to Registrant's Current Report on Form 8-K filed November 23, 2011).
- †10.43 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Stock Option Agreement (Incorporated by reference from Exhibit 99.2 to Registrant's Current Report on Form 8-K filed November 23, 2011).
- †10.44 Form of Executive Severance Agreement (Incorporated by reference from Exhibit 10.65 to Registrant's Annual Report on Form 10-K filed March 16, 2018).
- 10.45 Stipulation and Agreement of Compromise and Settlement, dated as of July 19, 2012, by and among the plaintiffs and class representatives party thereto, MoneyGram International, Inc., Thomas H. Lee Partners, L.P., The Goldman Sachs Group, Inc. and certain individual defendants party thereto (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed November 9, 2012).
- 10.46 Supplemental Agreement Regarding Settlement, dated as of July 20, 2012, by and among MoneyGram International, Inc., Thomas H. Lee Partners, L.P., The Goldman Sachs Group, Inc., certain individual defendants party thereto, and Federal Insurance Company (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed November 9, 2012).
- +10.47 Amended and Restated Master Trust Agreement dated January 29, 2016 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed February 1, 2016).
- +10.48 Amendment No. 1 to Amended and Restated Master Trust Agreement, dated August 26, 2016 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed October 31, 2016).
- +10.49 Amendment No. 2 to Amended and Restated Master Trust Agreement, dated October 25, 2016 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.75 to Registrant's Annual Report on Form 10-K filed March 16, 2017)"
- 10.50 Amendment No. 4 to Amended and Restated Master Trust Agreement, dated January 25, 2017 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.11 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017)
- 10.51

Amendment No. 5 to Amended and Restated Master Trust Agreement, dated January 1, 2017 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.12 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017)

10.52 Amendment No. 6 to Amended and Restated Master Trust Agreement, dated February 20, 2017 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.13 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017)

10.53 Amendment No. 1 to the Co-Branded MTaaS Website Addendum to the Amended and Restated Master Trust Agreement, dated February 22, 2017 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.14 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017)

10.54 Amendment No. 7 to Amended and Restated Master Trust Agreement, dated July 28, 2017 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed November 2, 2017)

10.55 Non-Employee Director Compensation Arrangements, revised to be effective January 1, 2017 (Incorporated by reference from Exhibit 10.76 to Registrant's Annual Report on Form 10-K filed March 16, 2018).

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- 10.56 Note Purchase Agreement, dated as of March 27, 2013, by and among MoneyGram Payment Systems Worldwide, Inc., GSMP V Onshore US, Ltd., GSMP V Offshore US, Ltd. and GSMP V Institutional US, Ltd. (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 28, 2013).
- 10.57 Stock Repurchase Agreement, dated March 26, 2014, by and among the Company and the THL Selling Stockholders (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 31, 2014).
- †10.58 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Stock Option Agreement (Incorporated by reference from Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2013).
- †10.59 Employment Agreement, dated July 30, 2015, by and between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.2 to Registrant's Current Report on Form 8-K filed July 31, 2015).
- †10.60 Amendment No. 1 to Employment Agreement, dated as of December 27, 2017, by and between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed December 28, 2017).
- †10.61 Employment Agreement, dated July 30, 2015, by and between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8-K filed July 31, 2015).
- †10.62 Amended and Restated Employment Agreement, dated March 2, 2018, by and between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 5, 2018).
- †10.63 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2016 Global Time-Based Restricted Stock Unit Award (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).
- †10.64 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2016 Global Performance-Based Restricted Stock Unit Award (Incorporated by reference from Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).
- †10.65 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2016 Global Performance-Based Cash Award Agreement (Incorporated by reference from Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).
- †10.66 2016 Global Time-Based Restricted Stock Unit Award Agreement, dated February 23, 2016, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).
- †10.67 2016 Global Performance-Based Restricted Stock Unit Award Agreement, dated February 23, 2016, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).
- †10.68 2016 Global Performance-Based Cash Award Agreement, dated February 23, 2016, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.10 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).
- †10.69 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2017 Global Time-Based Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).
- †10.70 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2017 Global Performance-Based Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).
- †10.71 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2017 Global Performance-Based Cash Award Agreement (Incorporated by reference from Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).
- †10.72

2017 Time-Based Restricted Stock Unit Award Agreement, dated February 22, 2017, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.7 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).

†10.73 2017 Performance-Based Restricted Stock Unit Award Agreement, dated February 22, 2017, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).

†10.74 2017 Performance-Based Cash Award Agreement, dated February 22, 2017, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).

†10.75 Tax Equalization Agreement, dated as of May 15, 2018, by and between MoneyGram International, Inc. and Grant Lines (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on August 3, 2018).

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- 10.76 Deferred Prosecution Agreement dated November 9, 2012 by and between MoneyGram International, Inc. and the United States Department of Justice and the United States Attorney's Office for the Middle District of Pennsylvania (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed November 8, 2018).
- 10.77 Amendment to and Extension of Deferred Prosecution Agreement dated November 8, 2018 by and between MoneyGram International, Inc. and the United States Department of Justice and the United States Attorney's Office for the Middle District of Pennsylvania (Incorporated by reference from Exhibit 10.2 to Registrant's Current Report on Form 8-K filed November 8, 2018).
- 10.78 Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction dated November 8, 2018 by and between MoneyGram International, Inc. and the Federal Trade Commission (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8-K filed November 8, 2018).
- *21.1 Subsidiaries of the Registrant
- *23.1 Consent of KPMG LLP
- *24.1 Power of Attorney
- *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
- The following materials from MoneyGram's Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii)
- *101 Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive (Loss) Income, (iv) Consolidated Statements of Stockholders' Deficit, (v) Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements.
- * Filed herewith.
- †Indicates management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.
- + Confidential information has been omitted from this Exhibit and has been filed separately with the SEC pursuant to a confidential treatment request under Rule 24b-2.

Item 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

MoneyGram International, Inc.
(Registrant)

Date: March 6, 2019 By: /s/ W. ALEXANDER HOLMES
W. Alexander Holmes
Chairman and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ W. Alexander Holmes	Chairman and Chief Executive Officer	March 6, 2019
W. Alexander Holmes	(Principal Executive Officer)	

/s/ Lawrence Angelilli	Chief Financial Officer	March 6, 2019
Lawrence Angelilli	(Principal Financial Officer)	

/s/ John D. Stoneham	Corporate Controller	March 6, 2019
John D. Stoneham	(Principal Accounting Officer)	

Directors

J. Coley Clark	Seth W. Lawry
Victor W. Dahir	Ganesh B. Rao
Antonio O. Garza	W. Bruce Turner
Peggy Vaughan	Michael Rafferty

By: /s/ F. Aaron Henry March 6, 2019
F. Aaron Henry
Attorney-in-fact

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Management's Responsibility Statement

The management of MoneyGram International, Inc. is responsible for the integrity, objectivity and accuracy of the consolidated financial statements of the Company. The consolidated financial statements are prepared by the Company in accordance with accounting principles generally accepted in the United States of America using, where appropriate, management's best estimates and judgments. The financial information presented throughout the Annual Report is consistent with that in the consolidated financial statements.

