

MONEYGRAM INTERNATIONAL INC
Form 10-K
March 02, 2016
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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, 2015.
 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

(State or other jurisdiction of
incorporation or organization)

16-1690064
(I.R.S. Employer
Identification No.)

2828 N. Harwood St., 15th Floor
Dallas, Texas

(Address of principal executive offices)

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

75201
(Zip Code)

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

Title of each class

Common stock, \$0.01 par value

Name of each exchange on which registered
The NASDAQ Stock Market LLC

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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was \$351.0 million.

54,080,323 shares of common stock were outstanding as of March 1, 2016.

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 2016 Annual Meeting of Stockholders.

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PART I

Item 1. BUSINESS

Overview

MoneyGram International, Inc. (together with our subsidiaries and consolidated entities, “MoneyGram,” the “Company,” “we,” “us” and “our”) is a global provider of innovative money transfer services and is recognized worldwide as a financial connection to friends and family. Whether online, through a mobile device, at a kiosk or in a local store, we connect consumers any way that is convenient for them. We also provide bill payment services, issue money orders and process official checks in select markets. Our primary customers are persons who may not be fully served by other financial institutions, which we refer to as unbanked or underbanked consumers. Unbanked consumers do not have a relationship with a traditional financial institution. Underbanked consumers are not fully served by traditional financial institutions. The World Bank, a key source of industry analysis for cross-border remittance data, estimates that 2 billion adults are unbanked, based on 2014 global data. As an alternative financial services provider, we provide these consumers with essential services to help them meet the financial demands of their daily lives. Many of our customers utilize traditional banking services but prefer to use our services based on convenience, quality of our service, trust of our brand, cost or to make urgent payments or transfers.

Our offerings include money transfers, bill payment services, money order services and official check processing. Our money transfer services are our primary revenue driver. Money transfers are movements of funds between consumers from the origination or "send" location and the designated "receive" location. MoneyGram earns revenue from the fees paid by the consumers sending the funds and from the management of currency exchange spreads on money transfer transactions involving different “send” and “receive” currencies. We share a significant portion of that fee with both the sending and receiving agents. We also earn bill payment services revenues primarily from transaction fees charged to consumers for each transaction completed. Additionally, we earn revenue from the sale of our money order and official check products and generate revenue from the investment of funds underlying these products.

Our money transfer services enable our consumers to send and receive funds around the world through our extensive global network of locations, which are primarily operated by third-party businesses ("agents"), but also include Company-operated retail locations. Operating in more than 200 countries and territories, we have nearly doubled our network since 2009 to over 350,000 locations. We also offer Digital/Self-Service solutions such as moneygram.com, mobile solutions, account deposit and kiosk-based services. 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. We provide call center services 24 hours per day, 365 days per year and provide customer service in 27 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, ExpressPayment, MoneyGram xpress, Moneygrado, FormFree, AgentWorks, Agent Connect, Delta, PrimeLink and MGAlloy, 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.

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 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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History and Development

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.

In March 2008, we completed a recapitalization pursuant to which we received an infusion of \$1.5 billion of gross equity and debt capital, referred to herein as the 2008 Recapitalization. The equity component consisted of the sale to affiliates of Thomas H. Lee Partners, L.P. ("THL") and affiliates of Goldman, Sachs & Co. ("Goldman Sachs") (collectively with THL, the "Investors") in a private placement of Series B Participating Convertible Preferred Stock of the Company (the "B Stock") and Series B-1 Participating Convertible Preferred Stock of the Company (the "B-1 Stock") and collectively with the B Stock (the "Series B Stock") for an aggregate purchase price of \$760.0 million. We also paid Goldman Sachs an investment banking advisory fee equal to \$7.5 million in the form of additional shares of the B-1 Stock.

In May 2011, we completed a second recapitalization, referred to herein as the 2011 Recapitalization. Pursuant to the 2011 Recapitalization, (i) THL, as the holder of all of the B Stock, converted all of the shares of B Stock into shares of our common stock in accordance with the Certificate of Designations, Preferences and Rights of Series B Participating Convertible Preferred Stock of MoneyGram International, Inc., (ii) Goldman Sachs, as the holder of all of the B-1 Stock, converted all of the shares of B-1 Stock into shares of Series D Participating Convertible Preferred Stock of the Company (the "D Stock") in accordance with the Certificate of Designations, Preferences and Rights of Series B-1 Participating Convertible Preferred Stock of MoneyGram International, Inc., and (iii) THL received approximately 3.5 million additional shares of our common stock and \$140.8 million in cash, and Goldman Sachs received 15,503 additional shares of D Stock and \$77.5 million in cash.

On November 14, 2011, we filed a certificate of amendment to our Amended and Restated Certificate of Incorporation to effect a reverse stock split of our common stock at a reverse stock split ratio of 1-for-8 and to decrease the number of authorized shares of common stock from 1.3 billion to 162.5 million shares. As the par value of common stock was not affected, \$3.5 million was transferred from common stock to additional paid-in capital. In connection with the reverse stock split, the conversion ratio of the D Stock to common stock decreased from 1,000 to 1 to 125 to 1.

2014 Incremental Agreement and Secondary Public Offering — On April 2, 2014, the Company, as borrower, entered into a First Incremental Amendment and Joinder Agreement (the "Incremental Agreement") with Bank of America, N.A. ("BOA"), as administrative agent, and various lenders. The Incremental Agreement provided for (a) a tranche under the term loan facility in an aggregate principal amount of \$130.0 million (the "Tranche B-1 Term Loan Facility") to be made available to the Company under the 2013 Credit Agreement, (b) an increase in the senior secured five-year revolving credit facility (the "Revolving Credit Facility") under the 2013 Credit Agreement from \$125.0 million to \$150.0 million and (c) certain other amendments to the Amended and Restated Credit Agreement, which the Company entered into with BOA and various other lenders in March 2013 (the "2013 Credit Agreement") including, without limitation, (i) amendments to certain of the conditions precedent with respect to these incremental borrowings, (ii) an increase in the maximum secured leverage ratio with which the Company is required to comply as of the last day of each fiscal quarter, and (iii) amendments to permit the Company to borrow up to \$300.0 million under the facility for share repurchases exclusively from THL and Goldman Sachs. The Company borrowed \$130.0 million under the Tranche B-1 Term Loan Facility on April 2, 2014, and the proceeds were used to fund a portion of the share repurchases from THL, discussed below, reducing the remaining limit for such purchases to \$170.0 million. On April 2, 2014, the Company completed an underwritten secondary public offering by affiliates and co-investors of the Investors of an aggregate of 9,200,000 shares of the Company's common stock. As part of the transaction, affiliates of Goldman Sachs converted an aggregate of 37,957 shares of D Stock to 4,744,696 shares of common stock, which were sold as part of the transaction. The selling stockholders received all of the proceeds from the offering. Also, on April 2, 2014, the Company completed the repurchase of 8,185,092 shares of common stock from the THL selling stockholders at a price of \$16.25 per share.

2015 Events

In the first quarter of 2014, the Company announced the implementation of the 2014 Global Transformation Program, which consists of three key components: reorganization and restructuring, compliance enhancement and a focus on Digital/Self-Service revenue.

Our reorganization and restructuring activities were centered around facilities and headcount rationalization, system efficiencies and headcount right-shoring and outsourcing. The Company expects to complete these activities in early 2016 and recorded total reorganization and restructuring expenses of \$20.0 million for the year ended December 31, 2015.

Our compliance enhancement program was focused on improving our services for consumers and completing the programs recommended in adherence with our settlement with the U.S. Attorney's Office for the Middle District of Pennsylvania ("MDPA") and the Asset Forfeiture and Money Laundering Section of the Criminal Division of the Department of Justice ("U.S. DOJ"). The Company incurred \$26.5 million of compliance enhancement program expense for the year ended December 31, 2015.

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We believe that our investment in innovative products and services, particularly Digital/Self-Service solutions such as moneygram.com, mobile solutions, account deposit and kiosk-based services, positions the Company to enhance revenue growth and diversify our product offerings. For the year ended December 31, 2015, the money transfer fee and other revenue from the Digital/Self-Service channel grew 55 percent from 2014 and accounted for \$150.1 million, or 12 percent, of total money transfer fee and other revenue for the year ended December 31, 2015.

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:

	2015	2014	2013	
Global Funds Transfer				
Money transfer	88.0	% 87.6	% 87.3	%
Bill payment	6.9	% 6.9	% 6.9	%
Financial Paper Products				
Money order	3.6	% 3.7	% 3.7	%
Official check	1.5	% 1.8	% 2.0	%
Other	—	% —	% 0.1	%
Total revenue	100.0	% 100.0	% 100.0	%

See Note 15 — Segment Information of the Notes to the Consolidated Financial Statements for additional financial information about our segments and geographic areas.

During 2015, 2014 and 2013, our 10 largest agents accounted for 37 percent, 39 percent and 43 percent, respectively, of total revenue and 38 percent, 41 percent and 44 percent, respectively, of Global Funds Transfer segment revenue. Wal-Mart Stores, Inc. (“Walmart”) is our only agent that accounts for more than 10 percent of our total revenue. In 2015, 2014 and 2013, Walmart accounted for 19 percent, 22 percent and 27 percent, respectively, of total revenue, and 20 percent, 23 percent and 28 percent, 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. During 2015, 2014 and 2013, sends originated outside of the U.S. generated 43 percent, 41 percent and 40 percent, respectively, of our total Company revenue, and 45 percent, 43 percent and 42 percent, respectively, of our total Global Funds Transfer segment revenue. In 2015, our Global Funds Transfer segment had total revenue of \$1,361.4 million.

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 based on a percentage of the fee charged to the consumer. When a money transfer transaction is initiated at a MoneyGram-owned store, full-service 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.

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We offer a variety of services to provide the best consumer experience possible at our agent locations. We offer full-service and transaction-staging kiosks at select agent locations around the world. Through our FormFree service, consumers are directed via phone to one of our customer care centers where a representative collects transaction information and enters it directly into our central data processing system. Our MoneyGram xpress product enables consumers to pay for money transfers at a MoneyGram agent location, and provide the information necessary to complete the money transfer when and where it is convenient for them, via phone or any internet-enabled device. We offer our money transfer services on the internet via our moneygram.com service in the U.S., United Kingdom and Germany and through affiliate websites. Through moneygram.com, consumers have the ability to send money from the convenience of their home or internet-enabled mobile device to any of our agent locations worldwide through a debit or credit card or, in certain cases, funding with a U.S. checking account. Money transfer transactions through moneygram.com grew 17 percent and revenue grew 8 percent in 2015 over the prior year.

We offer our money transfer services via virtual agents allowing our consumers to send international transfers conveniently from a website or their mobile phone in over 10 countries. We continue to expand our money transfer services to consumers through the addition of full-service and transaction-staging kiosks, ATMs, prepaid cards and direct-to-bank account products in various markets around the world.

As of December 31, 2015, our money transfer agent network had over 350,000 locations, with growth of 3 percent compared to 2014. 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 Company-operated retail locations in the U.S. and Western Europe. Some of our agents outside the U.S. manage sub-agents. We refer to these agents as super-agents. Although these 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 and Company-operated locations in the U.S., Canada and Puerto Rico, at certain agent locations in select Caribbean and European countries and through our Digital/Self-Service 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, company-operated locations 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 over 13,000 payment options to billers in key industries, including the ability to allow the consumer to load or reload funds to nearly 400 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 — We have global marketing and product management teams located in multiple geographical regions. We employ a strategy of developing products and marketing campaigns that are global, yet can be tailored to address our consumer base and local needs. A key component of our marketing efforts is our global branding. 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, targeted marketing campaigns, seasonal campaigns and sponsorships.

Sales — Our sales teams are organized by geographic area, product and delivery channel. We have dedicated teams that focus 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 2016 cross-border remittances will exceed \$600 billion. We generally compete for money transfer agents on the basis of value, service, quality, technical and operational differences, price, commission and

marketing efforts. We compete for money transfer consumers on the basis of trust, convenience, availability of outlets, price, technology and brand recognition.

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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 money transfer industry is The Western Union Company ("Western Union"), which also competes with our bill payment services and money order businesses. On April 17, 2014, Walmart announced the launch of the Walmart white label money transfer service, a program operated by a competitor of MoneyGram that allows consumers to transfer money between its U.S. store locations. See our "Management's Discussion and Analysis — Overview" section in Item 7 of this Annual Report on Form 10-K for additional disclosure. We will encounter increasing competition as new technologies emerge that allow consumers to send and receive money through a variety of channels, but we continue to be an innovator in the industry by diversifying our core money transfer business through new channels, such as online, mobile solutions, kiosk and other Digital/Self-Service offerings.

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 retail 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.

In 2015, our Financial Paper Products segment generated revenues of \$73.3 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 fewer than eight days. We sell money orders under the MoneyGram brand and on a private label or co-branded basis with certain large retail and financial institution agents in the U.S. As of December 31, 2015, we issued money orders through our network of approximately 47,000 agents and financial institution locations 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 for 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 fewer than four days. As of December 31, 2015, we provided official check outsourcing services through approximately 900 financial institutions at approximately 6,300 branch bank locations.

Marketing — We employ a wide range of marketing methods. A key component of our marketing efforts is our global branding. 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 requirements vary depending upon the type of outlet or location, and our sales teams continue to improve and strengthen our agent relationships with a goal of providing the optimal agent and consumer experience.

Competition — Our money order competitors include a small number of large money order, 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.

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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 "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. We also launched the compliance enhancement program in 2014 to enhance our systems and processes.

