EVERTEC, Inc.
Form 10-Q
November 03, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

or

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 001-35872

EVERTEC, Inc.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Puerto Rico **(State or other jurisdiction of** **incorporation or organization)**	**66-0783622** **(I.R.S. employer** **identification number)**
Cupey Center Building, Road 176, Kilometer 1.3, **San Juan, Puerto Rico** **(Address of principal executive offices)**	**00926** **(Zip Code)**

(787) 759-9999

(Registrant s telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in rule 12b-2 of the Exchange Act).

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

At October 28, 2016, there were 73,256,772 outstanding shares of common stock of EVERTEC, Inc.

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Explanatory Note

This Quarterly Report on Form 10-Q for the period ended September 30, 2016 (this Form 10-Q) is being filed by EVERTEC, Inc. (EVERTEC , we, us , our , our Company and the Company) subsequent to the filing of the Co Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the Securities and Exchange Commission (the SEC) on May 26, 2016 (the 2015 Form 10-K), to meet the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act).

On March 17, 2016, Management and the Audit Committee of our Board of Directors concluded that our Consolidated Financial Statements for the years ended December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, and as of the end of and for each quarterly period in 2014 and 2015 should no longer be relied upon and should be restated.

The 2015 Form 10-K includes restated audited results as of and for the years ended December 31, 2014 and 2013, as well as restated unaudited condensed consolidated financial information for the quarterly periods in 2015 and 2014, which we refer to as the Restatement. Our consolidated financial statements as of and for the years ended December 31, 2014 and 2013 included in the 2015 Form 10-K have been restated from the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

The Restatement corrects material errors involved with the accounting for tax positions taken in the 2010 tax year. The Restatement corrects an error in the recognition of a deferred tax asset originating from 2010 tax deductions and the corresponding net operating loss for transaction costs that were based on an uncertain tax position and corrects an error related to the accounting for 2010 debt issuance cost tax deductions based on an uncertain tax position that affected book tax temporary differences and differences in the applicable tax rates over the affected period. These differences impacted deferred tax liability calculations over the affected period. The Restatement also establishes a liability for potential tax liabilities including penalties and interest related to these uncertain tax positions. In the third quarter of 2015, the liability for exposure to potential tax, interest and penalties with respect to the referenced 2010 debt issuance cost deductions was reversed in full as the related statute of limitations expired in such period. This tax liability reversal triggered recognition of a tax benefit of $11.8 million in the third quarter of 2015.

The Restatement also corrects other miscellaneous insignificant accounting errors. These errors, individually and in the aggregate, would not have required a restatement.

The interim unaudited financial information for the three and nine month periods ended September 30, 2015 contained herein are presented on a restated basis, consistent with the restated financial statements for the years ended December 31, 2014 and 2013 contained in the 2015 Form 10-K, and reflects corrections that were made during the Restatement process impacting such periods.

For more information on the matters that led to the Restatement and data previously reported, see Note 2 Restatement of Previously Reported Financial Information to our unaudited consolidated condensed financial statements contained herein.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of, and subject to the protection of, the Private Securities Litigation Reform Act of 1995. Such statements can be identified by the use of forward-looking terminology such as believes, expects, may, estimates, will, should, plans or anticipates negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. Among the factors that significantly impact our business and could impact our business in the future are:

- the effect of the Restatement of our previously issued financial results for the years ended December 31, 2014 and 2013 as described in Note 2 to the quarterly unaudited financial statements, and any claims, investigations or proceedings arising as a result;
- the effectiveness of our efforts to remediate the material weakness in our internal controls over financial reporting described in Item 4 of this Quarterly Report and our ability to maintain effective internal controls and procedures in the future;
- our reliance on our relationship with Popular, Inc. (Popular) for a significant portion of our revenues and with Banco Popular de Puerto Rico (Banco Popular), Popular s principal banking subsidiary, to grow our merchant acquiring business;
- for as long as we are deemed to be controlled by Popular, we will be subject to supervision and examination by U.S. federal banking regulators, and our activities will be limited to those permissible for Popular. Furthermore, as a technology service provider to regulated financial institutions, we are subject to additional regulatory oversight and examination. As a regulated institution, we most likely will be required to obtain regulatory approval before engaging in certain new activities or businesses, whether organically or by acquisition;
- our ability to renew our client contracts on terms favorable to us;
- our dependence on our processing systems, technology infrastructure, security systems and fraudulent payment detection systems, as well as on our personnel and certain third parties with whom we do business, and the risks to our business if our systems are hacked or otherwise compromised;
- our ability to develop, install and adopt new software, technology and computing systems;
- a decreased client base due to consolidations and failures in the financial services industry;