Management is also responsible for establishing and maintaining a system of internal controls and procedures over financial reporting designed to provide reasonable assurance that the books and records reflect the transactions of the Company and that assets are protected against loss from unauthorized use or disposition. Such a system is maintained through accounting policies and procedures administered by trained Company personnel and updated on a continuing basis to ensure their adequacy to meet the changing requirements of our business. The Company requires that all of its affairs, as reflected by the actions of its employees, be conducted according to the highest standards of personal and business conduct. This responsibility is reflected in our Code of Ethics.

To test compliance with the Company's system of internal controls and procedures over financial reporting, the Company carries out an extensive audit program. This program includes a review for compliance with written policies and procedures and a comprehensive review of the adequacy and effectiveness of the internal control system.

Although control procedures are designed and tested, it must be recognized that there are limits inherent in all systems of internal control and, therefore, errors and irregularities may nevertheless occur. Also, estimates and judgments are required to assess and balance the relative cost and expected benefits of the controls. Projection of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Board of Directors, which is composed solely of outside independent directors, meets quarterly with management, internal audit and the independent registered public accounting firm to discuss internal accounting control, auditing and financial reporting matters, as well as to determine that the respective parties are properly discharging their responsibilities. Both our independent registered public accounting firm and internal auditors have had and continue to have unrestricted access to the Audit Committee without the presence of management.

Management assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, management believes that the Company designed and maintained effective internal control over financial reporting as of December 31, 2018.

The Company's independent registered public accounting firm, KPMG LLP, has been engaged to audit our financial statements included in this Annual Report on Form 10-K and the effectiveness of the Company's system of internal control over financial reporting as of December 31, 2018. Their attestation report regarding the Company's internal control over financial reporting is included on page F-3 of this Annual Report on Form 10-K.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
MoneyGram International, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited MoneyGram International, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive (loss) income, cash flows, and stockholders' deficit for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated March 6, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Responsibility Statement. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Dallas, Texas
March 6, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors

MoneyGram International, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of MoneyGram International, Inc. and subsidiaries (the Company) as of December 31, 2018, and 2017, the related consolidated statements of operations, comprehensive (loss) income, cash flows, and stockholders' deficit for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 6, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2016.

Dallas, Texas

March 6, 2019

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CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31,	2018	2017
(Amounts in millions, except share data)		
ASSETS		
Cash and cash equivalents	\$145.5	\$190.0
Settlement assets	3,373.8	3,756.9
Property and equipment, net	193.9	214.9
Goodwill	442.2	442.2
Other assets	140.7	168.5
Total assets	\$4,296.1	\$4,772.5
LIABILITIES		
Payment service obligations	\$3,373.8	\$3,756.9
Debt, net	901.0	908.1
Pension and other postretirement benefits	76.6	97.3
Accounts payable and other liabilities	213.5	255.5
Total liabilities	4,564.9	5,017.8
COMMITMENTS AND CONTINGENCIES (NOTE 14)		
STOCKHOLDERS' DEFICIT		
Participating convertible preferred stock - series D, \$0.01 par value, 200,000 shares authorized, 71,282 issued at December 31, 2018 and December 31, 2017	183.9	183.9
Common stock, \$0.01 par value, 162,500,000 shares authorized, 58,823,567 shares issued at December 31, 2018 and December 31, 2017	0.6	0.6
Additional paid-in capital	1,046.8	1,034.8
Retained loss	(1,403.6)	(1,336.1)
Accumulated other comprehensive loss	(67.5)	(63.0)
Treasury stock: 3,207,118 and 4,585,223 shares at December 31, 2018 and December 31, 2017, respectively	(29.0)	(65.5)
Total stockholders' deficit	(268.8)	(245.3)
Total liabilities and stockholders' deficit	\$4,296.1	\$4,772.5
See Notes to the Consolidated Financial Statements		

Index to Financial StatementsMONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, (Amounts in millions, except per share data)	2018	2017	2016
REVENUE			
Fee and other revenue	\$1,398.1	\$1,560.9	\$1,612.4
Investment revenue	49.5	41.2	18.0
Total revenue	1,447.6	1,602.1	1,630.4
EXPENSES			
Fee and other commissions expense	688.6	763.5	793.1
Investment commissions expense	19.3	8.7	2.5
Direct transaction expense	24.3	21.8	18.8
Total commissions and direct transaction expenses	732.2	794.0	814.4
Compensation and benefits	259.8	271.8	288.5
Transaction and operations support	298.8	380.5	290.7
Occupancy, equipment and supplies	62.0	66.1	61.9
Depreciation and amortization	76.3	75.1	79.9
Total operating expenses	1,429.1	1,587.5	1,535.4
OPERATING INCOME	18.5	14.6	95.0
Other expenses			
Interest expense	53.6	45.3	45.0
Debt extinguishment costs	—	—	0.3
Other non-operating (income) expense	(24.2)	) 5.9	7.2
Total other expenses	29.4	51.2	52.5
(Loss) income before income taxes	(10.9)	) (36.6)	) 42.5
Income tax expense (benefit)	13.1	(6.8)	) 26.6
NET (LOSS) INCOME	\$(24.0)	) \$(29.8)	) \$15.9
(LOSS) EARNINGS PER COMMON SHARE			
Basic	\$(0.37)	) \$(0.47)	) \$0.26
Diluted	\$(0.37)	) \$(0.47)	) \$0.24
Weighted-average outstanding common shares and equivalents used in computing (loss) earnings per share			
Basic	64.3	62.9	62.3
Diluted	64.3	62.9	65.9
See Notes to the Consolidated Financial Statements			

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MONEYGRAM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