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 a deferred prosecution agreement ("DPA") with the MDPA and U.S. DOJ dated November 8, 2012. Under the DPA, we agreed to a forfeiture of \$100.0 million that is available as restitution to victims of the consumer fraud scams perpetrated through MoneyGram agents. Also under the DPA, we have agreed, among other things, to retain an independent compliance monitor for a period of five years, subject to adjustment to a shorter period under certain circumstances, and in the first quarter of 2013, Aaron Marcu, a litigation partner with Freshfields Bruckhaus Deringer, LLP in New York and head of its global financial institutions litigation group, was selected as our independent compliance monitor. We have received three annual reports from the compliance monitor, and we continue to make investments in various areas related to our compliance systems and operations in order to comply with the requirements contained in the DPA and recommendations of the compliance monitor. If the Company is unable to meet such requirements in the allotted time period, the term of the DPA and the independent compliance monitor could be extended, which could result in additional costs. See "Risk Factors — We face possible uncertainties relating to compliance with and the impact of the deferred prosecution agreement entered into with the U.S. federal government" for additional information.

Anti-Money Laundering Compliance — Our money transfer services are subject to anti-money laundering laws and regulations of the U.S., including the Bank Secrecy Act, as amended by the USA PATRIOT Act, as well as state laws and regulations and the anti-money laundering laws and regulations in 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.

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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 increasing data sharing requests by these agencies, particularly in connection with efforts to prevent money laundering or terrorist financing or reduce the risk of identity theft. In certain cases, the Company is also required by government agencies 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. 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 of 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.

Privacy Regulations and Data Sharing Requests — In the ordinary course of business we collect certain types of data that subject us to privacy laws in the U.S. and abroad. 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 Gramm-Leach-Bliley Act and impose more stringent duties on companies. These laws generally restrict the collection, transfer, processing, storage, use and disclosure of personal information. In the European Union, we are subject to recently enacted data protection laws that have been ratified by the European Parliament and are expected to be ratified by member states by 2017. These laws impose additional data protection and privacy requirements and increase potential penalties for

non-compliance. In certain cases, we transfer personal data from our European operations to the U.S. In the past we have relied on the U.S.-EU Safe Harbor framework with respect to this transfer of data, and we are assessing our ongoing obligations following the invalidation of the safe-harbor framework in a decision by the European Court of Justice in October 2015 and the new "Privacy Shield" agreement intended to replace the Safe Harbor. We also have confidentiality and information security standards and procedures in place for our business activities and with our third-party vendors and service providers. Privacy and information security laws, both domestically and internationally, evolve regularly, and conflicting laws in the various jurisdictions where we do business pose challenges.

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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 for 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.

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 card 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 the capabilities that are 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 ("SWIFT") 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 were previously discussed 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.

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We own various patents related to our money order and money transfer technologies. Our patents have in the past 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, 2015, we had 1,215 full-time employees in the U.S. and 1,605 full-time 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.

Executive Officers of the Registrant

W. Alexander Holmes, age 41, has served as Chief Executive Officer since January 1, 2016. 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. Mr. Holmes is also a member of our Board of Directors.

Pamela H. Patsley, age 59, has been Executive Chairman of the Company since January 1, 2016. Prior to that, Ms. Patsley served as Chairman and Chief Executive Officer of the Company since September 2009. From January to September 2009, she served as Executive Chairman of the Company. Prior to that, Ms. Patsley served as Senior Executive Vice President of First Data Corporation, a global payment processing company, from March 2000 to October 2007, and President of First Data International from May 2002 to October 2007. From 1991 to 2000, Ms. Patsley served as President and Chief Executive Officer of Paymentech, Inc., prior to its acquisition by First Data Corporation. Ms. Patsley also served as Chief Financial Officer of First USA, Inc. She currently serves as a director of Texas Instruments, Inc., a semiconductor design and manufacturing company; and Dr. Pepper Snapple Group, Inc., a beverage company.

Lawrence Angelilli, age 60, has served as Executive Vice President and Chief Financial Officer, since January 1, 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.

Juan Agualimpia, age 53, has served as Executive Vice President, Business Development and Chief Marketing Officer since February 2015. Mr. Agualimpia previously served as Executive Vice President and Chief Marketing Officer from February 2011 to February 2015. Prior to that, Mr. Agualimpia served as Senior Vice President and Chief Marketing Officer from March 2010 to February 2011. From March 2009 to March 2010, Mr. Agualimpia engaged in marketing project consulting. From 2005 to March 2009, Mr. Agualimpia served as Vice President and General Manager for the Art & Coloring Global Business Unit of Newell Rubbermaid. Mr. Agualimpia has 20 years of leadership experience in marketing, brand management, customer relationship management and product development.

R. Lee Furnival, age 44, has been Senior Vice President, Global Operations since December 2014. From August 2014 to December 2014, Mr. Furnival served as the Senior Vice President of Operational Effectiveness. Prior to joining the Company in August 2014, Mr. Furnival spent 12 years at Beal Bank where he led multiple subsidiaries and affiliates of the bank. From 2010 to 2014 he started and led all European debt investment initiatives and operations. From 2007 to 2010, Mr. Furnival was President of BSB Capital, the bank's portfolio and securities investment subsidiary, and served as President of the bank's residential mortgage servicing operation. From 2002 to 2007, Mr. Furnival ran multiple operational, investment and trading units within the bank. Prior to joining Beal Bank in 2002, Mr. Furnival held various management positions in technology consulting, mortgage finance, and commercial real estate development companies.

Francis Aaron Henry, age 50, has served as Executive Vice President, 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 Senior Counsel at Western Union.

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W. Alexander Hoffmann, age 44, has served as Executive Vice President, Global Product since February 2015. Previously Mr. Hoffmann served as Executive Vice President, Global Product Management and Emerging Channels from February 2014 to February 2015. Prior to that, Mr. Hoffmann served as Senior Vice President, Global Product Management and Emerging Channels from July 2013 to February 2014. From 2007 to 2013, Mr. Hoffmann served in a variety of positions at PayPal, most recently as Senior Director of Europe, Middle East and Africa Consumer Growth. Prior to that, Mr. Hoffmann spent 12 years at McKinsey & Company in Brussels, Belgium, and Palo Alto, California, as an Associate Partner working with clients in the payments and telecommunications industries.

Grant A. Lines, age 51, has served as Executive Vice President, Business Development since February 2015. Mr. Lines previously served as Executive Vice President, Asia-Pacific, South Asia and Middle East from February 2014 to February 2015. Prior to that, Mr. Lines served 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. Mr. Lines served as Senior Vice President of First Data's Strategic Business Development and General Manager ASEAN establishing Asian operations in Singapore from June 2004 to August 2008 and Senior Vice President with sales and marketing responsibilities in Australia and New Zealand from October 2000 to May 2004.

Wayne F. McGurk, age 54, has served as Executive Vice President, Information Technology since January 1, 2016. Prior to that, he served as Senior Vice President of Information Technology since July 2014 and Vice President, Program Management Office from March 2014 to July 2014. He joined the Company in July 2013 as Program Manager of the Compliance Enhancement Program. From 2004 to July 2013, Mr. McGurk served as a Vice President of First Data Corporation, where he led the global demand management team. Prior to his tenure at First Data Corporation, McGurk had nearly 14 years of management experience with retail, software and IT strategy consulting companies. McGurk began his career as a Lieutenant in the U.S. Army.

Peter E. Ohser, age 48, has been Executive Vice President, Business Development since February 2015. Mr. Ohser previously served as Executive Vice President, U.S. and Canada from February 2014 to February 2015. Prior to that, Mr. Ohser served as Senior Vice President, U.S. and Canada from February 2013 to February 2014. From June 2010 to January 2013, he served as Vice President, Independent Retail Channels & Outbound Corridors, and from December 2007 to May 2010, he served as Director of Strategic Planning. He served as Director of Business Process and Organizational Readiness from 2006 to 2007, Senior Manager Global Risk from 2004 to 2006, Manager, Global Risk from 2003 to 2004 and Supervisor, Risk from 2002 to 2003. Mr. Ohser joined the Company in January 2001 as a Senior Risk Analyst. Prior to that, Mr. Ohser served in various finance roles in the mortgage and consumer finance industries.

Steven Piano, age 50, has served as Executive Vice President, Human Resources since August 2009. From January 2008 to August 2009, Mr. Piano served as Global Lead Human Resource Partner with National Grid, a multi-national utility company. From 1996 to January 2008, Mr. Piano held a variety of human resources positions with First Data Corporation, serving most recently as Senior Vice President of First Data International. From 1987 to 1996, Mr. Piano held human resources positions with Citibank, Dun & Bradstreet - Nielsen Media Research and Lehman Brothers.

Phyllis J. Skene-Stimac, age 56, has been Executive Vice President and Chief Compliance Officer since December 2014. Ms. Skene-Stimac previously served as Senior Vice President and Chief Compliance Officer from February 2011 to December 2014. From June 2008 to December 2010, Ms. Skene-Stimac served as Deputy Chief Compliance Officer and Vice President Global Programs for Western Union and previously served as Vice President Compliance Operations for Western Union from April 2004 to July 2005. From January 1999 to February 2003, Ms. Skene-Stimac served as the Director of Regulatory Affairs for First Data Corporation.

John D. Stoneham, age 37, has been Vice President, Corporate Controller and Principal Accounting Officer since October 2015. Mr. Stoneham previously served as Vice President and Interim Controller from 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"). Any materials filed with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE., Washington DC 20549. Information on the operation of the Public Reference Room can be found by calling the SEC at 1-800-SEC-0330. 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, 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, account based and mobile solutions 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 transfers, bill payment and money order 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 and financial results. 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 and financial results. We have historically implemented and will likely continue to implement price adjustments from time to time in response to competition and other factors. 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 results. If we reduce prices in order to more effectively compete, such reductions could adversely affect our financial results in the short term and may also adversely affect our financial results 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, our business, financial condition and results of operations could be adversely affected.

Most of our revenue is earned through our retail 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 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. Agents may also generate fewer transactions or reduce locations for reasons unrelated to our relationship with them, including increased competition in their business, 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.

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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 2015 and 2014, our ten largest agents accounted for 37 percent and 39 percent, respectively, of our total company fee and investment revenue. Our largest agent, Walmart, accounted for 19 percent and 22 percent of our total company fee and investment revenue in 2015 and 2014, respectively. The current term of our contract with Walmart expires on February 1, 2019. 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. During 2015, our transaction volume at Walmart locations was adversely affected by the introduction in April 2014 of its competing white label branded product for Walmart-to-Walmart money transfers in the U.S. The introduction of other competitive products by Walmart or our other key agents could reduce our business with those key agents and intensify industry competition, which could adversely affect our business, financial condition and results of operations.

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 retail 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.

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

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.

The money transfer business is subject to a variety of regulations aimed at preventing money laundering and terrorism. We are subject to U.S. federal anti-money laundering laws, including the Bank Secrecy Act and the requirements of 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, escheat laws, privacy and data protection laws and anti-bribery laws. Many of these laws are constantly evolving, 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.

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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 2015, 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 ("FinCEN"). Any determination that we have violated the anti-money-laundering laws could have an adverse effect on our business, financial condition and results of operations.

The Dodd-Frank 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. Our litigation exposure may also be increased by the CFPB's authority to limit or ban pre-dispute arbitration clauses. We may also be liable for failure of our agents to 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. Our initial examination by the CFPB was completed in 2015. The results of this examination may require us to change the way we conduct business or increase the costs of compliance.

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 2015, there have been significant regulatory reviews and actions taken by the United States 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 European Union's Payment Services Directive ("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 United States 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 United States, 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. In some instances, we escheat items to states pursuant to statutory requirements and then subsequently pay those items to consumers. For such amounts, we must file claims for reimbursement from the states. Furthermore, 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.

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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 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. Changes in the laws affecting the kinds of entities that are permitted to act as money transfer agents (such as changes in requirements for capitalization or ownership) could adversely affect our ability to distribute our services and the cost of providing such services. Many of our agents are in the check cashing industry. Any regulatory action that negatively impacts check cashers could also cause this portion of our agent base to decline. If onerous regulatory requirements were imposed on our agents, the requirements could lead to a loss of agents, which, in turn, could lead to a loss of retail business.

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

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

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

Regulatory and judicial proceedings and potential adverse developments in connection with ongoing litigation may adversely affect our business, financial condition and results of operations. There may also be adverse publicity associated with lawsuits and investigations that could decrease agent and consumer acceptance of our services. Additionally, our business has been in the past, and may be in the future, the subject of class action lawsuits, regulatory actions and investigations and other general litigation. The outcome of class action lawsuits, regulatory actions and investigations and other litigation is difficult to assess or quantify but may include substantial fines and expenses, as well as the revocation of required licenses or registrations or the loss of approved status, which could have a material adverse effect on our business, financial position and results of operations or consumers' confidence in our business. Plaintiffs or regulatory agencies in these lawsuits, actions or investigations may seek recovery of very large or indeterminate amounts, and the magnitude of these actions may remain unknown for substantial periods of time. The cost to defend or settle future lawsuits or investigations may be significant. 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 the impact of the deferred prosecution agreement entered into with the U.S. federal government.

In November 2012, we announced that we had entered into a DPA with the MDPA/U.S. DOJ relating to the investigation of transactions involving certain of the Company's U.S. and Canadian agents, as well as its fraud complaint data and consumer anti-fraud program, during the period from 2003 to early 2009. Under the DPA, the Company agreed to pay to the U.S. a \$100.0 million forfeiture that is available to victims of the consumer fraud scams perpetrated through MoneyGram agents.

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

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If the Company fails to comply with the DPA, the MDPA/U.S. DOJ have the right to prosecute the Company. While the Company expects to be in compliance with the DPA, a failure to comply, and a prosecution of the Company by the MDPA/U.S. DOJ, could lead to a severe material adverse effect upon the Company's ability to conduct its business. Additionally, the terms of the DPA impose additional costs upon the Company related to compliance and other required terms, and such additional compliance costs have been and continue to be substantial. Additional compliance obligations could also have an adverse impact on the Company's operations. Furthermore, this does not resolve all inquiries from other governmental agencies such as FinCEN, which could result in additional costs, expenses and fines. The Company does not anticipate material adverse consequences from entry into the DPA on the Company's reputation and business, but there can be no assurance that such unanticipated consequences will not occur.