the credit risk of our merchant clients, for which we may also be liable;

the continuing market position of the ATH network;

a reduction in consumer confidence, whether as a result of a global economic downturn or otherwise, which leads to a decrease in consumer spending;

our dependence on credit card associations, including any adverse changes in credit card association or network rules or fees;

changes in the regulatory environment and changes in international, legal, political, administrative or economic conditions;

the geographical concentration of our business in Puerto Rico, including our business with the government of Puerto Rico, which is facing severe fiscal challenges;

additional adverse changes in the general economic conditions in Puerto Rico, including the continued migration of Puerto Ricans to the U.S. mainland, which could negatively affect our customer base, general consumer spending, our cost of operations and our ability to hire and retain qualified employees;

operating an international business in multiple regions with potential political and economic instability, including Latin America;

our ability to execute our geographic expansion and acquisition strategies;

our ability to protect our intellectual property rights against infringement and to defend ourselves against claims of infringement brought by third parties;

our ability to recruit and retain the qualified personnel necessary to operate our business;

our ability to comply with U.S. federal, state, local and foreign regulatory requirements;

evolving industry standards and adverse changes in global economic, political and other conditions;

our high level of indebtedness and restrictions contained in our debt agreements, including the senior secured credit facilities, as well as debt that could be incurred in the future;

our ability to prevent a cybersecurity attack or breach in our information security;

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- our ability to generate sufficient cash to service our indebtedness and to generate future profits;
- our ability to refinance our debt;
- our exposure to climate risks in Puerto Rico;
- the risk that the counterparty to our interest rate swap agreement fails to satisfy its obligations under the agreement, and
- other factors discussed in this Report, included in the section titled Risk Factors.

These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. The Company does not undertake, and specifically disclaims any obligation, to update any of the forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements except as required by the federal securities laws. Investors should refer to the Company s Form 10-K for the year ended December 31, 2015 (the 2015 Form 10-K) for a discussion of factors that could cause events to differ from those suggested by the forward-looking statements, including factors set forth in the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations .

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EVERTEC, Inc. Unaudited Consolidated Condensed Balance Sheets

(Dollar amounts in thousands, except for share information)

	September 30, 2016	December 31, 2015
Assets		
Current Assets:		
Cash	$ 44,985	$ 28,747
Restricted cash	8,281	11,818
Accounts receivable, net	67,453	73,715
Deferred tax asset		1,685
Prepaid expenses and other assets	22,625	18,758
Total current assets	143,344	134,723
Investment in equity investee	12,247	12,264
Property and equipment, net	37,697	34,128
Goodwill	371,385	368,133
Other intangible assets, net	297,870	312,059
Long-term deferred tax asset	615	
Other long-term assets	3,883	2,347
Total assets	$ 867,041	$ 863,654
Liabilities and stockholders equity		
Current Liabilities:		
Accrued liabilities	$ 37,447	$ 37,308
Accounts payable	27,169	21,216
Unearned income	6,404	2,877
Income tax payable	2,851	1,350
Current portion of long-term debt	28,375	22,750
Short-term borrowings	16,000	17,000
Total current liabilities	118,246	102,501
Long-term debt	597,155	619,297
Long-term deferred tax liability	16,648	20,614
Unearned income - long term	13,952	10,939
Other long-term liabilities	15,393	12,089
Total liabilities	761,394	765,440
Commitments and contingencies (Note 12)		
Stockholders equity		
Preferred stock, par value $0.01; 2,000,000 shares authorized; none issued		