FOR THE YEAR ENDED DECEMBER 31,	2018	2017	2016
(Amounts in millions)			
NET (LOSS) INCOME	\$(24.0)	\$(29.8)	\$15.9
OTHER COMPREHENSIVE LOSS			
Net change in unrealized holding gains on available-for-sale securities arising during the period, net of tax benefit of \$0.0 for the years ended December 31, 2018 and 2017 and \$0.1 for the year ended December 31, 2016	(0.3)	3.6	(0.3)
Net reclassification adjustment for net realized gains included in net earnings, net of tax expense of \$0.0 for the years ended December 31, 2018, 2017 and 2016	—	(12.2)	—
Net change in pension liability due to amortization of prior service credit and net actuarial loss, net of tax benefit of \$1.0, \$1.6 and \$2.0 for the years ended December 31, 2018, 2017 and 2016, respectively	3.5	2.8	3.5
Valuation adjustment for pension and postretirement benefits, net of tax expense (benefit) of \$1.8, (\$4.5) and (\$1.2) for the years ended December 31, 2018, 2017 and 2016, respectively	6.1	(10.6)	(2.1)
Unrealized foreign currency translation adjustments, net of tax benefit (expense) of \$0.0, (\$8.0) and \$1.3 for the years ended December 31, 2018, 2017 and 2016, respectively	(13.8)	9.5	(6.4)
Other comprehensive loss	(4.5)	(6.9)	(5.3)
COMPREHENSIVE (LOSS) INCOME	\$(28.5)	\$(36.7)	\$10.6
See Notes to the Consolidated Financial Statements			

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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, (Amounts in millions)	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	\$(24.0)	\$(29.8)	\$15.9
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	76.3	75.1	79.9
Signing bonus amortization	53.9	51.9	54.0
Deferred income tax expense (benefit)	9.5	(4.9)	7.3
Amortization of debt discount and debt issuance costs	3.1	3.2	3.7
Non-cash compensation and pension expense	18.2	20.4	25.1
Gain on redemption of asset-backed security	—	(12.2)	—
Signing bonus payments	(31.6)	(40.3)	(34.0)
Change in other assets	(3.9)	(4.6)	1.0
Change in accounts payable and other liabilities	(73.7)	70.3	(31.8)
Other non-cash items, net	1.5	3.4	(0.2)
Net cash provided by operating activities	29.3	132.5	120.9
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(57.8)	(83.6)	(82.8)
Net cash used in investing activities	(57.8)	(83.6)	(82.8)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on debt	(9.8)	(9.8)	(30.3)
Payments to tax authorities for stock-based compensation	(6.2)	(8.0)	(2.7)
Proceeds from exercise of stock options and other	—	1.7	—
Stock repurchases	—	—	(11.7)
Contingent consideration payment	—	—	(0.7)
Net cash used in financing activities	(16.0)	(16.1)	(45.4)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(44.5)	32.8	(7.3)
CASH AND CASH EQUIVALENTS—Beginning of year	190.0	157.2	164.5
CASH AND CASH EQUIVALENTS—End of year	\$145.5	\$190.0	\$157.2
Supplemental cash flow information:			
Cash payments for interest	\$50.7	\$41.9	\$41.6
Cash payments for taxes, net of refunds	\$4.8	\$5.0	\$9.5
See Notes to the Consolidated Financial Statements			

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MONEYGRAM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

(Amounts in millions)	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Loss	Accumulated Other Comprehensive Loss	Treasury Stock	Total
January 1, 2016	\$ 183.9	\$ 0.6	\$ 1,002.4	\$(1,231.4)	\$ (50.8)	\$(134.2)	\$(229.5)
Net income	—	—	—	15.9	—	—	15.9
Stock-based compensation activity	—	—	17.9	(37.1)	—	34.2	15.0
Stock repurchase	—	—	—	—	—	(11.7)	(11.7)
Other comprehensive loss	—	—	—	—	(5.3)	—	(5.3)
December 31, 2016	183.9	0.6	1,020.3	(1,252.6)	(56.1)	(111.7)	(215.6)
Net loss	—	—	—	(29.8)	—	—	(29.8)
Stock-based compensation activity	—	—	14.5	(53.7)	—	46.2	7.0
Other comprehensive loss	—	—	—	—	(6.9)	—	(6.9)
December 31, 2017	183.9	0.6	1,034.8	(1,336.1)	(63.0)	(65.5)	(245.3)
Net loss	—	—	—	(24.0)	—	—	(24.0)
Stock-based compensation activity	—	—	12.0	(43.4)	—	36.5	5.1
Cumulative effect of adoption of ASU 2016-16	—	—	—	(0.1)	—	—	(0.1)
Other comprehensive loss	—	—	—	—	(4.5)	—	(4.5)
December 31, 2018	\$ 183.9	\$ 0.6	\$ 1,046.8	\$(1,403.6)	\$ (67.5)	\$(29.0)	\$(268.8)

See Notes to the Consolidated Financial Statements

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MONEYGRAM INTERNATIONAL, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of the Business and Basis of Presentation

References to “MoneyGram,” the “Company,” “we,” “us” and “our” are to MoneyGram International, Inc. and its subsidiaries.

Nature of Operations — MoneyGram offers products and services under its two reporting segments: Global Funds Transfer and Financial Paper Products. The Global Funds Transfer segment provides global money transfer services and bill payment services to consumers. We primarily offer services through third-party agents, including retail chains, independent retailers, post offices and other financial institutions. We also offer Digital solutions such as moneygram.com, mobile solutions, account deposit and kiosk-based services. Additionally, we have limited Company-operated retail locations. The Financial Paper Products segment provides official check outsourcing services and money orders through financial institutions and agent locations.

Basis of Presentation — The accompanying consolidated financial statements of MoneyGram are prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”). The Consolidated Balance Sheets are unclassified due to the timing uncertainty surrounding the payment of settlement obligations.

In the first quarter of 2018, the Company changed the presentation of certain operating expenses, which are now presented as part of “Direct transaction expense” on the Consolidated Statements of Operations. Direct transaction expense includes expenses related to the processing of money transfers, such as customer authentication and funding costs. Prior period amounts have been updated to reflect the change in presentation, which had no impact on operating income, net income, earnings per share, or segments’ operating results.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience, future expectations and other factors and assumptions the Company believes to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis and are revised when necessary. Changes in estimates are recorded in the period of change. Actual amounts may differ from these estimates.

Principles of Consolidation — The consolidated financial statements include the accounts of MoneyGram International, Inc. and its subsidiaries. Intercompany profits, transactions and account balances have been eliminated in consolidation.