Current and proposed regulation addressing consumer privacy and data use and security could increase our costs of operations, which could adversely affect our business, financial condition and results of operations.

We are subject to requirements relating to privacy and data use and security 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, recent changes to the data protection regime in the European Union may impose additional data protection and privacy requirements. 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 countries 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 privacy and data use and security laws, regulations and requirements, including by reason of inadvertent disclosure of personal information, could result in fines, sanctions, penalties or other adverse consequences and loss of consumer confidence, which 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 United States federal and state, as well as certain foreign, government agencies when required by law. 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.

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 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.

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

We conduct money transfer transactions through agents in some regions that are politically volatile or, in a limited number of cases, are subject to certain OFAC restrictions. It is possible that our money transfer services or other products could be used 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. 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.

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

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

We file tax returns and take positions with respect to federal, state, local and international taxation, including positions that relate to our historical securities losses, and our tax returns and tax positions are subject to review and audit by taxing authorities. The Internal Revenue Service (the "IRS") issued a Revenue Agent Report ("RAR") for the tax years 2011 through 2013 that included disallowing \$100.0 million of deductions related to payments the Company made to the U.S. government in connection with the DPA. While we have filed a protest letter contesting this adjustment, we may not be successful in maintaining our original tax position. An unfavorable outcome in these audits or other tax reviews or audits could result in higher tax expense, including interest and penalties, which could adversely affect our results of operations and cash flows. We establish reserves for material known tax exposures; however, there can be no assurance that an actual taxation event would not exceed our reserves.

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

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

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

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 and political turmoil in Africa, the Middle East and other regions;
- restrictions on money transfers to, from and between certain countries;
- currency controls 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. Fluctuations in foreign currency exchange rates could adversely affect our financial condition. See "Enterprise Risk

Management-Foreign Currency Risk” in Item 7A of this Annual Report on Form 10-K for more information.

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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 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 functions for our paper-based instruments, including official checks and money orders. Our relationships with these banks are a critical component of our ability to conduct our official check, money order and money transfer businesses. An inability on our part to maintain existing or establish new banking relationships sufficient to enable us to conduct our official check, money order and money transfer businesses could adversely affect our business, financial condition and results of operations. There can be no assurance that we will be able to establish and maintain adequate banking relationships.

If we cannot maintain 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 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.

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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 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 personal information, which could harm our business and reputation, adversely affect consumers' confidence in our or our agents' business, cause inquiries and fines or penalties from regulatory or governmental authorities, cause a loss of consumers, subject us to lawsuits and subject us to potential financial losses. 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.

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

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

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

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

Our money transfer business relies in part on the overall strength of global economic conditions as well as international migration patterns. Consumer money transfer transactions and international migration patterns are affected by, among other things, employment opportunities and overall 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.

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

A significant change 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, terrorism or health emergencies) that make it more difficult for individuals to migrate or work abroad could adversely affect our money transfer remittance volume or growth rate. Sustained weakness in global economic conditions could reduce economic opportunities for migrant workers and result in reduced or disrupted international migration patterns. Reduced or disrupted international migration patterns, particularly in the U.S. or Europe, are likely to reduce money transfer transaction volumes and therefore have an adverse effect on our results of operations. Furthermore, significant changes in international migration patterns could adversely affect our business, financial condition and results of operations.

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

In the normal course of our business, we maintain significant euro denominated cash balances. In 2015, the euro was our second largest currency position in the world following the U.S. dollar. The secession of a country from the euro, the demise of the use of the euro or a significant decline in the European economies could result in a sudden and substantial devaluation of the euro and other currencies against the U.S. dollar. Such a development could reduce the value of our euro-denominated deposits and adversely impact the profitability of our business in the Eurozone. In addition, our ability to generate fee revenue from our money transfer business could be impaired if the level of economic activity in the Eurozone were to decrease. A significant decline in European economies could also lead to financial market impairment and restricted bank liquidity. Our ability to fund our operations could be impaired if our access to our euro deposits were restricted, or if damage to the banking system were to result from a currency or an economic crisis.

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

The vast majority of our money transfer, bill payment and money order business is conducted through independent agents that provide our products and services to consumers at their business locations. Our agents receive the proceeds

from the sale of our payment instruments and money transfers, and we must then collect these funds from the agents. If an agent becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit payment instruments or money transfer proceeds to us, we must nonetheless pay the payment instrument or complete the money transfer on behalf of the consumer.

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Moreover, we have made, and may make in the future, secured or unsecured loans to retail agents under limited circumstances or allow agents to retain our funds for a period of time before remitting them to us. As of December 31, 2015, we had credit exposure to our agents of \$652.1 million in the aggregate spread across 15,888 agents.

Our official check outsourcing business is conducted through banks and credit unions. Their customers 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, 2015, we had credit exposure to our official check financial institution customers of \$265.0 million in the aggregate spread across 904 financial institutions.

We monitor the creditworthiness of our agents and financial institution customers 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 financial institution customers 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 security or financial guarantees of performance, 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. 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. A failure to attract and retain key personnel could also have a material adverse impact on our business.

The operation of retail locations and acquisition or start-up of businesses create risks and may adversely affect our business, financial condition and results of operations.

We have Company-operated retail locations for the sale of our products and services. We may be subject to additional laws and regulations that are triggered by our ownership of retail locations and our employment of individuals who staff our retail locations. There are also certain risks inherent in operating any retail location, including theft, personal injury and property damage and long-term lease obligations.

We may, from time to time, acquire or start-up businesses both inside and outside of the U.S. The acquisition and integration of businesses involve a number of risks. Such risks include, among others:

- risks in connection with acquisitions and start-ups and potential expenses that could be incurred in connection therewith;
- risks related to the integration of new businesses, including integrating facilities, personnel, financial systems, accounting systems, distribution, operations and general operating procedures;

- the diversion of capital and management's attention from our core business;
 - the impact on our financial condition and results of operations due to the timing of the new business or the failure of the new business to meet operating expectations; and
 - the assumption of unknown liabilities relating to the new business.
- Risks associated with acquiring or starting new businesses could result in increased costs and other operating inefficiencies, which could have an adverse effect on our business, financial condition and results of operations.

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Any restructuring actions 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 expect to continue to undertake various restructuring activities and cost reduction initiatives in an effort to better align our organizational structure and costs with our strategy. These initiatives can be substantial in scope and disruptive to our operations, and they can involve large expenditures. In fiscal years 2015 and 2014, we incurred restructuring charges of \$5.0 million and \$16.3 million, respectively. 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 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 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, 2015, THL held 44.6 percent of our outstanding common shares and 38.2 percent of our outstanding shares on a fully-converted basis (if all of the outstanding shares of D Stock were converted to common shares), excluding treasury shares held by the Company. Together, the Investors' ownership percentage on a fully-converted basis is 52.6 percent as of December 31, 2015. Additionally our Amended and Restated Certificate of Incorporation 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 three 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, 2015, there were 53.2 million outstanding common shares, excluding treasury shares (or 62.1 million common shares if the outstanding D Stock were converted into common shares). In accordance with the terms of the Registration Rights Agreement, dated March 25, 2008, among the Company and the Investor parties named therein, we have an effective Registration Statement on Form S-3, or the Registration Statement, that permits the offer and sale by the Investors of all of the common shares and D Stock currently held by the Investors. As of December 31, 2015, THL held 23.7 million shares of our common stock and Goldman Sachs held 71,282 shares of D Stock, which are convertible into 8.9 million shares of our common stock. The Registration Statement also permits us to offer and

sell, from time to time, up to \$500 million of our common stock, preferred stock, debt securities or any combination of these securities. 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.

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Our charter documents 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 documents contain 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 designates 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 provides 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.

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 certificate of incorporation, 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 the 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. 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.

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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 alleged.

Litigation Commenced Against the Company:

Class Action Securities Litigation - On April 15, 2015, a putative securities class action lawsuit was filed in the Superior Court of the State of Delaware, County of New Castle, against MoneyGram, all of its directors, certain of its executive officers, THL, Goldman Sachs and the underwriters of the secondary public offering of the Company's common stock that closed on April 2, 2014 (the "2014 Offering"). The lawsuit was brought by the Iron Workers District Council of New England Pension Fund seeking to represent a class consisting of all purchasers of the Company's common stock pursuant and/or traceable to the Company's registration statement and prospectus, and all documents incorporated by reference therein, issued in connection with the 2014 Offering. The lawsuit alleges violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, as amended (the "Securities Act"), due to allegedly false and misleading statements in connection with the 2014 Offering and seeks unspecified damages and other relief. On May 19, 2015, MoneyGram and the other defendants filed a notice of removal to the federal district court of the District of Delaware. On June 18, 2015, the plaintiff filed a motion to remand the case back to Delaware State Court. The Company believes that the claims are without merit and intends to vigorously defend against the lawsuit. The Company is unable to predict the outcome, or the possible loss or range of loss, if any, related to this matter.

Other Matters — The Company is involved in various other 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 and cash flows.

Government Investigations:

State Civil Investigative Demands — MoneyGram has received Civil Investigative Demands from a working group of nine state attorneys general who have initiated an investigation into whether the Company took adequate steps to prevent consumer fraud during the period from 2007 to 2014. On February 11, 2016, the Company entered into a settlement agreement with 49 states and the District of Columbia to settle any civil or administrative claims such attorneys general may have asserted under their consumer protection laws through the date of the settlement agreement in connection with the investigation. Under the settlement agreement, the Company will make a payment of \$13.0 million to the participating states to be used by the states to provide restitution to consumers. The Company also agreed to implement certain enhancements to its compliance program and provide periodic reports to the states party to the settlement agreement. As of December 31, 2015, the Company has accrued \$13.0 million in connection with the investigation.

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 after final disposition any of these other matters is likely to have a material adverse impact on the Company's financial condition, results of operations and cash flows.

Actions Commenced by the Company:

Tax Litigation — 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 disallow, among other items, approximately \$900 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 and filed a notice of appeal with the U.S. Tax Court on July 27, 2015. The U.S. Tax Court has transferred jurisdiction over the case to the U.S. Court of Appeals for the Fifth Circuit.

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 March 1, 2016, there were 8,643 stockholders of record of our common stock.

The high and low sales prices for our common stock for the periods presented were as follows for the respective periods:

Fiscal Quarter	2015		2014	
	High	Low	High	Low
First	\$9.58	\$7.55	\$20.35	\$17.02
Second	\$11.00	\$7.74	\$18.60	\$12.61
Third	\$10.66	\$7.75	\$14.94	\$12.54
Fourth	\$10.92	\$6.21	\$12.93	\$8.15

The 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 the Company in connection with the exercise of stock options or vesting of restricted stock is not considered repurchased shares under the terms of the repurchase authorization. As of December 31, 2015, the Company had repurchased 8,277,073 common shares under the terms of the repurchase authorization and has remaining authorization to repurchase up to 3,722,927 shares. During the three months ended December 31, 2015, the Company did not repurchase any common shares.

On April 2, 2014, the Company repurchased 8,185,092 common shares from THL at a price of \$16.25 per share. These repurchases are separate from, and do not affect, the Company's repurchase program described above. The terms of our debt agreements place significant limitations on the amount of restricted payments we may make, including dividends on our common stock and repurchases of our capital stock. Subject to certain customary conditions, we may (i) make restricted payments in an aggregate amount not to exceed \$50.0 million (without regard to a pro forma leverage ratio calculation), (ii) make restricted payments up to a formulaic amount determined based on incremental build-up of our consolidated net income in future periods (subject to compliance with maximum pro forma leverage ratio calculation) and (iii) repurchase capital stock from THL and Goldman Sachs in a remaining aggregate amount up to \$170.0 million. As a result, our ability to declare or pay dividends or distributions to the stockholders of the Company's common stock is materially limited at this time. No dividends were paid on our common stock in 2015 or 2014. See Note 11 — Stockholders' Deficit of the Notes to the Consolidated Financial Statements for additional disclosure.

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. Our peer group is comprised of the following companies: Euronet Worldwide Inc., Fiserv, Inc., Global Payments Inc., Green Dot Corporation, Heartland Payment Systems, Inc., Higher One Holdings, Inc., MasterCard, Inc., Total System Services, Inc., Visa, Inc. and The Western Union Company. In 2015, Xoom Corporation was removed from the Company's peer group due its acquisition by PayPal Holdings, Inc.

The following graph compares the cumulative total return from December 31, 2010 to December 31, 2015 for our common stock, our peer group index of payment services companies and the S&P 500 Index. The graph assumes the investment of \$100 in each of our common stock, our peer group and the S&P 500 Index on December 31, 2010, 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.