Common stock, par value $0.01; 206,000,000 shares authorized; 73,256,772 shares issued and outstanding at September 30, 2016 (December 31, 2015 - 74,988,210)		732		750
Additional paid-in capital				9,718
Accumulated earnings		116,123		95,328
Accumulated other comprehensive loss, net of tax		(14,666)		(7,582)
Total EVERTEC, Inc stockholders equity		102,189		98,214
Non-controlling interest		3,458		
Total equity		105,647		98,214
Total liabilities and equity	$	867,041	$	863,654

The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

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EVERTEC, Inc. Unaudited Consolidated Condensed Statements of Income and Comprehensive Income

(Dollar amounts in thousands, except per share information)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015 (As restated)	2016	2015 (As restated)
Revenues				
Merchant acquiring, net	$ 21,970	$ 20,784	$ 68,137	$ 62,041
Payment processing (from affiliates: $7,913, $7,664, $23,718 and $22,680)	27,584	27,502	82,716	80,638
Business solutions (from affiliates: $35,109, $34,440, $106,068 and $103,795)	44,913	44,655	136,765	135,165
Total revenues	94,467	92,941	287,618	277,844
Operating costs and expenses				
Cost of revenues, exclusive of depreciation and amortization shown below	41,753	44,141	127,127	125,095
Selling, general and administrative expenses	10,818	10,392	34,226	27,043
Depreciation and amortization	14,889	16,934	44,500	49,767
Total operating costs and expenses	67,460	71,467	205,853	201,905
Income from operations	27,007	21,474	81,765	75,939
Non-operating income (expenses)				
Interest income	87	140	266	371
Interest expense	(6,276)	(6,003)	(18,292)	(18,414)
Earnings (losses) of equity method investment	43	(3)	(58)	196
Other income	489	381	1,747	1,430
Total non-operating expenses	(5,657)	(5,485)	(16,337)	(16,417)
Income before income taxes	21,350	15,989	65,428	59,522
Income tax expense (benefit)	1,639	(9,347)	6,316	(3,926)
Net income	19,711	25,336	59,112	63,448
Less: Net income attributable to non-controlling interest	31		49	
Net income attributable to EVERTEC, Inc. s common stockholders	19,680	25,336	59,063	63,448

Other comprehensive (loss) income, net of tax of $(6), $3, $439 and $37				
Foreign currency translation adjustments	(1,041)	84	(2,620)	473
Gain (loss) on cash flow hedge	83		(4,464)	
Total comprehensive income attributable to EVERTEC, Inc. s common stockholders	$ 18,722	$ 25,420	$ 51,979	$ 63,921
Net income per common share - basic attributable to EVERTEC, Inc. s common stockholders	$ 0.27	$ 0.33	$ 0.79	$ 0.82
Net income per common share - diluted attributable to EVERTEC, Inc. s common stockholders	$ 0.26	$ 0.33	$ 0.79	$ 0.82
Cash dividends declared per share	$ 0.10	$ 0.10	$ 0.30	$ 0.30

The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

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EVERTEC, Inc. Unaudited Consolidated Condensed Statement of Changes in Stockholders Equity

(Dollar amounts in thousands, except share information)

	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Stockholders Equity
Balance at December 31, 2015	74,988,210	$ 750	$ 9,718	$ 95,328	$ (7,582)	$	$ 98,214
Share-based compensation recognized			4,569				4,569
Repurchase of common stock	(1,878,664)	(19)	(13,781)	(15,896)			(29,696)
Restricted stock units delivered, net of cashless	138,833	1	(445)				(444)
Stock options exercised , net of cashless	8,393		(79)				(79)
Net income				59,063		49	59,112
Cash dividends declared on common stock				(22,372)			(22,372)
Non-controlling interest on acquisition						3,409	3,409
Dividend reversal for forfeited options			18				18
Other comprehensive loss					(7,084)		(7,084)
Balance at September 30, 2016	73,256,772	732		116,123	(14,666)	$ 3,458	$ 105,647