The Company participates in various trust arrangements (special purpose entities or “SPEs”) related to official check processing agreements with financial institutions and structured investments within the investment portfolio. As the Company is the primary beneficiary and bears the primary burden of any losses, the SPEs are consolidated in the consolidated financial statements. The assets of the SPEs are recorded in the Consolidated Balance Sheets in a manner consistent with the assets of the Company based on the nature of the asset. Accordingly, the obligations have been recorded in the Consolidated Balance Sheets under “Payment service obligations.” The investment revenue generated by the assets of the SPEs is allocated to the Financial Paper Products segment in the Consolidated Statements of Operations. As of December 31, 2018 and 2017, the Company had only one SPE remaining with settlement assets equal to the payment service obligations of \$0.8 million.

Merger Agreement — On January 26, 2017, MoneyGram International, Inc. entered into an Agreement and Plan of Merger (as amended by the First Amendment to the Agreement and Plan of Merger, dated April 15, 2017, the “Merger Agreement”) with Alipay (UK) Limited, a United Kingdom limited company (“Alipay”), Matrix Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Alipay (“Merger Sub”), and, solely for purposes of certain specified provisions of the Merger Agreement, Alipay (Hong Kong) Holding Limited, a Hong Kong limited company, providing for the merger of Merger Sub with and into the Company, with the Company surviving as a wholly owned subsidiary of Alipay (the “Merger”). The closing of the Merger was subject to certain conditions, including clearance by the Committee on Foreign Investment in the United States (“CFIUS”) under the Defense Production Act of 1950, as

amended. On January 2, 2018, the parties to the Merger Agreement were advised that CFIUS clearance of the Merger would not be forthcoming, and after further discussion between the parties, they determined to cease efforts to seek CFIUS approval and entered into a Termination Agreement (the "Termination Agreement"). Pursuant to the Termination Agreement, Alipay paid the Company a termination fee of \$30.0 million on January 3, 2018, which is recorded in "Other non-operating (income) expense" on the Consolidated Statements of Operations for the year ended December 31, 2018. The parties agreed to release each other from certain claims and liabilities arising out of or relating to the Merger Agreement or the transactions contemplated thereby.

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Note 2 — Summary of Significant Accounting Policies

Cash and cash equivalents — The Company defines cash and cash equivalents and settlement cash and cash equivalents as cash on hand and all highly liquid debt instruments with original maturities of three months or less at the purchase date.

Settlement assets and payment service obligations — The Company records payment service obligations relating to amounts payable under money transfers, money orders and consumer payment service arrangements. These obligations are recognized by the Company at the time the underlying transaction occurs. The Company records corresponding settlement assets, which represent funds received or to be received for unsettled money transfers, money orders and consumer payments. Settlement assets consist of settlement cash and cash equivalents, receivables and investments. Payment service obligations primarily consist of outstanding payment instruments; amounts owed to financial institutions for funds paid to the Company to cover clearings of official check payment instruments, remittances and clearing adjustments; amounts owed to agents for funds paid to consumers on behalf of the Company; commissions owed to financial institution customers and agents for instruments sold; amounts owed to investment brokers for purchased securities and unclaimed instruments owed to various states.

The Company's primary licensed entity is MoneyGram Payment Systems, Inc. ("MPSI"), which enables us to offer our money transfer service around the globe. MPSI is regulated by various U.S. state agencies that generally require the Company to maintain a pool of assets with an investment rating bearing one of the three highest grades as defined by a nationally recognized rating agency ("permissible investments") in an amount equal to the payment service obligations, as defined by each state, for those regulated payment instruments, namely teller checks, agent checks, money orders and money transfers. The regulatory payment service assets measure varies by state but in all cases excludes investments rated below A-. The most restrictive states may also exclude assets held at banks that do not belong to a national insurance program, varying amounts of accounts receivable balances and/or assets held in the SPE. The regulatory payment service obligations measure varies by state, but in all cases is substantially lower than the Company's payment service obligations as disclosed in the Consolidated Balance Sheets as the Company is not regulated by state agencies for payment service obligations resulting from outstanding cashier's checks or for amounts payable to agents and brokers.

We are also subject to licensing or other regulatory requirements in various other jurisdictions. Licensing requirements may include minimum net worth, provision of surety bonds or letters of credit, compliance with operational procedures, agent oversight and the maintenance of settlement assets in an amount equivalent to outstanding payment service obligations, as defined by our various regulators.

The regulatory and contractual requirements do not require the Company to specify individual assets held to meet its payment service obligations, nor is the Company required to deposit specific assets into a trust, escrow or other special account. Rather, the Company must maintain a pool of liquid assets sufficient to comply with the requirements. No third-party places limitations, legal or otherwise, on the Company regarding the use of its individual liquid assets. The Company is able to withdraw, deposit or sell its individual liquid assets at will, with no prior notice or penalty, provided the Company maintains a total pool of liquid assets sufficient to meet the regulatory and contractual requirements. Regulatory requirements also require MPSI to maintain positive net worth, with certain states requiring that MPSI maintain positive tangible net worth. The Company was in compliance with its contractual and financial regulatory requirements as of December 31, 2018.

The following table summarizes the amount of settlement assets and payment service obligations as of December 31: (Amounts in millions)

	2018	2017
Settlement assets:		
Settlement cash and cash equivalents	\$1,435.7	\$1,469.9
Receivables, net	777.7	1,125.8
Interest-bearing investments	1,154.7	1,154.2
Available-for-sale investments	5.7	7.0

	\$3,373.8	\$3,756.9
Payment service obligations	\$(3,373.8)	\$(3,756.9)

Receivables, net (included in settlement assets) — The Company has receivables due from financial institutions and agents for payment instruments sold and amounts advanced by the Company to certain agents for operational and local regulatory purposes. These receivables are outstanding from the day of the sale of the payment instrument until the financial institution or agent remits the funds to the Company. The Company provides an allowance for the portion of the receivable estimated to become uncollectible based on its history of collection experience, known collection issues, such as agent suspensions and bankruptcies, consumer credit card chargebacks and insufficient funds and other matters the Company identifies in its routine collection monitoring. Receivables are generally considered past due one day after the contractual remittance schedule, which is typically one to three days after the

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sale of the underlying payment instrument. Receivables are generally written off against the allowance one year after becoming past due.