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COMPARISON OF CUMULATIVE TOTAL RETURN*
 AMONG MONEYGRAM INTERNATIONAL, INC.,
 S&P 500 INDEX AND PEER GROUP INDEX

*\$100 invested on 12/31/2010 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:

	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
MoneyGram International, Inc.	100.00	81.87	61.30	95.85	41.93	28.92
S&P 500	100.00	102.11	118.45	156.82	178.29	180.75
Peer Group	100.00	136.28	179.87	280.16	313.43	373.60

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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)	2015	2014	2013	2012	2011
Operating Results					
Revenue					
Global Funds Transfer segment	\$1,361.4	\$1,374.6	\$1,389.8	\$1,255.2	\$1,152.7
Financial Paper Products segment	73.3	80.3	84.0	84.5	93.3
Other	—	—	0.6	1.5	1.8
Total revenue	\$1,434.7	\$1,454.9	\$1,474.4	\$1,341.2	\$1,247.8
Net (loss) income	\$(76.9)	\$72.1	\$52.4	\$(49.3)	\$59.4
Net (loss) income per common share:					
Basic	\$(1.24)	\$1.10	\$0.73	\$(0.69)	\$(9.03)
Diluted	\$(1.24)	\$1.10	\$0.73	\$(0.69)	\$(9.03)
Financial Position					
Cash and cash equivalents	\$164.5	\$250.6	\$318.8	\$227.9	\$211.7
Total assets ⁽¹⁾	\$4,505.2	\$4,628.3	\$4,775.8	\$5,128.4	\$5,149.0
Long-term debt ⁽¹⁾	\$942.6	\$949.6	\$831.8	\$787.7	\$784.3
Stockholders’ deficit	\$(222.8)	\$(182.7)	\$(77.0)	\$(161.4)	\$(110.2)

As of December 31, 2015, the Company early adopted Accounting Standards Update (“ASU”) 2015-03. The amounts in prior periods have been adjusted to reflect the reclassification of the debt issuance costs previously reported in Other assets as a direct deduction from the carrying amount of the Company's related debt liability.

(1) Also, in accordance with ASU 2015-15, the Company records debt issuance costs for its Revolving Credit Facility in “Other assets” on the Consolidated Balance Sheets. See Note 2 — Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements for more information.

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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 "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 global provider of innovative money transfer services and is recognized worldwide as a financial connection to friends and family. Whether online, through a mobile device, at a kiosk or in a local store, we connect consumers 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. We primarily offer services through third-party agents, including retail chains, independent retailers, post offices and other financial institutions. We also offer Digital/Self-Service solutions such as moneygram.com, mobile solutions, account deposit and kiosk-based services. Additionally, we have Company-operated retail locations in the U.S. and Western Europe.

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 over 350,000 agent locations in more than 200 countries and territories. Our global money transfer services are our primary revenue driver, accounting for 88 percent of total revenue for the year ended December 31, 2015. The Global Funds Transfer segment also provides bill payment services to consumers through substantially all of our money transfer agent and Company-operated locations in the U.S., Canada and Puerto Rico, at certain agent locations in select Caribbean and European countries and through Digital/Self-Service solutions. The Financial Paper Products segment provides money order services to consumers through our retail and financial institutions located in the U.S. and Puerto Rico, and provides official check services to financial institutions in the U.S. Excluded from operating income for Global Funds Transfer and Financial Paper Products segments are corporate expenses, which are not related to our segments' performance.

See a summary of key 2015 events as disclosed in Part 1, Item 1, "2015 Events" of this Annual Report on Form 10-K.

Business Environment

Our 2015 financial results were impacted by lower U.S. to U.S. pricing, a competitive product in the U.S. to U.S. corridor and the strengthening of the U.S. dollar, partially offset by the Company's transaction and money transfer revenue growth in the Non-U.S. and U.S. Outbound corridors along with the continued growth of the Digital/Self-Service channel.

The strengthening of the U.S. dollar against foreign currencies ordinarily has a negative impact on our reported revenue (and conversely, the weakening of the U.S. dollar against these foreign currencies has a positive impact).

However, our restructuring efforts and the diversification of our employment base outside of the U.S. better aligned the currency exposure of our expenses with our revenues, allowing much of the currency impact to be offset.

Throughout 2015, worldwide economic conditions continued to remain unstable, as evidenced by high unemployment rates in key markets, government assistance to citizens and businesses on a global basis, lower oil prices, currency controls, restricted lending activity, weak currencies, lower currency reserves and low consumer confidence, among

other factors. Historically, the remittance industry has generally been resilient during times of economic softness as money transfers are deemed essential to many, with the funds used by the receiving party for food, housing and other basic needs. Given the global reach and extent of the current economic conditions, the growth of money transfer volumes and the average principal of money transfers continued to fluctuate by corridor and country in 2015, particularly in Europe. Also, there is continued political unrest in parts of the Middle East and Africa that contributed to the volatility.

As of December 31, 2015, our money transfer agent base expanded 3 percent over the prior year, primarily due to expansion in the Africa, Asia Pacific and Latin America regions. We continue to review markets where we may have an opportunity to increase our presence through agent signings and acquisitions, specifically in countries or cities where we are underrepresented.

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The market for money transfer services remains very competitive, consisting of a small number of large competitors and a large number of small, niche competitors, and we will continue to encounter competition from new technologies that allow consumers to send and receive money in a variety of ways. We generally compete for money transfer consumers on the basis of trust, convenience, availability of outlets, price, technology and brand recognition.

We are monitoring consumer behavior to ensure that we maintain growth. Pricing actions from our competitors may result in pricing changes for our products and services. On April 17, 2014, Walmart announced the launch of the Walmart white label money transfer service, a program operated by a competitor of MoneyGram, which allows consumers to transfer money between its U.S. store locations. This program limits consumers to transferring \$900 per transaction. As a result, the Company's Walmart U.S. to U.S. transactions declined 40 percent and 37 percent for the years ended December 31, 2015 and 2014, respectively. In addition, on October 31, 2014, we introduced lower prices for our money transfer product in the U.S. to U.S. market and, as a result, have seen improvements including a reduction in the decline of transactions over \$50 and an increase in average face value per transaction for the year ended December 31, 2015.

We continue to see a trend among state, federal and international regulators towards enhanced scrutiny of anti-money laundering compliance programs, as well as consumer fraud prevention and education. Compliance with laws and regulations is a highly complex and integral part of our day-to-day operations, thus we have continued to increase our compliance personnel headcount and make investments in our compliance-related technology and infrastructure. In the first quarter of 2013, a compliance monitor was selected pursuant to a requirement of our settlement with the MDPA and U.S. DOJ. We have received three annual reports from the compliance monitor, which have resulted in us continuing to make investments in various areas of our compliance systems and operations. We incurred \$11.5 million and \$6.5 million of expense directly related to the compliance monitor for the years ended December 31, 2015 and 2014, respectively.

Anticipated Trends for 2016

This discussion of trends expected to impact our business in 2016 is based on information presently available and reflects certain assumptions, including assumptions regarding future economic conditions. Differences in actual economic conditions during 2016 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.

Throughout 2015, global economic conditions remained weak. We cannot predict the duration or extent of the severity of the current economic conditions, nor the extent to which these conditions could negatively affect our business, operating results or financial condition. Also, the decrease 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. While the money remittance industry has generally been resilient during times of economic softness, the current global economic conditions have continued to adversely impact the demand for money remittances.

We continue to review markets in which we may have an opportunity to increase prices based on increased brand awareness, loyalty and competitive positioning. We are monitoring consumer behavior to ensure that we continue our market share growth. We continue to monitor the U.S. to U.S. corridor for pricing actions from our competitors which may also result in pricing changes for our products and services. As a result of our agent expansion and retention efforts, commissions expense may increase.

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. We also expect the underlying balances to remain stable or move commensurate with the transaction volume.

In February 2014, we announced the 2014 Global Transformation Program, which consists of three key components: reorganization and restructuring, compliance enhancement and a focus on Digital/Self-Service revenue.

Reorganization and restructuring activities related to the 2014 Global Transformation Program are centered around facilities and headcount rationalization, system efficiencies and headcount right-shoring and outsourcing. The Company expects to complete these activities in early 2016. As a result of the reorganization and restructuring

program, we estimate \$25 million of annual pre-tax cost savings will be generated exiting fiscal year 2015.

We anticipate making investments of approximately \$25.0 million related to the compliance enhancement program in 2016, compared to \$48.9 million and \$49.0 million in 2015 and 2014, respectively.

We believe that our investment in innovative products and services, particularly Digital/Self-Service solutions such as moneygram.com, mobile solutions, account deposit and kiosk-based services, positions the Company to enhance revenue growth and diversify our product offerings. Digital/Self-Service solutions represented 12 percent of money transfer revenue for 2015 and we are anticipating it to reach 15 percent to 20 percent by the end of 2017. For the years ended December 31, 2015, 2014 and 2013, the Digital/Self-Service channel generated revenue of \$150.1 million, \$97.0 million and \$71.6 million, respectively.

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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, but are not limited to: fee and other revenue, fee and other commissions expense, fee and other revenue less commissions, operating income and operating margin. Due to our regulatory capital requirements, we deem certain payment service assets as settlement assets. Settlement assets represent funds received or to be received from agents for unsettled money transfers, money orders and customer payments. Settlement assets include settlement cash and cash equivalents, receivables, net, interest-bearing investments and available-for-sale investments. See Note 2 — Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements for additional disclosure.

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.

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 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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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)	2015	2014	2013	2015 vs 2014	2014 vs 2013	2015 vs 2014	2014 vs 2013
Revenue							
Fee and other revenue	\$1,422.6	\$1,438.4	\$1,456.8	\$(15.8)	\$(18.4)	(1)%	(1)%
Investment revenue	12.1	16.5	17.6	(4.4)	(1.1)	(27)%	(6)%
Total revenue	1,434.7	1,454.9	1,474.4	(20.2)	(19.5)	(1)%	(1)%
Expenses							
Fee and other commissions expense	655.4	666.0	677.8	(10.6)	(11.8)	(2)%	(2)%
Investment commissions expense	0.8	0.4	0.4	0.4	—	100 %	— %
Total commissions expense	656.2	666.4	678.2	(10.2)	(11.8)	(2)%	(2)%
Compensation and benefits	309.1	275.0	264.9	34.1	10.1	12 %	4 %
Transaction and operations support	324.8	332.2	253.7	(7.4)	78.5	(2)%	31 %
Occupancy, equipment and supplies	62.3	54.4	49.0	7.9	5.4	15 %	11 %
Depreciation and amortization	66.1	55.5	50.7	10.6	4.8	19 %	10 %
Total operating expenses	1,418.5	1,383.5	1,296.5	35.0	87.0	3 %	7 %
Operating income	16.2	71.4	177.9	(55.2)	(106.5)	(77)%	(60)%
Other expenses (income)							
Net securities gains	—	(45.4)	—	45.4	(45.4)	NM	(100)%
Interest expense	45.3	44.2	47.3	1.1	(3.1)	2 %	(7)%
Debt extinguishment costs	—	—	45.3	—	(45.3)	NM	(100)%
Total other expenses (income), net	45.3	(1.2)	92.6	46.5	(93.8)	NM	(101)%
(Loss) income before income taxes	(29.1)	72.6	85.3	(101.7)	(12.7)	NM	(15)%
Income tax expense	47.8	0.5	32.9	47.3	(32.4)	NM	(98)%
Net (loss) income	\$(76.9)	\$72.1	\$52.4	\$(149.0)	\$19.7	NM	38 %

NM = Not meaningful

Global Funds Transfer Fee and Other Revenue

Fee and other revenue consists of transaction fees, foreign exchange revenue and other revenue. The Company earns money transfer revenues primarily from consumer transaction fees on its money transfer and bill payment services and the management of currency exchange spreads involving different "send" and "receive" countries. Other revenue in the Global Funds Transfer segment primarily consists of breakage revenue on money transfer transactions where the likelihood of payment is remote and there is no requirement for remitting balances to government agencies under unclaimed property laws.

The following discussion provides a summary of fee and other revenue for the Global Funds Transfer segment for the years ended December 31. Investment revenue is not included in the analysis below. For further detail, see "Investment Revenue Analysis" below.

(Amounts in millions, except percentages)	2015	2014	2013	2015 vs 2014	2014 vs 2013
Money transfer fee and other revenue	\$1,262.5	\$1,274.3	\$1,287.5	(1)%	(1)%
Bill payment fee and other revenue	98.7	100.1	102.0	(1)%	(2)%
Global Funds Transfer fee and other revenue	\$1,361.2	\$1,374.4	\$1,389.5	(1)%	(1)%
Fee and other commissions expense	\$655.1	\$665.4	\$676.9	(2)%	(2)%

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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)	2015	2014
For the period ended December 31	\$1,274.3	\$1,287.5
Change resulting from:		
Money transfer volume	83.2	29.5
Impact from changes in exchange rates	(63.0)	(0.7)
Average face value per transaction and pricing	(55.8)	(39.5)
Corridor mix	22.8	(2.5)
Other	1.0	—
For the period ended December 31	\$1,262.5	\$1,274.3

In 2015, the decline in money transfer fee and other revenue was primarily driven by the strengthening of the U.S. dollar compared to the prior year, lower average face value per transaction and pricing actions introduced in October 2014, partially offset by transaction growth of 7 percent and corridor mix. The transaction growth was driven by the continued growth in the U.S. Outbound and Non-U.S. money transfer transactions, offset by the decline in our U.S. to U.S. money transfer transactions as detailed further below.

In 2014, the decline in money transfer fee and other revenue was primarily driven by the decline in our U.S. to U.S. business, lower average face value per transaction, pricing actions introduced in October 2014 and corridor mix, partially offset by transaction growth of 2 percent. The low transaction growth was driven by the decline in our U.S. to U.S. business primarily due the introduction of the Walmart white label money transfer service, which was offset by our continued growth in the U.S. Outbound and Non-U.S. money transfer transactions as detailed further below.

Money Transfer Transactions

The following table displays the percentage distribution of total money transfer transactions by geographic location (the region originating the transaction) for the years ended December 31:

	2015	2014	2013
U.S. to U.S.	17 %	23 %	30 %
U.S. Outbound	43 %	40 %	36 %
Non-U.S.	40 %	37 %	34 %

The following table displays year over year money transfer transaction growth by geographic location (the region originating the transaction) for the years ended December 31:

	2015 vs 2014	2014 vs 2013
Total transactions	7 %	2 %
U.S. to U.S.	(18) %	(22) %
U.S. Outbound	12 %	15 %
Non-U.S.	16 %	10 %

In 2015, the Non-U.S. corridors generated 16 percent transaction growth and accounted for 40 percent of our total money transfer transactions. The growth was primarily driven by the Middle East, Western Europe and Latin America regions. U.S. Outbound corridors generated 12 percent transaction growth while accounting for 43 percent of our total money transfer transactions. The success in the U.S. Outbound corridor was primarily driven by sends to Latin America and to Africa. The U.S. to U.S. corridor declined 18 percent and accounted for 17 percent of our total money transfer transactions. The decline was primarily driven by a 40 percent decline in Walmart U.S. to U.S. transactions, partially offset by 8 percent growth in U.S. to U.S. transactions excluding Walmart.