The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

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EVERTEC, Inc. Unaudited Consolidated Condensed Statements of Cash Flows

(Dollar amounts in thousands)

	Nine months ended September 30, 2016	2015 (As restated)
Cash flows from operating activities		
Net income	$ 59,112	$ 63,448
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,500	49,767
Amortization of debt issue costs and accretion of discount	2,965	2,488
Provision for doubtful accounts and sundry losses	1,525	1,302
Deferred tax benefit	(2,458)	(2,166)
Share-based compensation	4,569	3,748
Unrealized gain on indemnification assets		(14)
Loss on disposition of property and equipment and other intangibles	112	124
Losses (earnings) of equity method investment	58	(196)
Decrease (increase) in assets:		
Accounts receivable, net	7,358	3,745
Prepaid expenses and other assets	(3,623)	2,630
Other long-term assets	(1,163)	199
(Decrease) increase in liabilities:		
Accounts payable and accrued liabilities	3,686	8,982
Income tax payable	1,501	(1,894)
Unearned income	6,541	1,364
Other long-term liabilities	(82)	(9,203)
Total adjustments	65,489	60,876
Net cash provided by operating activities	124,601	124,324
Cash flows from investing activities		
Net decrease (increase) in restricted cash	3,536	(7,828)
Additions to software	(17,469)	(13,462)
Acquisitions, net of cash acquired	(5,947)	
Property and equipment acquired	(14,016)	(15,643)
Proceeds from sales of property and equipment	44	14
Net cash used in investing activities	(33,852)	(36,919)
Cash flows from financing activities		
Statutory minimum withholding taxes paid on share-based compensation	(522)	(31)

Net decrease in short-term borrowings	(1,000)	(5,000)
Repayment of short-term borrowing for purchase of equipment and software	(1,209)	(1,542)
Dividends paid	(22,372)	(23,322)
Credit amendment fees	(3,587)	
Repurchase of common stock	(29,696)	(34,973)
Repayment of long-term debt	(16,125)	(14,250)
Net cash used in financing activities	(74,511)	(79,118)
Net increase in cash	16,238	8,287
Cash at beginning of the period	28,747	32,114
Cash at end of the period	$ 44,985	$ 40,401
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 12,014	$ 16,838
Cash paid for income taxes	4,855	4,600
Supplemental disclosure of non-cash activities:		
Foreign currency translation adjustments	$ (2,620)	$ 473
Payable due to vendor related to software acquired	2,800	1,125

The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

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Notes to Unaudited Consolidated Condensed Financial Statements

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Note 1 The Company and Basis of Presentation

The Company

EVERTEC, Inc. (formerly known as Carib Latam Holdings, Inc.) and its subsidiaries (collectively the Company, or EVERTEC) is a leading full-service transaction processing business in Latin America and the Caribbean. The Company is based in Puerto Rico and provides a broad range of merchant acquiring, payment processing and business process management services across 18 countries in the region. EVERTEC owns and operates the ATH network, one of the leading automated teller machine (ATM) and personal identification number (PIN) debit networks in Latin America. In addition, EVERTEC provides a comprehensive suite of services for core bank processing, cash processing and technology outsourcing in the regions the Company serves. EVERTEC serves a broad and diversified customer base of leading financial institutions, merchants, corporations and government agencies with solutions that are essential to their operations, enabling them to issue, process and accept transactions securely.

Basis of Presentation

The unaudited consolidated condensed financial statements of EVERTEC have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of the accompanying unaudited consolidated condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited consolidated condensed financial statements. Actual results could differ from these estimates.

Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted from these statements pursuant to the rules and regulations of the SEC and, accordingly, these consolidated condensed financial statements should be read in conjunction with the Audited Consolidated Financial Statements of the Company for the year ended December 31, 2015, included in the Company s 2015 Form 10-K. In the opinion of management, the accompanying consolidated condensed financial statements, prepared in accordance with GAAP, contain all adjustments necessary for a fair presentation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Note 2 Restatement of Previously Issued Financial Information

This Note 2 to the unaudited consolidated condensed financial statements discloses the nature of the restatement matters and adjustments and shows the impact of the restatement for the quarter and nine month period ended September 30, 2015, which is referred to as the Restatement.