The following summary details the activity within the allowance for credit losses for the years ended December 31:

(Amounts in millions)	2018	2017	2016
Beginning balance	\$6.6	\$11.8	\$9.2
Provision	11.2	8.0	12.9
Write-offs, net of recoveries	(10.5)	(13.2)	(10.3)
Ending balance	\$7.3	\$6.6	\$11.8

Investments (included in settlement assets) — The Company classifies securities as interest-bearing or available-for-sale. The Company has no securities classified as trading or held-to-maturity. Time deposits and certificates of deposits with original maturities of up to 24 months are classified as interest-bearing investments and recorded at amortized cost. Securities held for indefinite periods of time, including any securities that may be sold to assist in the clearing of payment service obligations or in the management of the investment portfolio, are classified as available-for-sale securities. These securities are recorded at fair value, with the net after-tax unrealized gain or loss recorded in "Accumulated other comprehensive loss" in the stockholders' deficit section of the Consolidated Balance Sheets. Realized gains and losses and other-than-temporary impairments are recorded in the Consolidated Statements of Operations under "Total other expenses."

Interest income on residential mortgage-backed securities for which risk of credit loss is deemed remote is recorded utilizing the level yield method. Changes in estimated cash flows, both positive and negative, are accounted for with retrospective changes to the carrying value of investments in order to maintain a level yield over the life of the investment. Interest income on residential mortgage-backed securities for which risk of credit loss is not deemed remote is recorded under the prospective method as adjustments of yield. Additionally, the Company applies the cost recovery method of accounting for interest to some of the investments within the available-for-sale portfolio as it believes it is probable that we will not recover all, or substantially all, of its principal investment and interest for its asset-backed and other securities given the sustained deterioration in the investment and securities market, the collapse of many asset-backed securities and the low levels to which the securities have been written down.

The Company evaluates all residential mortgage-backed and other asset-backed investments for impairment based on management's evaluation of the underlying reasons for the decline in fair value on an individual security basis. When an adverse change in expected cash flows occurs, and if the fair value of a security is less than its carrying value, the investment is written down to fair value through a permanent reduction to its amortized cost in the period the impairment occurs. Securities gains and losses are recognized upon the sale, call or maturity of securities using the specific identification method to determine the cost basis of securities sold.

Fair Value of Financial Instruments — Financial instruments consist of cash and cash equivalents, settlement cash and cash equivalents, investments, derivatives, payment service obligations and debt. The carrying values of cash and cash equivalents, settlement cash and cash equivalents, interest-bearing investments and payment service obligations approximate fair value. The carrying value of debt is stated at amortized cost; however, for disclosure purposes the fair value is estimated. See Note 4 — Fair Value Measurement for information regarding the principles and processes used to estimate the fair value of financial instruments.

Derivative Financial Instruments — The Company recognizes derivative financial instruments in the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value is recognized through the "Transaction and operations support" line in the Consolidated Statements of Operations in the period of change. See Note 6 — Derivative Financial Instruments for additional disclosure.

Property and Equipment — Property and equipment includes computer hardware, computer software, signage, equipment at agent locations, office furniture and equipment and leasehold improvements, and is stated at cost net of accumulated depreciation and amortization. Property and equipment is depreciated and amortized using a straight-line method over the useful life or term of the lease or license. The cost and related accumulated depreciation and amortization of assets sold or disposed of are removed from the financial statements, with the resulting gain or loss, if any, recognized in "Occupancy, equipment and supplies" in the Consolidated Statements of Operations. See Note 7 — Property and Equipment for additional disclosure.

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The following table summarizes the estimated useful lives by major asset category:

Type of Asset	Useful Life
Computer hardware	3 years
Computer software	5 - 7 years
Signage	3 years
Equipment at agent locations	3 - 7 years
Office furniture and equipment	7 years
Leasehold improvements	10 years

Tenant allowances for leasehold improvements are capitalized as leasehold improvements upon completion of the improvement and amortized over the shorter of the remaining term of the lease or 10 years.

Computer software includes acquired and internally developed software. For the years ended December 31, 2018 and 2017, software development costs of \$22.6 million and \$43.9 million, respectively, were capitalized. At December 31, 2018 and 2017, there were \$104.0 million and \$115.2 million, respectively, of unamortized software development costs included in property and equipment.

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable by comparing the carrying value of the assets to the estimated future undiscounted cash flows to be generated by the asset. If an impairment is determined to exist for property and equipment, the carrying value of the asset is reduced to the estimated fair value.

Goodwill and Intangible Assets — Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is assigned to the reporting unit in which the acquired business will operate.

Intangible assets are recorded at their estimated fair value at the date of acquisition. In the year following the period in which identified intangible assets become fully amortized, the fully amortized balances are removed from the gross asset and accumulated amortization amounts. Goodwill is not amortized but is instead subject to impairment testing. Intangible assets with finite lives are amortized using a straight-line method over their respective useful lives as follows:

Type of Intangible Asset	Useful Life
Contractual and customer relationships	3-15 years
Non-compete agreements	3-5 years
Developed technology	5-7 years

The Company evaluates its goodwill for impairment annually as of October 1 of each year or more frequently if impairment indicators arise in accordance with Accounting Standards Codification (“ASC”) Topic 350, “Intangibles - Goodwill and Other.” When testing goodwill for impairment, the Company may elect to perform either a qualitative test or a quantitative test to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value. During a qualitative analysis, the Company considers the impact of any changes to the following factors: macroeconomic, industry and market factors, cost factors, and changes in overall financial performance, as well as any other relevant events and uncertainties impacting a reporting unit. If the qualitative assessment does not conclude that it is more likely than not that the estimated fair value of the reporting unit is greater than the carrying value, the Company performs a quantitative analysis. In a quantitative test, the carrying value of the reporting unit is compared to its estimated fair value. If the fair value of a reporting unit exceeds its carrying amount, there is no impairment. If not, to the extent the carrying amount of the reporting unit exceeds its fair value, an impairment charge of the reporting unit's goodwill would be recognized; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit. Intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable by comparing the carrying value of the assets to the estimated future undiscounted cash flows to be generated by the asset. If an impairment is determined to exist for intangible assets, the carrying value of the asset is reduced to the estimated fair value.

Payments on Long-Term Contracts — The Company makes payments to certain agents and financial institution customers as an incentive to enter into long-term contracts. The payments, or signing bonuses, are generally required to be refunded pro rata in the event of nonperformance under, or cancellation of, the contract by the customer. Signing

bonuses are viewed as prepaid commissions expense and are, therefore, capitalized and amortized over the life of the related contract. Amortization of signing bonuses on long-term contracts is recorded in “Fee and other commissions expense” in the Consolidated Statements of Operations. The carrying values of the signing bonuses are reviewed whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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Income Taxes — The provision for income taxes is computed based on the pre-tax income (loss) included in the Consolidated Statements of Operations. Deferred tax assets and liabilities are recorded based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax basis, and operating loss and tax credit carry-forwards on a taxing jurisdiction basis. The Company measures deferred tax assets and liabilities using enacted statutory tax rates that will apply in the years in which the Company expects the temporary differences to be recovered or paid. The Company's ability to realize deferred tax assets depends on the ability to generate sufficient taxable income within the carry-back or carry-forward periods provided for in the tax law. The Company establishes valuation allowances for its deferred tax assets based on a more-likely-than-not threshold. To the extent management believes that recovery is not likely, a valuation allowance is established in the period in which the determination is made.