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In 2014, the U.S. Outbound corridors generated 15 percent transaction growth and accounted for 40 percent of total money transfer transactions. The success in the U.S. Outbound corridor was primarily driven by sends to Latin America, which had transaction growth of 16 percent for 2014, as well as sends to Africa and Asia Pacific. Non-U.S. transactions accounted for 37 percent of total money transfer transactions and generated 10 percent transaction growth. The growth was primarily driven by the Middle East, Asia Pacific and Latin America. The U.S. to U.S. corridor declined 22 percent and accounted for 23 percent of total money transfer transactions. The decline was primarily driven by a 37 percent decline in Walmart U.S. to U.S. transactions, partially offset by 10 percent growth in U.S. to U.S. transactions excluding Walmart.

Bill Payment Fee and Other Revenue

In 2015 and 2014, bill payment fee and other revenue decreased \$1.4 million or 1 percent and \$1.9 million or 2 percent, respectively, as a result of lower average fees resulting from shifts in industry mix, partially offset by transaction growth of 1 percent in 2015 and 2014. The impact of changes in industry mix reflects our continued growth in new emerging verticals that generate a lower fee per transaction than our traditional verticals.

Global Funds Transfer Commissions Expense

The Company incurs fee commissions primarily on our Global Funds Transfer products. In a money transfer transaction, both the agent initiating the transaction and the receiving agent earn a commission that is generally based on a percentage of the fee charged to the consumer. In a bill payment transaction, the agent initiating the transaction receives a commission and, in limited circumstances, the biller will generally earn a commission that is based on a percentage of the fee charged to the consumer. Other commissions expense includes the amortization of capitalized agent signing bonus payments.

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

(Amounts in millions)	2015	2014
For the period ended December 31:	\$665.4	\$676.9
Change resulting from:		
Impact from changes in exchange rates	(29.4)	(2.2)
Money transfer revenue	22.9	(5.8)
Money transfer corridor and agent mix	(12.6)	(14.2)
Signing bonuses	10.8	10.7
Bill payment revenue and commission rates	(2.0)	—
For the period ended December 31:	\$655.1	\$665.4

In 2015, the Global Funds Transfer commissions expense decreased \$10.3 million or 2 percent. The decrease in commissions expense was primarily driven by the strengthening of the U.S. dollar and changes in the money transfer corridor and agent mix. The decline in commissions expense was partially offset by increased money transfer revenue, as a result of an increase in money transfer volume offset by a decline in average face value per transaction and pricing previously discussed above, as well as signing bonus amortization from our agent expansion and retention efforts. Commissions expense as a percentage of fee and other revenue slightly declined to 48.1 percent in 2015 from 48.4 percent in 2014 due to a change in agent mix.

In 2014, the Global Funds Transfer commissions expense decreased \$11.5 million or 2 percent. The decrease in commissions expense was primarily driven by changes in the corridor and agent mix and the movement in foreign currency exchange rates, partially offset by increased signing bonus amortization from our agent expansion and retention efforts. Commissions expense as a percentage of fee and other revenue remained relatively stable at 48.4 percent and 48.7 percent, in 2014 and 2013, respectively.

Financial Paper Products Fee and Other Revenue and Fee and Other Commissions Expense

Fee and other revenue consists of transaction fees, foreign exchange revenue and other revenue. Transaction fees are earned on money order and official check transactions. Other revenue primarily consists of processing fees on rebate checks and controlled disbursements, service charges on aged outstanding money orders and money order dispenser fees. We generally do not pay commissions to agents on the sale of money orders, except, in certain limited circumstances, for large agents where we may pay a fixed commission based on total money order transactions.

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The following discussion provides a summary of fee and other revenue and fee and other commissions expense for the Financial Paper Product segment for the years ended December 31. Investment revenue and investment commissions expense are not included in the analysis below. For further detail, see "Investment Revenue Analysis" below.

(Amounts in millions, except percentages)	2015	2014	2013	2015 vs 2014	2014 vs 2013
Money order fee and other revenue	\$47.6	\$49.3	\$51.1	(3)%	(4)%
Official check fee and other revenue	13.8	14.7	16.2	(6)%	(9)%
Financial Paper Product fee and other revenue	\$61.4	\$64.0	\$67.3	(4)%	(5)%
Fee and other commissions expense	\$0.3	\$0.6	\$0.9	(50)%	(33)%

Money order fee and other revenue decreased in 2015 and 2014 due to transaction declines of 5 percent and 6 percent, respectively, attributed primarily to the migration by consumers to other payment methods. Similarly, official check fee and other revenue decreased 6 percent and 9 percent in 2015 and 2014, respectively. Fee and other commissions expense decreased by 50 percent and 33 percent in 2015 and 2014, respectively, due primarily to volume declines and change in agent mix.

Investment Revenue Analysis

The following discussion provides a summary of the Company's investment revenue and investment commissions expense for the years ended December 31:

(Amounts in millions, except percentages)	2015	2014	2013	2015 vs 2014	2014 vs 2013
Investment revenue	\$12.1	\$16.5	\$17.6	(27)%	(6)%
Investment commissions expense ⁽¹⁾	0.8	0.4	0.4	100 %	— %

⁽¹⁾Commissions are generated from the average outstanding cash balances of official checks sold.

Investment Revenue

Investment revenue consists primarily of interest income generated through the investment of cash balances received from the sale of official checks and money orders. These cash balances are available to us for investment until the payment instrument is cleared. Investment revenue varies depending on the level of investment balances and the yield on our investments.

Investment revenue in 2015 decreased \$4.4 million, or 27 percent, when compared to 2014 primarily due to the one-time returns on legacy investments in 2014.

Investment revenue in 2014 decreased \$1.1 million, or 6 percent, when compared to 2013 due to lower average outstanding investment balances as well as lower interest rates.

Operating Expenses

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

(Amounts in millions, except percentages)	2015		2014		2013	
	Dollars	Percent of Total Revenue	Dollars	Percent of Total Revenue	Dollars	Percent of Total Revenue
Compensation and benefits	\$309.1	21 %	\$275.0	19 %	\$264.9	18 %
Transaction and operations support	324.8	23 %	332.2	23 %	253.7	17 %
Occupancy, equipment and supplies	62.3	4 %	54.4	3 %	49.0	3 %
Depreciation and amortization	66.1	5 %	55.5	4 %	50.7	4 %
Total operating expenses	\$762.3	53 %	\$717.1	49 %	\$618.3	42 %

In 2015, total operating expenses as a percentage of total revenue was 53 percent, compared to 49 percent in 2014.

The increase was primarily due to increased expenses incurred as a result of the 2015 performance bonus plan and pension settlement charges related to the voluntary pension buyout included in "Compensation and benefits" as well as the decline in total revenue. In 2014, total operating expenses as a percentage of total revenue was 49 percent, which was an increase from 42 percent in 2013, primarily due to the 2014 Global Transformation Program.

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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)	2015	2014
For the period ended December 31	\$275.0	\$264.9
Change resulting from:		
Salaries, related payroll taxes and incentive compensation	35.9	(9.0)
Impact from changes in exchange rates	(18.8)	(0.1)
Employee stock-based compensation	14.2	(5.8)
Pension settlement charges	14.0	—
Reorganization and restructuring	(9.1)	18.5
Compliance enhancement program	(1.5)	2.8
Other employee benefits	(0.6)	3.7
For the period ended December 31	\$309.1	\$275.0

In 2015, compensation and benefits expense increased partially due to an increase in salaries, related payroll taxes and incentive compensation mainly due to an increase in expenses related to performance bonus plan in 2015 compared to 2014. The increase is also attributed to an increase in employee stock-based compensation due to the reversal of performance-based restricted stock units in 2014 and settlement charges from the voluntary pension buyout. These increases were partially offset by the impact of the strengthening U.S. dollar and the wind down of the 2014 Global Transformation Program reorganization and restructuring activities.

In 2014, compensation and benefits expense increased primarily due to the 2014 Global Transformation Program, including increased costs relating to our reorganization and restructuring activities and our compliance enhancement program. The increase in costs related to the 2014 Global Transformation Program was \$22.6 million, partially offset by expenses of \$1.3 million related to the 2010 Global Transformation Initiative that concluded in 2013. The costs related to the 2014 Global Transformation Program primarily consisted of severance costs related to reorganization and restructuring activities and increased headcount for the compliance enhancement program. Salaries and related payroll taxes increased due to increased headcount, ordinary salary increases and changing employee base as we invested in our sales, market development and compliance functions. The increase in compensation and benefits expense was slightly offset by decreased stock-based compensation and performance incentives.

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, 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.

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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)	2015	2014
For the period ended December 31	\$332.2	\$253.7
Change resulting from:		
Outsourcing, independent contractor and consultant costs	19.9	19.3
Realized foreign exchange gains	(12.1)	(0.9)
Impact from changes in exchange rates	(11.7)	—
Legal expenses	(9.9)	13.4
Non-income taxes	(8.5)	5.0
Provision for loss	6.6	6.6
Other	5.2	(1.8)
Direct monitor costs	5.0	0.4
Reorganization and restructuring	(2.1)	9.3
Marketing costs	0.4	7.3
Compliance enhancement program	(0.2)	19.9
For the period ended December 31	\$324.8	\$332.2

In 2015, transaction and operations support expense decreased primarily due to realized foreign exchange gains, the impact of the strengthening U.S. dollar, a decrease in legal expenses due to the State Civil Investigative Demands matter which was substantially accrued for in 2014 and the wind down of the 2014 Global Transformation Program reorganization and restructuring activities. These decreases were partially offset by an increase in outsourcing, independent contractor and consulting costs as a result of continued investment in our compliance systems and operations as well as increased call volume due to initiatives under the compliance enhancement program and an increase in our provision for loss due to our new instant ACH product. Additionally, direct monitor costs increased due to remediation efforts related to the DPA.

In 2014, transaction and operations support expense increased primarily as a result of the expenses associated with the 2014 Global Transformation Program, which includes costs related to our reorganization and restructuring activities and our compliance enhancement program. The increase in costs for the 2014 Global Transformation Program was \$32.6 million, partially offset by a decrease in expenses of \$3.4 million associated with the 2010 Global Transformation Initiative which concluded in 2013. Expenses related to the compliance enhancement program increased \$19.9 million as we continue to implement compliance enhancement tools and processes. Additionally, we incurred increased expenses for outsourcing due to the shift from internal employees to outsourced vendors as part of the 2014 Global Transformation Program. Capital transaction costs are related to the underwritten secondary public offering and share repurchase which were completed on April 2, 2014. We incurred increased marketing costs due to the launch of our new low U.S. to U.S. pricing. Legal expenses increased primarily due to the \$11.0 million accrual associated with the State Civil Investigative Demands matter. Increased expenditures related to telecommunication costs are a result of continued network, product and infrastructure growth. The increase in the provision for loss consists of amounts related to the closure of two agents during 2014.

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 2015, occupancy, equipment and supplies increased \$7.9 million, or 15 percent, when compared to 2014, primarily due to maintenance charges on new licenses and other software projects, including those relating to the compliance enhancement program. These increases were partially offset by the impact of the strengthening U.S. dollar.

In 2014, occupancy, equipment and supplies increased \$5.4 million, or 11 percent, when compared to 2013, as a result of increased rent and building operation costs, equipment maintenance and compliance enhancement costs associated with the 2014 Global Transformation Program.

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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 2015, depreciation and amortization increased \$10.6 million, or 19 percent, when compared to 2014, primarily driven by higher depreciation expense due to computer hardware and software asset additions related to the compliance enhancement program.

In 2014, depreciation and amortization increased \$4.8 million, or 10 percent, when compared to 2013, primarily driven by higher amortization expense for acquired assets and depreciation expense for computer hardware.

Other Expenses (Income), Net

The following table is a summary of the components of other expenses (income), net for the years ended December 31:

(Amounts in millions)	2015	2014	2013	2015 vs 2014	2014 vs 2013
Interest expense	\$45.3	\$44.2	\$47.3	\$1.1	\$(3.1)
Net securities gains	—	(45.4)	—	45.4	(45.4)
Debt extinguishment costs	—	—	45.3	—	(45.3)
Total other expenses (income), net	\$45.3	\$(1.2)	\$92.6	\$46.5	\$(93.8)

Interest Expense — Interest expense in 2015 increased \$1.1 million or 2 percent from 2014 as a result of higher average debt balances incurred in connection with the Incremental Agreement, dated April 2, 2014. Interest expense decreased \$3.1 million from \$47.3 million in 2013 to \$44.2 million in 2014 as a result of lower interest rates from the 2013

Credit Agreement and the Company's purchase of all \$325.0 million of its outstanding second lien notes in 2013 (the "Note Repurchase"), partially offset by higher average debt balances incurred in connection with the Incremental Agreement. See Note 9 — Debt of the Notes to the Consolidated Financial Statements for additional information.

Net Securities Gains — During 2015 and 2013, we did not realize any net securities gains or losses. In 2014, we realized \$45.4 million of net securities gains for settlements related to certain securities previously written down to a nominal fair value. See Note 14 — Commitments and Contingencies of the Notes to the Consolidated Financial Statements for additional disclosure.