The Restatement corrects material errors involved with the accounting for tax positions taken in the 2010 tax year. The Restatement corrects an error in the recognition of a deferred tax asset originating from 2010 tax deductions and the corresponding net operating loss for transaction costs that were based on an uncertain tax position and corrects an error related to the accounting for 2010 debt issuance cost tax deductions based on an uncertain tax position that affected book tax temporary differences and differences in the applicable tax rates over the affected period. These differences impacted deferred tax liability calculations over the affected period. The Restatement also establishes a liability for potential tax liabilities including penalties and interest related to these uncertain tax positions. In the third quarter of 2015, the liability for exposure to potential tax, interest and penalties with respect to the referenced 2010 debt issuance cost deductions was reversed in full as the related statute of limitations expired in such period. This tax liability reversal triggered recognition of a tax benefit of $11.8 million in the third quarter of 2015.

The Restatement also corrects other miscellaneous insignificant accounting errors. These errors, individually and in the aggregate, would not have required a restatement.

Restatement Background - Restatement adjustments needed to correct errors in accounting for 2010 uncertain tax positions

During the preparation of the consolidated financial statements for the year ended December 31, 2015, Management became aware of a potential misapplication of *Accounting Standards Codification Topic 740 Income Taxes* (*ASC 740*) in relation to the accounting for the tax benefit of certain 2010 transaction costs associated with the acquisition in September 2010 when Apollo acquired a 51% indirect ownership interest in EVERTEC as part of a merger (the Merger). Certain transaction costs were deducted for tax purposes, increasing the Company s net operating loss and the corresponding deferred tax asset (DTA) by $14.3 million at December 31, 2010. In accordance with ASC 740 if a tax deduction is not more likely than not of being sustained upon examination by the tax authority, based on its technical merits, a liability must be recognized to reflect the potential obligation to the taxing authority, including penalties and interest. Upon review, Management determined that its original conclusion that the tax benefit of the 2010 transaction cost tax deductions was not an uncertain tax position was incorrect. This erroneous conclusion created a material error requiring a restatement of prior periods.

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As part of its restatement preparation and diligence, Management reviewed the accounting for tax positions taken with respect to the amount and timing of tax deductions for 2010 debt issuance costs. Those costs were deducted entirely in 2010. Upon review, Management concluded that the immediate deduction of these costs represented an uncertain tax position. As the deduction was not accounted for as an uncertain tax position, Management concluded there was an error that required correction. In order to correct this error, Management determined the portion of the debt issuance costs that were more likely than not of being allowed as a deduction in 2010 and calculated the resulting liability for unrecognized tax benefits as of December 31, 2010 and subsequent periods. A liability was established for potential tax liabilities including penalties and interest related to the uncertain tax position over the period of exposure. In the third quarter of 2015, the liability for exposure to potential tax, interest and penalties with respect to the 2010 debt issuance cost deduction was reversed in full as the related statute of limitations expired in such period. This tax liability reversal triggered recognition of a tax benefit of $11.8 million in the third quarter of 2015.

The Restatement reflects the accounting for the referenced 2010 tax deductions as uncertain tax positions following ASC 740 and its impact on the affected years through 2014.

Other insignificant corrective adjustments

In addition to the above Restatement adjustments, Management elected to correct previously uncorrected misstatements included within Management s Staff Accounting Bulletin No. 99 (SAB 99) analysis wherein individual insignificant adjustments are tracked, aggregated and measured for purposes of determining whether in the aggregate such errors are material for the years ended December 31, 2014 and 2013 and for adjustments that affect the beginning balance as of January 1, 2013.

A brief summary of the restatement adjustments and the referenced SAB 99 corrective adjustments and other insignificant miscellaneous adjustments is described below and reflected and quantified, as applicable, in the table below. The adjustments are cross-referenced to the table below.