The legislation commonly known as the "Tax Cuts and Jobs Act," and also known as H.R. 1 - 115th Congress (the "TCJA"), includes global intangible low-taxed income ("GILTI") provisions, which impose a U.S. income inclusion on foreign income in excess of a deemed return on tangible assets of foreign corporations. In accordance with ASC 235-10-50, the Company elected in the fourth quarter of 2018 to treat GILTI inclusions as a current period expense when incurred under ASC Topic 740, "Income Taxes."

The liability for unrecognized tax benefits is recorded as a non-cash item in "Accounts payable and other liabilities" in the Consolidated Balance Sheets. The Company records interest and penalties for unrecognized tax benefits in "Income tax expense" in the Consolidated Statements of Operations. See Note 13— Income Taxes for additional disclosure.

Treasury Stock — Repurchased common stock is stated at cost and is presented as a separate component of stockholders' deficit. See Note 11 — Stockholders' Deficit for additional disclosure.

Foreign Currency Translation — The Company converts assets and liabilities of foreign operations to their U.S. dollar equivalents at rates in effect at the balance sheet dates and records the translation adjustments in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. Income statements of foreign operations are translated from the operation's functional currency to U.S. dollar equivalents at the average exchange rate for the month. Foreign currency exchange transaction gains and losses are reported in "Transaction and operations support" in the Consolidated Statements of Operations.

Revenue Recognition — In the first quarter of 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), using the cumulative effect transition method for all contracts. There was no transition impact on the Consolidated Financial Statements from the adoption of this ASU. The Company earns revenues from consideration specified in contracts with customers and recognizes revenue when it satisfies its performance obligations by transferring control over its services and products to customers. Revenue is recognized net of any taxes collected from customers that are subsequently remitted to governmental authorities. The following is a description of the principal activities, separated by reporting segments, from which the Company generates revenues. For more information about the Company's reporting segments, see Note 15 — Segment Information. For tabular revenue disclosures, see Note 16 — Revenue Recognition.

Global Funds Transfer Segment:

Money transfer fee revenue — The Company earns money transfer revenues primarily from consumer transaction fees and the management of currency exchange spreads on money transfer transactions involving different "send" and "receive" currencies. Fees are collected from consumers at the time of transaction. In a cash-to-cash money transfer transaction, both the agent initiating the transaction and the receiving agent earn a commission that is generally a fixed fee or is based on a percentage of the fee charged to the consumer. When a money transfer transaction is initiated at a MoneyGram-owned store, kiosk or via our online platform, typically only the receiving agent earns a commission. Each money transfer is considered a separate agreement between the Company and the consumer and includes only one performance obligation that is satisfied at a point in time, which is when the funds are made available for pick up. Money transfer funds are typically available for pick up within 24 hours of being sent. The consumer is in control of the service, as the consumer picks the "send" and "receive" locations as well as the transaction currency. Normally, the Company provides fee refunds to consumers only if the transaction is canceled within 30 minutes of initiating the transfer and the transfer amount has not been picked up by the receiver. As such, fee refunds are accounted for within the same period as the origination of the transaction and no liability for the amount of expected returns is recorded on

the Consolidated Balance Sheets. The Company recognizes revenues on a gross basis for money transfer services as the Company is considered the principal in these transactions. Under our loyalty programs for money transfer services, consumers earn rewards based on transaction frequency. In 2018, the Company introduced the MoneyGram loyalty program, which allows members to earn discounts on future transactions. The loyalty program redemption activity for the year ended December 31, 2018, was insignificant to the Company's results of operations.

Bill payment services fee revenue — Bill payment revenues are earned primarily from fees charged to consumers for each transaction completed. Our primary bill payment service offering is our ExpressPayment service, which we offer at substantially all of our money transfer agent locations, at certain agent locations in select Caribbean and European countries and through our Digital solutions. Through our bill payment services, consumers can complete urgent bill payments, pay routine bills, or load and reload prepaid debit cards with cash at an agent location or with a credit or debit card. We offer consumers same-day and two or three-day payment service options; the service option is dependent upon our agreement with the biller. Each bill payment service is

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considered a separate agreement with the consumer and includes only one performance obligation that is satisfied at a point in time, when the funds are transferred to the designated institution, which is generally within the same day. The consumer is in control of the service, as the consumer picks out the "send" location and time. MoneyGram does not offer refunds for bill payment services and revenue is recognized on a gross basis as the Company is considered the principal in these transactions.

Other revenue — Includes breakage income, fees from royalties, early contract terminations, insufficient funds and other one-time charges. The Company recognizes breakage revenue for unclaimed money transfers when the likelihood of consumer pick-up becomes remote based on historical experience and there is no requirement for remitting balances to government agencies.

Financial Paper Products Segment:

Money order fee revenue — Consumers use our money orders to make payments in lieu of cash or personal checks. We generate revenue from money orders by charging per item and other fees, as well as from the investment of funds underlying outstanding money orders. The Company contracts with agents and/or financial institutions for this product and associated services. We sell money orders under the MoneyGram brand and on a private label or on a co-branded basis with certain agents and financial institutions in the U.S. The Company recognizes revenue when an agent sells a money order because the funds are immediately made available to the consumer. As such, each sale of a money order and related service is considered a separate performance obligation that is satisfied at a point in time.

Official check outsourcing services fee revenue — Official checks are used by consumers where a payee requires a check drawn on a bank. Financial institutions also use official checks to pay their own obligations. Like money orders, the Company generates revenue from official check outsourcing services through U.S. banks and credit unions by charging per item and other fees, as well as from the investment of funds underlying outstanding official checks. The Company's consumer for official checks is considered the financial institution. The official checks services and products are considered a bundle of services and products that are provided to the financial institution on an ongoing basis. As such, revenue from these services is recognized on a monthly basis. Revenue corresponds directly with the value of MoneyGram's services and/or products completed to date and for which the Company has a right to invoice. Monthly revenue may vary based on the number of official checks issued and other ancillary services provided to the financial institution.