Debt Extinguishment Costs — During 2015 and 2014, we did not incur any debt extinguishment costs. In connection with the termination of the Credit Agreement, dated May 18, 2011, and the Note Repurchase, we recognized debt extinguishment costs of \$45.3 million in the first quarter of 2013. See Note 9 — Debt of the Notes to the Consolidated Financial Statements for additional disclosure.

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)	2015	2014	2013
Provision for income taxes	\$47.8	\$0.5	\$32.9
Effective tax rate	(164.3)%	0.6%	38.6%

Our provision for income taxes increased from 2014 to 2015, primarily as a result of the court decision related to an IRS matter. As a result of the operating loss in 2015, the effective tax rate was (164.3) percent. See Note 13 — Income Taxes and Note 14 — Commitments and Contingencies of the Notes to the Consolidated Financial Statements for additional disclosure.

Our provision for income taxes and effective tax rate decreased from 2013 to 2014, primarily resulting from the re-measurement of uncertain tax positions initially recorded in 2012, as well as a release of the valuation allowance on capital loss carryovers from net securities gains, which were partially offset by the reversal of deferred tax benefits on canceled stock options.

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 referred to above and examinations by tax authorities. Historically, the Company has not asserted permanent reinvestment with respect to its foreign undistributed earnings. To the extent such assertion changes in the future, our provision for income taxes and

effective tax rate may also change.

We are regularly examined by tax authorities both domestically and internationally. We assess the likelihood of adverse outcomes and believe that adequate amounts have been reserved for adjustments that may result from these examinations. Given the inherent uncertainties in these examinations, the ultimate amount and timing of adjustments cannot be assured.

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Operating Income and Operating Margin

The Company's management utilizes operating income and operating margin when assessing both consolidated and segment operating performance and allocation of resources. Excluded from the segments' operating income are certain pension and benefit obligation expenses, director deferred compensation plan expenses, executive severance and related costs and certain legal and corporate costs not related to the performance of our segments.

The following table provides a summary overview of operating income and operating margin for the years ended December 31:

(Amounts in millions, except percentages)	2015	2014	2013		
Operating income:					
Global Funds Transfer	\$31.7	\$75.4	\$162.6		
Financial Paper Products	17.9	28.1	30.9		
Total segment operating income	49.6	103.5	193.5		
Other	(33.4)	(32.1)	(15.6)		
Total operating income	\$16.2	\$71.4	\$177.9		
Total operating margin	1.1	% 4.9	% 12.1	%	
Global Funds Transfer	2.3	% 5.5	% 11.7	%	
Financial Paper Products	24.4	% 35.0	% 36.8	%	
Total Revenue	\$1,434.7	\$1,454.9	\$1,474.4		
Global Funds Transfer	\$1,361.4	\$1,374.6	\$1,389.8		
Financial Paper Products	\$73.3	\$80.3	\$84.0		

2015 Compared to 2014

During 2015, the change in "Other" operating income was nominal. "Other" expenses included \$5.2 million of legal expenses, Pension and Postretirement Benefits net periodic benefit expense of \$25.7 million and other net corporate costs of \$2.5 million for the year ended December 31, 2015.

In 2015, the Company experienced a decline in both total operating income and total operating margin, primarily as a result of a \$20.2 million decrease in total revenue driven by the decrease in money transfer fee and other revenue and the increase in compensation and benefits expense related to the \$14.0 million pension settlement charges and increase in incentive compensation.

2014 Compared to 2013

"Other" expenses in 2014 included \$16.4 million of legal expenses related to the State Civil Investigative Demands accrual, expenses in connection with the IRS tax litigation and other matters, as well as Pension and Postretirement Benefits net periodic benefit expense of \$10.2 million and other net corporate costs of \$5.5 million. "Other" expenses in 2013 included \$2.5 million of legal expenses in connection with the settlement related to the MDPA/U.S. DOJ investigation and the shareholder litigation, \$1.5 million of severance and related costs from executive terminations as well as other net corporate costs of \$11.6 million not allocated to the segments.

In 2014, the Company experienced a decline in both total operating income and total operating margin when compared to 2013, as total operating income decreased to \$71.4 million from \$177.9 million in 2013, primarily as a result of a \$19.5 million decrease in total revenue and increased expenses related to the 2014 Global Transformation Program. The increase in 2014 Global Transformation Program expenses was primarily driven by a \$23.9 million increase in compliance enhancement program costs and a \$27.3 million increase in reorganization and restructuring costs.

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Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”), Adjusted EBITDA and Adjusted Free Cash Flow

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 financial measures 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, 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 and Adjusted Free Cash Flow 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 for the years ended December 31:

(Amounts in millions)	2015	2014	2013
(Loss) income before income taxes	\$(29.1)	\$72.6	\$85.3
Interest expense	45.3	44.2	47.3
Depreciation and amortization	66.1	55.5	50.7
Amortization of agent signing bonuses	60.4	53.8	42.8
EBITDA	142.7	226.1	226.1
Significant items impacting EBITDA:			
Stock-based and contingent performance compensation ⁽¹⁾	26.9	6.9	14.1
Compliance enhancement program	26.5	26.7	2.8
Reorganization and restructuring costs	20.0	30.5	3.2
Pension settlement charge ⁽²⁾	13.8	—	—
Direct monitor costs	11.5	6.5	—
Legal and contingent matters ⁽³⁾	1.7	16.4	2.5
Net securities gains	—	(45.4)	—
Losses related to agent closures	—	7.4	—
Capital transaction costs ⁽⁴⁾	—	2.1	—
Debt extinguishment ⁽⁵⁾	—	—	45.3
Severance and related costs	—	—	1.5
Adjusted EBITDA	\$243.1	\$277.2	\$295.5
Adjusted EBITDA growth, as reported	(12)%		
Adjusted EBITDA growth, constant currency adjusted	(10)%		
Adjusted EBITDA	\$243.1	\$277.2	\$295.5
Cash payments for interest	(42.1)	(41.1)	(43.9)
Cash taxes, net	(64.4)	(6.4)	(8.0)
Payments related to IRS tax matter	61.0	—	—
Cash payments for capital expenditures	(109.9)	(85.8)	(48.8)
Cash payments for agent signing bonuses	(87.3)	(93.9)	(45.0)
Adjusted Free Cash Flow	\$0.4	\$50.0	\$149.8

(1) Stock-based compensation, contingent performance awards payable after three years and certain incentive compensation.

(2) Non-cash charge resulting from the partial buyout of the defined benefit pension plan.

(3) Fees and expenses related to certain legal and contingent matters.

(4) Professional and legal fees incurred for the April 2, 2014 equity transactions.

(5) Debt extinguishment costs in connection with the 2013 Credit Agreement and Note Repurchase.

2015 Compared to 2014

The Company generated EBITDA of \$142.7 million and \$226.1 million for the years ended December 31, 2015 and 2014, respectively. The decrease of \$83.4 million was primarily due to the decrease in revenue mostly as a result of the strengthening of the U.S. dollar and an increase in compensation and benefits expense of \$34.1 million as a result of an increase in stock-based and contingent performance compensation and a \$13.8 million pension settlement charge, which are listed as EBITDA adjustments in the table above. In addition, we did not have net securities gains in 2015 as compared to \$45.4 million in 2014.

In 2015, Adjusted EBITDA decreased \$34.1 million, or 12 percent, primarily due to the same factors impacting EBITDA offset by changes in the EBITDA adjustments previously discussed.

For 2015, Adjusted Free Cash Flow decreased \$49.6 million or 99 percent. The decrease was a result of decline in Adjusted EBITDA and increased capital expenditures, partially offset by decreased cash payments for agent signing

bonuses.

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2014 Compared to 2013

For 2014, the Company generated EBITDA of \$226.1 million and Adjusted EBITDA of \$277.2 million. When compared to 2013, EBITDA remained stable. The decline in revenue and the increase in the costs incurred for the 2014 Global Transformation Program were offset by a decrease in commissions expense and the \$45.4 million of net securities gains in 2014.

In 2014, Adjusted EBITDA decreased \$18.3 million, or 6 percent, as a result of a decline in average face value per transaction, pricing and an increase in expenses for marketing.

For 2014, Adjusted Free Cash Flow decreased \$99.8 million, or 67 percent, to \$50.0 million from \$149.8 million in 2013. The decrease was a result of an increase of \$48.9 million in cash paid for agent signing bonuses, an increase in cash paid for capital expenditures of \$37.0 million primarily in connection with the 2014 Global Transformation Program, and overall fee and other revenue decline of 1 percent when compared to 2013.

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

Acquisition and Disposal Activity

We did not complete any acquisitions in 2015.

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 cash and cash equivalents and our settlement assets as of December 31:

(Amounts in millions)	2015	2014
Cash and cash equivalents	\$164.5	\$250.6
Settlement assets:		
Settlement cash and cash equivalents	1,560.7	1,657.3
Receivables, net	861.4	757.6
Interest-bearing investments	1,062.4	1,091.6
Available-for-sale investments	21.1	27.1
	3,505.6	3,533.6
Payment service obligations	\$(3,505.6)	\$(3,533.6)

Our primary sources of liquidity include cash flows generated by the sale of our payment instruments, our cash and cash equivalent and interest-bearing investment balances, proceeds from our investment portfolio and credit capacity under our credit facilities. 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 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 seek to 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 facilities, will be sufficient to meet our anticipated funding requirements.

Table of Contents**Cash and Cash Equivalents and Interest-bearing Investments**

To ensure we maintain adequate liquidity to meet our operating needs 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 highest two out of three ratings across the agencies for disclosure purposes. If none of the three rating agencies have the same rating, the Company uses the lowest rating across the agencies for disclosure purposes. As of December 31, 2015, cash and cash equivalents (including unrestricted and settlement cash and cash equivalents) and interest-bearing investments totaled \$2.8 billion. Cash equivalents and interest-bearing investments consist of time deposits, certificates of deposit and money market funds that invest in U.S. government and government agency securities.

Available-for-sale Investments

Our investment portfolio includes \$21.1 million of available-for-sale investments as of December 31, 2015. U.S. government agency residential mortgage-backed securities compose \$9.5 million of our available-for-sale investments, while other asset-backed securities compose the remaining \$11.6 million.

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.

Special Purpose Entities

For certain financial institution customers, we established individual special purpose entities ("SPEs") upon the origination of our relationship. Along with operational processes and certain financial covenants, these SPEs provide the financial institutions with additional assurance of our ability to clear their official checks. For the years ending December 31, 2015 and 2014, these SPEs had settlement assets equal to payment service obligations of \$2.1 million and \$3.1 million, respectively. See Note 1 — Description of the Business and Basis of Presentation of the Notes to the Consolidated Financial Statements for additional disclosure.

Credit Facilities

On March 28, 2013, we entered into the 2013 Credit Agreement with 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 Credit 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 the Incremental Agreement with BOA, as administrative agent, and various lenders, which provided for (i) a tranche under the Term Credit 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.

The following table is a summary of our outstanding debt balances, net of unamortized debt discount and debt issuance costs at December 31:

(Amounts in millions, except percentages)	Interest Rate for 2015	Original Facility Size	Outstanding		2016 Interest ⁽¹⁾
			2015	2014	
2013 Credit Agreement					

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Senior secured credit facility, net	4.25	%	\$980.0	\$942.6	\$949.6	\$41.1
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⁽¹⁾ Reflects interest expected to be paid in 2016 using the rates in effect on December 31, 2015, assuming no prepayments of principal.

As of December 31, 2015, the Company had no outstanding letters of credit or borrowings under the Revolving Credit Facility, leaving \$150.0 million of borrowing capacity thereunder.

The 2013 Credit Agreement contains various financial and non-financial covenants. We continuously monitor our compliance with our debt covenants. At December 31, 2015, the Company was in compliance with its financial covenants.

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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.

Equity Registration Rights Agreement

The Company and the Investors entered into a Registration Rights Agreement (the "Equity Registration Rights Agreement") on March 25, 2008, with respect to the Series B Stock, D Stock, and the common stock owned by the Investors and their affiliates, also referred to collectively as the Registrable Securities. Under the terms of the Equity Registration Rights Agreement, we are required to file with the SEC a shelf registration statement relating to the offer and sale of the Registrable Securities and keep such shelf registration statement continuously effective under the Securities Act until the earlier of (1) the date as of which all of the Registrable Securities have been sold, (2) the date as of which each of the holders of the Registrable Securities is permitted to sell its Registrable Securities without registration pursuant to Rule 144 under the Securities Act and (3) fifteen years. The holders of the Registrable Securities are also entitled to six demand registrations and unlimited piggyback registrations during the term of the Equity Registration Rights Agreement. The SEC has declared effective a shelf registration statement on Form S-3 that permits the offer and sale of the Registrable Securities, as required by the terms of the Equity Registration Rights Agreement. The registration statement also permits the Company to offer and sell up to \$500 million of its common stock, preferred stock, debt securities or any combination of these, from time to time, subject to market conditions and the Company's capital needs.

Credit Ratings

As of December 31, 2015, our credit ratings from Moody's and S&P were B1 and B+, respectively, both with a stable outlook. On April 13, 2015, S&P lowered our credit rating from BB- with a negative outlook to B+ with a stable outlook. Our credit facilities, regulatory capital requirements and other obligations were not impacted, and 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. 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 capital requirements as of December 31, 2015.

We are also subject to regulatory capital requirements in various countries outside of the U.S., which typically result in a requirement to either prefund agent settlements or hold minimum required levels of cash or guarantees within the applicable country. The amounts can fluctuate based on our level of activity and is likely to increase over time as our business expands internationally. Assets used to meet these regulatory requirements support our payment service obligations and are not available to satisfy other liquidity needs. As of December 31, 2015, we had \$103.2 million of cash designated to meet regulatory capital requirements and such amounts are included in "Settlement assets" on the Consolidated Balance Sheet.

