

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:

(Amounts in millions, except percentages)	2018			2017			2016		
	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:

(Amounts in millions, except percentages)	2018			2017			2016		
	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:

(Amounts in millions)	2018	2017	2016	2018 2017	
				vs	vs
				2017	2016
Money order revenue	\$55.3	\$55.0	\$50.8	\$0.3	\$4.2
Official check revenue	44.4	39.0	24.8	5.4	14.2
Total Financial Paper Products revenue	\$99.7	\$94.0	\$75.6	\$5.7	\$18.4

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