Other revenue — Includes fees from money order service revenue, proof adjustments, early contract terminations, money order photo and replacement fees and other one-time charges. The Company recognizes service revenue from money orders that have not been redeemed within a one-year period from issuance. Proof adjustment fees are generally unresolved and not recouped as they pertain to immaterial bank variances. The Company recognizes as revenue the net proof adjustments amount on a monthly basis.

Investment Revenue:

Investment revenue, which is not within the scope of ASC Topic 606 per ASC 606-10-15-2, is earned from the investment of funds generated from the sale of payment instruments, primarily official checks and money orders, and consists of interest income, dividend income, income received on our cost recovery securities and amortization of premiums and discounts. Investment revenue varies depending on the level of investment balances and the yield on our investments.

Fee and Other Commissions Expense — The Company incurs fee commissions primarily related to our Global Funds Transfer services. In a money transfer transaction, both the agent initiating the transaction and the receiving agent earn a commission that is generally either a fixed fee or is based on a percentage of the fee charged to the consumer. The agent initiating the transaction and the receiving agent also earn foreign exchange commissions, which are generally based on a percentage of the foreign exchange spread. In a bill payment transaction, the agent initiating the transaction receives a commission that is generally based on a percentage of the fee charged to the consumer and, in limited circumstances, the biller receives a commission that is based on a percentage of the fee charged to the consumer. The Company generally does not pay commissions to agents on the sale of money orders, except, in certain limited circumstances, for large agents where we may pay a fixed commission based on total money order transactions.

Investment Commissions Expense — Investment commissions expense consists of amounts paid to financial institution customers based on short-term interest rate indices times the average outstanding cash balances of official checks sold

by the financial institution. Investment commissions are recognized each month based on the average outstanding balances of each financial institution customer and their contractual variable rate for that month.

Direct Transaction Expense — Direct transaction expense includes expenses related to the processing of money transfers, such as customer authentication and funding costs.

Marketing and Advertising Expense — Marketing and advertising costs are expensed as incurred or at the time the advertising first takes place and are recorded in the “Transaction and operations support” line in the Consolidated Statements of Operations. Marketing and advertising expense was \$51.2 million, \$57.2 million and \$65.1 million for 2018, 2017 and 2016, respectively.

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Stock-Based Compensation — Stock-based compensation awards are measured at fair value at the date of grant and expensed using the straight-line method over their vesting or service periods. For grants to employees, expense, net of estimated forfeitures, is recognized in the “Compensation and benefits” line and expense for grants to non-employee directors (which excludes Thomas H. Lee Partners L.P. [“THL”] board representatives, who do not receive compensation for their service as directors) is recorded in the “Transaction and operations support” line in the Consolidated Statements of Operations. The Company accounts for modifications to its share-based payment awards in accordance with the provisions of ASC Topic 718, “Compensation - Stock Compensation.” Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the share price and other pertinent factors at that date, and is recognized as compensation cost on the date of modification (for vested awards) or over the remaining vesting or service period (for unvested awards). Any unrecognized compensation cost remaining from the original award is recognized over the vesting period of the modified award. See Note 12 — Stock-Based Compensation for additional disclosure of the Company’s stock-based compensation.

Earnings Per Share — For all periods in which it is outstanding, the Series D Participating Convertible Preferred Stock (the “D Stock”) is included in the weighted-average number of common shares outstanding utilized to calculate basic (loss) earnings per common share because the D Stock is deemed a common stock equivalent. Diluted (loss) earnings per common share reflects the potential dilution that could result if securities or incremental shares arising out of the Company’s stock-based compensation plans were exercised or converted into common stock. Diluted (loss) earnings per common share assumes the exercise of stock options using the treasury stock method.

The following table is a reconciliation of the weighted-average amounts used in calculating (loss) earnings per share for the period ended December 31:

(Amounts in millions)	2018	2017	2016
Basic common shares outstanding	64.3	62.9	62.3
Shares related to stock options and restricted stock units	—	—	3.6
Diluted common shares outstanding	64.3	62.9	65.9

Potential common shares are excluded from the computation of diluted earnings per common share when the effect would be anti-dilutive. All potential common shares are anti-dilutive in periods of net loss available to common stockholders. Stock options are anti-dilutive when the exercise price of these instruments is greater than the average market price of the Company’s common stock for the period. The following table summarizes the weighted-average potential common shares excluded from diluted (loss) earnings per common share as their effect would be anti-dilutive:

(Amounts in millions)	2018	2017	2016
Shares related to stock options	1.8	1.7	2.7
Shares related to restricted stock units	2.3	3.2	—
Shares excluded from the computation	4.1	4.9	2.7

Recent Accounting Pronouncements and Related Developments — In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires organizations to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about leasing arrangements. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. The FASB retained the distinction between finance leases and operating leases, leaving the effect of leases in the statement of comprehensive income and the statement of cash flows largely unchanged from previous GAAP. To further assist with adoption and implementation of ASU 2016-02, the FASB issued the following ASUs:

▲ASU 2018-10 (Issued July 2018) — Codification Improvements to Topic 842, Leases

▲ASU 2018-11 (Issued July 2018) — Leases (Topic 842): Targeted Improvements

▲ASU 2018-20 (Issued December 2018) — Leases (Topic 842): Narrow-Scope Improvements for Lessors

ASU 2018-11 provided entities with an additional transition method to adopt the new lease standard. Under this new transition method, an entity initially applies the new lease standard at the adoption date and recognizes a

cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, if any. The new lease standard is effective for fiscal years beginning after December 15, 2018, and the Company will adopt this standard on January 1, 2019, utilizing the transition method allowed under ASU 2018-11. The Company will use the adoption date as the initial application date.