We were in compliance with all regulatory capital requirements as of December 31, 2015. We believe that our liquidity and capital resources will remain sufficient to ensure ongoing compliance with all regulatory capital requirements.

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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, 2015:

(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	\$1,125.3	\$50.9	\$100.3	\$974.1	\$—
Operating leases	59.1	12.5	19.8	16.8	10.0
Signing bonuses	72.4	33.2	33.3	5.9	—
Marketing	81.2	22.3	33.6	18.0	7.3
Total contractual cash obligations	\$1,338.0	\$118.9	\$187.0	\$1,014.8	\$17.3

Our Consolidated Balance Sheet at December 31, 2015 includes \$954.3 million of debt, netted with unamortized discounts of \$0.6 million and unamortized debt issuance costs of \$11.1 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, 2015, and assuming no prepayments of principal. Operating leases consist of various leases for buildings and equipment used in our business. 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 2015. Although the Company has no minimum required contribution for the Pension Plan in 2016, we expect to contribute \$8.0 million to the Pension Plan in 2016.

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 \$7.9 million in 2016.

The IRS completed its examination of the Company's consolidated income tax returns for the tax years 2011 through 2013 and issued a RAR in the first quarter of 2015 that included disallowing \$100.0 million of deductions related to restitution payments the Company made to the United States government in connection with the DPA with the MDPA and the U.S. DOJ. The Company filed a protest letter contesting the adjustment and is now scheduled to discuss this matter with the IRS Appeals Division in early 2016. See Note 13 — Income Taxes of the Notes to the Consolidated Financial Statements for further discussion regarding this matter. If the Company's positions in the 2011 through 2013 audit are ultimately rejected, the Company would be required to make additional cash payments based on benefits taken and taxable income earned.

As discussed in Note 13 — Income Taxes of the Notes to the Consolidated Financial Statements, the U.S. Tax Court granted the IRS's motion for summary judgment upholding the remaining adjustments in the Notices of Deficiency for 2005-2007 and 2009, which resulted in the Company making payments to the IRS of \$61.0 million for federal tax payments and associated interest related to the matter. The Company has appealed the U.S. Tax Court decision to the U.S. Court of Appeals for the Fifth Circuit. Pending the outcome of the appeal, the Company may be required to file amended state returns and make additional cash payments of up to \$17.0 million on amounts that have previously been accrued.

In limited circumstances as an incentive to new or renewing agents, the Company may grant minimum commission guarantees for a specified period of time at a contractually specified amount. Under the guarantees, the Company will pay to the agent the difference between the contractually specified minimum commission and the actual commissions

earned by the agent. As of December 31, 2015, the minimum commission guarantees had a maximum payment of \$11.3 million over a weighted average remaining term of 1.9 years. The maximum payment is calculated as the contractually guaranteed minimum commission times the remaining term of the contract and, therefore, assumes that the agent generates no money transfer transactions during the remainder of its contract. As of December 31, 2015, the liability for minimum commission guarantees was \$3.2 million. Minimum commission guarantees are not reflected in the table above.

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Analysis of Cash Flows

(Amounts in millions)	2015	2014	2013	2015 vs 2014	2014 vs 2013
Net cash provided by operating activities	\$33.6	\$62.3	\$156.1	\$(28.7)	\$(93.8)
Net cash used in investing activities	(109.5)	(96.4)	(63.5)	(13.1)	(32.9)
Net cash used in financing activities	(10.2)	(34.1)	(1.7)	23.9	(32.4)
Net change in cash and cash equivalents	\$(86.1)	\$(68.2)	\$90.9	\$(17.9)	\$(159.1)

Cash Flows from Operating Activities

During 2015, cash provided by operating activities decreased by \$28.7 million from \$62.3 million in 2014 primarily due to the decrease in net income of \$149.0 million and a decrease in accounts payable and other liabilities mainly due to net cash tax payments of \$64.4 million in 2015. The decrease in cash provided by operating activities was primarily offset by the change in other assets due to the 2015 foreign currency settlements related to our forward contracts, the impact of the change in deferred taxes and the 2015 liquidation of the rabbi trusts associated with the deferred compensation plan.

Cash provided by operating activities decreased for the year ended December 31, 2014 due to an increase in signing bonus payments. Cash provided by operating activities increased for the year ended December 31, 2013 due to an increase in consolidated operating income.

Cash Flows from Investing Activities

Items impacting cash used in investing activities in 2015, 2014 and 2013 were primarily from capital expenditures of \$109.9 million, \$85.8 million and \$48.8 million, respectively. Additionally, during 2014 and 2013 cash paid for acquisitions was \$11.5 million and \$15.4 million, respectively.

Cash Flows from Financing Activities

In 2015, items impacting net cash used in financing activities were \$9.8 million principal payments on debt and \$0.4 million of stock repurchases. In 2014, financing activities used \$34.1 million of cash, primarily associated with stock repurchases. The proceeds from the debt issuance pursuant to the 2013 Credit Agreement were used to fund most of this stock repurchase. In 2013, financing activities used \$1.7 million of cash primarily associated with the 2013 Credit Agreement.

Stockholders' Deficit

Stockholders' Deficit — The Company is authorized to repurchase up to 12,000,000 shares of our common stock. As of December 31, 2015, we had repurchased a total of 8,277,073 shares of our common stock under this authorization and have remaining authorization to purchase up to 3,722,927 shares.

Under the terms of our outstanding credit facilities, we are limited in our ability to pay dividends on our common stock. No dividends were paid on our common stock in 2015, and we do not anticipate declaring any dividends on our common stock during 2016.

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.

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. On an annual basis, or more frequently upon the occurrence of certain events, we test for goodwill impairment using a two-step process. The first step is to identify a potential impairment by comparing the fair value of a reporting unit with its carrying amount. 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

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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, the second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its carrying amount. To the extent the carrying amount of the reporting unit's goodwill exceeds its implied fair value, a write-down of the reporting unit's goodwill would be necessary.

We did not recognize a goodwill impairment loss for 2015, 2014 or 2013. The carrying value of goodwill assigned to the Global Funds Transfer reporting unit at December 31, 2015 was \$442.2 million. The annual impairment test indicated a fair value for the Global Funds Transfer reporting unit that was substantially in excess of the reporting unit's carrying value. In order to evaluate the sensitivity of the fair value calculations, we applied a hypothetical 10 percent decrease to the fair value of the Global Funds Transfer reporting unit. Had the estimated fair value been hypothetically lower by 10 percent as of December 31, 2015, the fair value of goodwill would still be substantially in excess of the reporting unit's carrying value.

Fair Value of Investment Securities — The Company has available-for-sale investments that are recorded at their estimated fair value. Our available-for-sale investments consist of residential mortgage-backed securities and other asset-backed securities.

We estimate fair value for our investments at an "exit price," or the exchange price that would be received for an asset in an orderly transaction between market participants. Observable price quotes for our exact securities are not available. For our government agency residential mortgage-backed securities, similar securities trade with sufficient regularity to allow observation of market inputs needed to estimate fair value. For our other asset-backed securities, the overall liquidity and trading within the relevant markets is not strong. Accordingly, observable market inputs are not as readily available and estimating fair value is more subjective. See Note 4 — Fair Value Measurement of the Notes to the Consolidated Financial Statements for additional disclosure.

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

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

At December 31, 2015, the Company changed its method of estimating the interest cost components of net periodic benefit expense for its Pension and Postretirement Benefits. Previously, the Company estimated the interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new method utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. This method provides a more precise measurement of interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change does not affect the measurement of our total benefit obligations and is accounted for as a change in accounting estimate, which is applied prospectively. For 2016, the change in estimate is expected to reduce Pension and Postretirement Benefits net periodic benefit expense from \$8.4 million to \$6.6 million.

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

Our Pension Plan assets are primarily invested in short-term investment fund accounts and commingled trust funds issued or sponsored by the plan trustee. Our investments are periodically realigned in accordance with the investment

guidelines. The expected return on Pension Plan assets is based on our historical market experience, our asset allocations and our expectations for long-term rates of return. We also consider peer data and historical returns to assess the reasonableness and appropriateness of our assumption. Our Pension Plan asset allocations are reviewed annually and are based upon plan obligations, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments.

Lower discount rates increase the Pension and Postretirement Benefits obligation and subsequent year pension expense, while higher discount rates decrease the Pension and Postretirement Benefits obligation and subsequent year pension expense. Decreasing the discount rate by 50 basis points would have increased the 2015 Pension and Postretirement Benefits net periodic benefit expense by \$0.7 million. If the discount rate increased by 50 basis points, the Pension and Postretirement Benefits net periodic benefit expense would have decreased by \$0.6 million. Decreasing the expected rate of return by 50 basis points would have decreased the 2015 Pension Plan net periodic benefit expense by \$0.7 million.

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Income Taxes, Tax Contingencies — We are subject to income taxes in the U.S. and various foreign jurisdictions. In determining taxable income, income or loss before taxes is adjusted for differences between local tax laws and GAAP. We file tax returns in multiple states within the U.S. and various countries. Generally, our tax filings are subject to audit by tax authorities for three to five years following submission of a return. Specifically, the U.S. federal income tax filings are subject to audit for fiscal years 2011 through 2014.

The benefits of tax positions are recorded in the income statement if we determine it is more-likely-than-not, based on the technical merits of the position, that the tax position will be sustained upon examination, including any related appeals or litigation.

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

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

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

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

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

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

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

As of December 31, 2015, we have recorded a valuation allowance of \$125.8 million against deferred tax assets of \$216.1 million. The valuation allowance primarily relates to certain foreign tax loss carryovers and basis difference in revalued investments. While we believe that the basis for estimating our valuation allowance is appropriate, changes in our current estimates due to unanticipated events, or other factors, could have a material effect on our financial condition and results of operations.

Stock-based compensation — The Company has a stock-based compensation plan, which includes stock options and restricted stock units. Certain awards are subject to performance conditions at threshold, target and maximum levels. For purposes of determining the fair value of stock option awards, the Company uses the Black-Scholes single option pricing model for the time-based awards and performance-based tranches. Compensation cost, net of estimated forfeitures, is recognized using a straight-line method over the vesting or service period.

Assumptions for stock-based compensation include estimating the future volatility of our stock price, expected dividend yield, employee turnover and employee exercise activity.

Performance-based share awards require management to make assumptions regarding the likelihood of achieving performance goals. Assumptions used in our assessment are consistent with our internal forecasts and operating plans

and assume achievement of performance conditions as outlined in Note 12 — Stock-Based Compensation of the Notes to the Consolidated Financial Statements.

Recent Accounting Developments

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

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated by reference herein may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements with respect to, among other things, the financial condition, results of operations, plans, objectives, future performance and business of MoneyGram and its subsidiaries. Statements preceded by, followed by or that include words such as “believes,” “estimates,” “expects,” “projects,” “plans,” “anticipates,” “intends,” “continues,” “will,” “should,” “could,” “may,” and other similar expressions are intended to identify some of the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with this statement, for purposes of complying with the safe harbor provisions of the Act. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the risks and uncertainties described in Part I, Item 1A under the caption "Risk Factors" of this Annual Report. These forward-looking statements speak only as of the date they are made, and MoneyGram undertakes no obligation to publicly update or revise any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as required by federal securities law. These forward-looking statements are based on management’s current expectations, beliefs and assumptions and are subject to certain risks, uncertainties and changes in circumstances due to a number of factors. These factors include, but are not limited to:

- our ability to compete effectively;
- our ability to maintain key agent or biller relationships, or a reduction in business or transaction volume from these relationships, including our largest agent, Walmart, through the introduction by Walmart of a competing white label branded money transfer product or otherwise;
- the impact of our U.S. to U.S. pricing strategy;
- our ability to manage fraud risks from consumers or agents;
- the ability of us and our agents to comply with U.S. and international laws and regulations;
- litigation and regulatory proceedings involving us or our agents, including the outcome of ongoing investigations by several state governments, which could result in material settlements, fines or penalties, revocation of required licenses or registrations, termination of contracts, other administrative actions or lawsuits and negative publicity;
- possible uncertainties relating to compliance with and the impact of the DPA;
- current and proposed regulations addressing consumer privacy and data use and security;
- our ability to successfully develop and timely introduce new and enhanced products and services and our investments in new products, services or infrastructure changes;
- our offering of money transfer services through agents in regions that are politically volatile or, in a limited number of cases, that are subject to certain OFAC restrictions;
- changes in tax laws or an unfavorable outcome with respect to the audit of our tax returns or tax positions, or a failure by us to establish adequate reserves for tax events;
- our substantial debt service obligations, significant debt covenant requirements and credit rating and our ability to maintain sufficient capital;
- our ability to manage risks associated with our international sales and operations;
- major bank failure or sustained financial market illiquidity, or illiquidity at our clearing, cash management and custodial financial institutions;
- the ability of us and our agents to maintain adequate banking relationships;
- a security or privacy breach in systems, networks or databases on which we rely;
- disruptions to our computer systems and data centers and our ability to effectively operate and adapt our technology;
- weakened consumer confidence in our business or money transfers generally;
- continued weakness in economic conditions, in both the U.S. and global markets;
- a significant change, material slow down or complete disruption of international migration patterns;
- the financial health of certain European countries, and the impact that those countries may have on the sustainability of the euro;
- our ability to manage credit risks from our retail agents and official check financial institution customers;

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our ability to retain partners to operate our official check and money order businesses;

our ability to adequately protect our brand and intellectual property rights and to avoid infringing on the rights of others;

our ability to attract and retain key employees;

our ability to manage risks related to the operation of retail locations and the acquisition or start-up of businesses; any restructuring actions and cost reduction initiatives that we undertake may not deliver the expected results and these actions may adversely affect our business;

our ability to maintain effective internal controls;

our capital structure and the special voting rights provided to designees of THL on our Board of Directors; and the risks and uncertainties described in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of this Annual Report on Form 10-K, as well as any additional risk factors that may be described in our other filings with the SEC from time to time.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Enterprise Risk Management

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

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

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

Credit Risk

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

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

At December 31, 2015, the Company’s investment portfolio of \$2.8 billion was primarily comprised of cash and cash equivalents consisting of interest-bearing deposit accounts, non-interest bearing transaction accounts and U.S. government money market securities and interest-bearing investments consisting of time deposits and certificates of deposit. Based on investment policy restrictions, investments are limited to those rated A- or better by two of the following three rating agencies: Moody’s, S&P and Fitch. If the rating agencies have split ratings, the Company uses the highest two out of three ratings across the agencies for disclosure purposes. If none of the three rating agencies have the same rating, the Company uses the lowest rating across the agencies for disclosure purposes. No maturity of

interest-bearing investments exceeds 24 months from the date of purchase.

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

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

The following table is a detailed summary of our investment portfolio as of December 31, 2015:

(Amounts in millions, except percentages and financial institutions)	Number of Financial Institutions ⁽¹⁾	Amount	Percent of Investment Portfolio	
Cash held on-hand at owned retail locations	N/A	\$4.9	—	%
Cash equivalents collateralized by securities issued by U.S. government agencies	2	7.9	—	%
Available-for-sale investments issued or collateralized by U.S. government agencies	N/A	9.5	—	%
Cash, cash equivalents and interest-bearing investments at institutions rated AA	12	1,400.7	50	%
Cash, cash equivalents and interest-bearing investments at institutions rated A	6	1,004.3	36	%
Cash, cash equivalents and interest-bearing investments at institutions rated BBB	2	4.7	—	%
Cash, cash equivalents and interest-bearing investments at institutions rated below BBB	8	73.8	3	%
Other asset-backed securities	N/A	11.6	—	%
Investment portfolio held within the U.S.	30	2,517.4	89	%
Cash held on-hand at owned retail locations	N/A	23.7	1	%
Cash, cash equivalents and interest-bearing investments held at institutions rated AA	7	137.2	5	%
Cash, cash equivalents and interest-bearing investments at institutions rated A	11	30.1	1	%
Cash, cash equivalents and interest-bearing investments at institutions rated below A	43	100.3	4	%
Investment portfolio held outside the U.S.	61	291.3	11	%
Total investment portfolio		\$2,808.7	100	%

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

At December 31, 2015, all but \$11.6 million of the investment portfolio is invested in cash, cash equivalents, interest-bearing investments and investments issued or collateralized by U.S. government agencies. Approximately 98 percent of the portfolio is invested in cash, cash equivalents and interest-bearing investments, with 89 percent of our total investment portfolio invested at financial institutions located within the U.S.

Receivables — We have credit exposure to receivables from our agents through the money transfer and money order settlement process. These receivables originate from independent agents who collect funds from consumers who are transferring money or buying money orders, and agents who receive proceeds from us in anticipation of payment to the recipients of money transfers. Agents typically have from one to three days to remit the funds, with longer remittance schedules granted to certain agents on a limited basis. The Company has a credit risk management function that conducts the underwriting of credit on new agents as well as conducting credit surveillance on all agents to monitor their financial health and the history of settlement activity with us. The Company's credit risk management function also maintains daily contact with agents, and performs a collection function. For the twelve months ended December 31, 2015, our annual credit losses from agents, as a percentage of total fee and other revenue, was 1 percent. As of December 31, 2015, we had credit exposure to our agents of \$652.1 million in the aggregate spread across 15,888 agents, of which four agents, individually, owed us in excess of \$15.0 million.

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

We also have credit exposure to receivables from our financial institution customers for business conducted by the Financial Paper Products segment. Financial institutions will collect proceeds for official checks and money orders and remit those proceeds to us. We actively monitor the credit risk associated with financial institutions such as banks and credit unions, and have not incurred any losses associated with the failure or merger of any bank or non-bank financial institution customer. As of December 31, 2015, we had a credit exposure to our official check financial institution customers of \$265.0 million in the aggregate spread across 904 financial institutions, of which one owed us in excess of \$15.0 million.

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With respect to our credit union customers, our credit exposure is partially mitigated by National Credit Union Administration insurance and we have required certain credit union customers to provide us with larger balances on deposit and/or to issue cashier's checks only. While the value of these assets are not at risk in a disruption or collapse of a counterparty financial institution, the delay in accessing our assets could adversely affect our liquidity and potentially our earnings depending upon the severity of the delay and corrective actions we may need to take. While the extent of credit risk may vary by product, the process for mitigating risk is similar. We assess the creditworthiness of each potential agent before accepting them into our distribution network. This underwriting process includes not only a determination of whether to accept a new agent, but also the remittance schedule and volume of transactions that the agent will be allowed to perform in a given timeframe. We actively monitor the credit risk of our existing agents by conducting periodic financial reviews and cash flow analyses of our agents that average high volumes of transactions and monitoring remittance patterns versus reported sales on a daily basis.

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

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

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

Interest Rate Risk

Interest rate risk represents the risk that our operating results are negatively impacted, and our investment portfolio declines in value, due to changes in interest rates. Given the short maturity profile of the investment portfolio and the low level of interest rates, we believe there is an extremely low risk that the value of these securities would decline such that we would have a material adverse change in our operating results. As of December 31, 2015, the Company held \$372.3 million, or 13 percent, of the investment portfolio in fixed rate investments.

At December 31, 2015, the Company's other asset-backed securities are priced on average at \$0.04 per dollar of par value for a total fair value of \$11.6 million. Included in other asset-backed securities are collateralized debt obligations backed primarily by high-grade debt, mezzanine equity tranches of collateralized debt obligations and home equity loans, along with private equity investments. Any resulting adverse movement in our stockholders' deficit or settlement assets from declines in investments would not result in regulatory or contractual compliance exceptions. Our operating results are impacted by interest rate risk through our net investment margin, which is investment revenue less investment commissions expense. As the money transfer business is not materially affected by investment revenue and pays commissions that are not tied to an interest rate index, interest rate risk has the most impact on our money order and official check businesses. We are invested primarily in interest-bearing deposit accounts, non-interest bearing transaction accounts, U.S. government money market securities, time deposits and certificates of deposit. These types of investments have minimal risk of declines in fair value from changes in interest rates. Our commissions paid to financial institution customers are variable rate, based primarily on the federal funds effective rate and are reset daily. Accordingly, both our investment revenue and our investment commissions expense will decrease when rates decline and increase when rates rise. In the current environment, the federal funds effective rate is so low that many of our financial institution customers are in a "negative" commission position, and therefore, we

do not owe any commissions to these customers.

Our results are impacted by interest rate risk through our interest expense for borrowings under the 2013 Credit Agreement. The Company may elect an interest rate for its debt under the 2013 Credit Agreement at each reset period based on the BOA prime bank rate or the Eurodollar rate. The interest rate election may be made individually for the Term Credit Facility and each draw under the Revolving Credit Facility. The interest rate will be either the “alternate base rate” (calculated in part based on the BOA prime rate) plus either 200 or 225 basis points (depending on the Company's secured leverage ratio or total leverage ratio, as applicable, at such time) or the Eurodollar rate plus either 300 or 325 basis points (depending on the Company's secured leverage ratio or total leverage ratio, as applicable, at such time). In connection with the initial funding under the 2013 Credit Agreement,

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the Company elected the Eurodollar rate as its primary interest basis. Under the terms of the 2013 Credit Agreement, the minimum interest rate applicable to Eurodollar borrowings under the Term Credit Facility is 100 basis points plus the applicable margins previously referred to in this paragraph. Accordingly, any increases in interest rates will adversely affect interest expense.

The tables below incorporate substantially all of our interest rate sensitive assets and assumptions that reflect changes in all interest rates pertaining to the balance sheet. The “ramp” analysis assumes that interest rates change in even increments over the next 12 months. The “shock” analysis assumes interest rates change immediately and remain at the changed level for the next twelve months. Components of our pre-tax (loss) income that are interest rate sensitive include “Investment revenue,” “Investment commissions expense” and “Interest expense.” In the current interest rate environment where rates have been historically low, our risk associated with interest rates is not material. A moderately rising interest rate environment would be generally beneficial to the Company because variable rate assets exceed our variable rate liabilities, and certain of our variable rate liabilities will not react to increases in interest rates until those rates exceed the floor set for the index rate on the corresponding debt.

The following table summarizes the changes to affected components of the income statement under various ramp scenarios as of December 31, 2015:

	Basis Point Change in Interest Rates					
	Down 200	Down 100	Down 50	Up 50	Up 100	Up 200
(Amounts in millions)						
Investment revenue	\$(7.6)	\$(6.6)	\$(4.6)	\$5.8	\$11.6	\$23.2
Investment commissions expense	2.1	1.9	1.5	(2.0)	(4.5)	(11.4)
Interest expense	NM	NM	NM	NM	(1.2)	(4.5)
Change in pretax income	\$(5.5)	\$(4.7)	\$(3.1)	\$3.8	\$5.9	\$7.3

NM = Not meaningful

The following table summarizes the changes to affected components of the income statement under various shock scenarios as of December 31, 2015:

	Basis Point Change in Interest Rates					
	Down 200	Down 100	Down 50	Up 50	Up 100	Up 200
(Amounts in millions)						
Investment revenue	\$(8.3)	\$(8.3)	\$(7.7)	\$10.7	\$21.3	\$42.5
Investment commissions expense	2.3	2.3	2.2	(3.9)	(9.7)	(23.5)
Interest expense	NM	NM	NM	(0.8)	(4.5)	(11.8)
Change in pretax income	\$(6.0)	\$(6.0)	\$(5.5)	\$6.0	\$7.1	\$7.2

NM = Not meaningful

Foreign Currency Risk

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

Realized and unrealized gains or losses on transactional currency and any associated revaluation of balance sheet exposures are recorded in “Transaction and operations support” in the Consolidated Statements of Operations. The fair market value of any open forward contracts at period end are recorded in “Other assets” or “Accounts payable and other liabilities” in the Consolidated Balance Sheets. The net effect of changes in foreign exchange rates and the related forward contracts for the year ended December 31, 2015 was a gain of \$11.4 million.

Additional foreign currency risk is generated from fluctuations in the U.S. dollar value of future foreign currency-denominated earnings. In 2015, fluctuations in the euro exchange rate (net of transactional hedging activities) resulted in a net decrease to our operating income of \$9.0 million.

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In 2015, the euro was our second largest currency position in the world following the U.S. dollar. Had the euro appreciated or depreciated relative to the U.S. dollar by 20 percent from actual exchange rates for 2015, operating income would have increased/decreased approximately \$9.5 million for the year. There are inherent limitations in this sensitivity analysis, primarily due to the assumption that foreign exchange rate movements are linear and instantaneous, that the unhedged exposure is static and that we would not hedge any additional exposure. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income.

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

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by Item 8 is found in a separate section of this Annual Report on Form 10-K starting on pages F-1. See the "Index to Financial Statements" on page F-1.

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

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are designed, without limitation, to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company's management carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2015, the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

As required by Rule 13a-15(d), the Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. During the quarter ended December 31, 2015, the Company implemented a change in internal control over financial reporting. This change remediated a material weakness related to the operating effectiveness of a control that is designed to identify new balance sheet accounts within the Company's reconciliation software tool, ensuring that a reconciler and reviewer are appropriately assigned. The material weakness began in August 2015 and was both identified and remediated in December 2015. The Company has reconciled all accounts as of December 31, 2015. The deficiency in the Company's internal control over financial reporting did not result in any material misstatements in the Company's consolidated

financial statements. The testing of the additional control process outlined above has been completed and the Company's management has concluded that the material weakness was remediated as of December 31, 2015. Other than as described above, there were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Management's Report on Internal Control over Financial Reporting

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

Item 9B. OTHER INFORMATION

On March 2, 2016, the Company's Board of Directors amended the Amended and Restated Bylaws of the Company (the "Amendment"), which became effective immediately and amends Section 3.11 solely to also permit stockholders to remove directors without cause. The foregoing description of the Amendment is not complete and is qualified in its entirety by reference to the complete text of the Amendment, a copy of which is filed as Exhibit 3.6 to this Annual Report on Form 10-K and incorporated by reference herein.

Article VIII(E) of the Company's Amended and Restated Articles of Incorporation, as amended, contains a provision similar to the amended portion of Section 3.11 of the Amended and Restated Bylaws, as it read prior to the Amendment. In light of a recent ruling by the Delaware Chancery Court, the Company will not attempt to enforce Article VIII(E) to the extent that it does not permit removal of directors without cause.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this Item is contained in Item 1 of this Annual Report on Form 10-K under the caption “Executive Officers of the Registrant” and in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders, and is incorporated herein by reference.

All of our employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, also referred to as the Principal Officers, are subject to our Code of Conduct. Our directors are also subject to our Code of Conduct. These documents are posted on our website at corporate.moneygram.com in the Investor Relations section, and are available in print free of charge to any stockholder who requests them at the address set forth in Item 1 – Available Information of this Annual Report on Form 10-K. We will disclose any amendments to, or waivers of, our Code of Conduct for directors or Principal Officers on our website. The information on our website is not part of this Annual Report on Form 10-K.

Item 11. EXECUTIVE COMPENSATION

The information called for by this Item is contained in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders, and is incorporated herein by reference.

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

The information called for by this Item is contained in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders, and is incorporated herein by reference.

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

The information called for by this Item is contained in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this Item is contained in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders, and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) (1) The financial statements listed in the “Index to Financial Statements” are filed as part of this Annual Report on Form 10-K.
All financial statement schedules are omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or notes thereto listed in the “Index to Financial Statements.”
- (2) Exhibits are filed with this Annual Report on Form 10-K or incorporated herein by reference as listed in the accompanying Exhibit Index.
- (3)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.