The Company's leases consist primarily of operating leases for buildings, equipment and vehicles as further described in Note 14 — Commitments and Contingencies. This standard will have a material impact on the Consolidated Balance Sheets. However,

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management believes that this standard will not have a material impact on the Consolidated Statements of Operations. The most significant impact will be the recognition of right-of-use ("ROU") assets and lease liabilities for operating leases. Our accounting for capital leases will remain substantially unchanged. The Company estimates that the value of lease liabilities will be approximately \$58.0 million and the value of ROU assets will be approximately \$54.0 million as of January 1, 2019. The lease liability is calculated based on remaining minimum rental payments under current leasing standards for existing operating leases and the ROU assets is calculated the same as the lease liability but it includes approximately \$3.0 million of accrued rent. Upon adoption, the ROU assets will be presented on the Consolidated Balance Sheets as part of "Other assets" and the lease liabilities will be included in "Accounts payable and other liabilities." Additionally, we will elect the package of practical expedients, which permits us to not reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We will not elect the use of hindsight practical expedient or the practical expedient pertaining to land easements, as the latter is not applicable to us. We will also elect the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. The Company will elect the practical expedient to not separate lease and non-lease components for our real estate and vehicle leases. The Company is finalizing the evaluation of the impact of ASC Topic 842. In connection with the adoption on January 1, 2019, we implemented internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of ASC Topic 842 on our financial statements disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new credit impairment standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking expected loss model that generally will result in the earlier recognition of allowances for credit losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. To further assist with adoption and implementation of ASU 2016-02, the FASB issued the following ASU:

ASU 2018-19 (Issued November 2018) — Codification Improvements to Topic 326, Financial Instruments - Credit Losses

These ASUs are effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. MoneyGram will not be early adopting these standards. We are still evaluating these ASUs, but we do not believe the adoption will have a material impact on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740) - Intra-Entity Transfers of Assets Other Than Inventory. This standard requires that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in this standard eliminate the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is effective for public companies for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. The Company adopted this standard in the first quarter of 2018 using the modified retrospective approach. The modified retrospective approach resulted in a cumulative effect of \$0.1 million to "Retained loss," consisting of a deferred charge of \$1.3 million offset by a recording of deferred tax balances of \$1.2 million from "Other assets" on the Consolidated Balance Sheets.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715) - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amendments in the standard require components of net periodic benefit cost, other than service cost, to be presented outside of income from operations. The Company adopted ASU 2017-07 in the first quarter of 2018. Prior to the adoption of this ASU, the Company presented net periodic benefit costs, other than service cost, in "Compensation and benefits" on the Consolidated Statements of Operations. Upon adoption, these costs were reclassified to "Other non-operating (income) expense" on the Consolidated Statements of Operations and the prior period was updated to reflect this change. For the years ended December 31, 2018, 2017 and 2016, net periodic benefit costs, other than service cost, were \$5.8 million, \$5.9 million and \$7.2 million, respectively.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in the standard allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA. ASU 2018-02 will not have an impact on the Consolidated Statements of Operations. The amendments in this standard also require certain disclosures about stranded tax effects. ASU 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company will not be early adopting this standard. The impact of this ASU is still being evaluated, but management does not expect this standard to have a material impact on the Consolidated Balance Sheets.

In August 2018, the FASB issued ASU 2018-14, Compensation - Retirement Plans - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefits Plans. The amendments in this standard require that entities now disclose the weighted-average interest credit ratings for cash balance plans and other plans with promised interest credit ratings and an explanation of the reasons for significant gains and losses related to changes in the benefit

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obligation for the period, as well as clarify and remove certain other disclosures. This standard is effective for fiscal years ending after December 15, 2020, and, although early adoption is permitted, MoneyGram will not be early adopting this standard. The impact of this ASU is still being evaluated, but management does not expect this standard to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force). The amendments in the standard allow for the capitalization of certain implementation costs associated with a hosting arrangement that is a service contract by applying the guidance in ASC Subtopic 350-40, "Internal-Use Software." This standard is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted, including in any interim period. MoneyGram adopted this standard as of October 1, 2018, on a prospective basis and, as such, there was no accumulated impact to the consolidated financial statements upon adoption. The capitalized costs are presented on the Consolidated Balance Sheets as part of "Other assets." The amortization of such costs is recorded in the same line item on the Consolidated Statements of Operations as the expense for fees for the associated hosting arrangement. The payments for these costs are recognized as part of "Net cash provided by operating activities" on the Consolidated Statements of Cash Flows. The Company has determined that there have been no other recently adopted or issued accounting standards that had, or will have, a material impact on its consolidated financial statements.

Note 3 — Restructuring and Reorganization Costs

In the first quarter of 2018, the Company initiated a restructuring and reorganization program (the "Digital Transformation Program") to modernize the business, reduce operating expenses, focus on improving profitability and better align the organization to deliver new digital touch-points for customers and agents. In connection with the Digital Transformation Program, which is expected to be substantially completed in 2019, the Company expects over 400 employees to be affected, possibly through transfers or terminations, representing over 14% of the Company's global workforce as of December 31, 2017. The Company expects to incur restructuring and reorganization charges between \$24.5 million and \$26.5 million, consisting primarily of severance and outplacement benefits (between \$19.0 million and \$19.5 million), real estate lease termination and other associated costs (between \$3.0 million and \$3.5 million), legal and other costs (between \$2.0 million and \$3.0 million), and reorganization costs (approximately \$0.5 million). The actual timing and costs of the plan may differ from the Company's current expectations and estimates. On the Consolidated Statements of Operations, the severance and outplacement benefits and reorganization costs are recorded in "Compensation and benefits," the real estate lease termination and other associated costs are recorded in "Occupancy, equipment and supplies" and the legal and other costs are recorded in "Transaction and operations support."

The following table is a roll-forward of the restructuring and reorganization costs accrual as of December 31, 2018:

(Amounts in millions)	Digital Transformation Program
Balance, December 31, 2017	\$ —
Expenses	20.4
Cash payments	(11.1)
Non-cash operating expenses	(3.0)
Balance, December 31, 2018	\$ 6.3

The following table is a summary of the cumulative restructuring and reorganization costs incurred to date in operating expenses and the estimated remaining restructuring and reorganization costs to be incurred as of December 31, 2018:

(Amounts in millions)	Digital Transformation
-----------------------	---------------------------

	Program
Cumulative restructuring costs incurred to date in operating expenses	\$ 19.9
Estimated additional restructuring costs to be incurred	6.1
Total restructuring costs incurred and to be incurred	26.0
Total reorganization costs incurred and to be incurred	0.5
Total restructuring and reorganization costs incurred and to be incurred	\$ 26.5

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The following table summarizes the restructuring and reorganization costs recorded during the year ended December 31, 2018:

(Amounts in millions)

Restructuring costs in operating expenses:

Compensation and benefits	\$15.6
Transaction and operations support	2.0
Occupancy, equipment and supplies	2.0
Depreciation	0.3
Total restructuring costs in operating expenses	19.9

Reorganization costs in operating expenses:

Compensation and benefits	0.5
Total reorganization costs in operating expenses	0.5
Total restructuring and reorganization costs in operating expenses	\$20.4

The following table is a summary of the total cumulative restructuring costs incurred to date in operating expenses and the total estimated remaining restructuring and reorganization costs to be incurred by reporting segment:

	Global		
(Amounts in millions)	Funds	Other	Total
	Transfer		
Balance, December 31, 2017	\$	—	