Restatement Adjustments (a)

Accounting for uncertain tax positions related to 2010 tax deductions The Company corrected an error to reflect an uncertain tax position with respect to a 2010 tax deduction for certain transaction costs that increased the net operating loss and related DTA. The tax position created a $14.3 million increase to the deferred tax asset as of December 31, 2010. The deferred tax asset was based on a tax position that did not meet the required recognition threshold under ASC 740 of more likely than not of being sustained upon examination. Thus, the Company has derecognized the deferred tax asset in accordance with ASC 740 and, in addition, established a reserve for the exposure to potential penalties and interest. The Company corrected an error pertaining to the accounting for a 2010 tax deduction for debt issuance costs, the timing of which constituted an uncertain tax position. To correct the error over the restatement period, the Company established a reserve for potential penalties and interest due to the premature deduction of the costs. This reserve was reversed in the third quarter of 2015 as the statute of limitations lapsed in such period. In addition the Company calculated the tax impact of the other corrective adjustments related to revenue and expenses detailed below.

Other insignificant corrective adjustments

1. *Revenue recognition* The Company corrected errors related to revenue recognition of certain multiple element arrangements, by deferring certain revenues and recognizing such revenues over the expected

customer life in accordance with ASC 605-25, Revenue Recognition-Multiple Element Arrangements.

2. *Cost of revenues and intangible assets* The Company corrected certain errors related to the timing of capitalization of internally developed software.

3. *Cost of revenues and deferred costs* The Company corrected the timing of expense recognition pertaining to certain completed projects for which costs had been previously deferred and not timely recognized on the income statement at completion.

4. *Compensation expense* The Company corrected an error related to the timing of recognition of certain termination agreements with former employees.

5. *Selling, general and administrative expenses and Cost of revenues* The Company corrected the timing of recognition of certain adjustments to loss exposure for medical insurance.

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The table below summarizes the effects of the Restatement adjustments and reclassifications on the unaudited consolidated condensed statement of income for the quarter and nine month period ended September 30, 2015:

	Three month period ended September 30, 2015				
(Dollar amounts in thousands)	As previously reported	Restatement Adjustment	Other insignificant corrective adjustments	As restated	Reference
Revenues					
Merchant Acquiring, net	$ 20,784	$	$	$ 20,784	
Payment Processing	27,502			27,502	
Business Solutions	44,492		163	44,655	1
Total revenues	92,778		163	92,941	
Operating costs and expenses					
Cost of revenues, exclusive of depreciation and amortization shown below	44,821		(680)	44,141	3, 4, 5
Selling, general and administrative expenses	10,428		(36)	10,392	5
Depreciation and amortization	16,934			16,934	
Total operating costs and expenses	72,183		(716)	71,467	
Income from operations	20,595		879	21,474	
Non-operating income (expenses)					
Interest income	140			140	
Interest expense	(6,003)			(6,003)	
Losses of equity method investment	(3)			(3)	
Other income	381			381	
Total non-operating expenses	(5,485)			(5,485)	
Income before income taxes	15,110		879	15,989	
Income tax expense (benefit)	1,687	(11,034)		(9,347)	a
Net income	13,423	11,034	879	25,336	
Other comprehensive income, net of tax					
Foreign currency translation adjustments	84			84	

Total comprehensive income	$ 13,507	$ 11,034	$ 879	$ 25,420	
Net income per common share - basic	$ 0.17	$ 0.15	$ 0.01	$ 0.33	
Net income per common share - diluted	$ 0.17	$ 0.15	$ 0.01	$ 0.33	

	Nine month period ended September 30, 2015				
(Dollar amounts in thousands)	As previously reported	Restatement Adjustment	Other insignificant corrective adjustments	As restated	Reference
Revenues					
Merchant Acquiring, net	$ 62,041	$	$	$ 62,041	
Payment Processing	80,638			80,638	
Business Solutions	134,672		493	135,165	1
Total revenues	277,351		493	277,844	
Operating costs and expenses					
Cost of revenues, exclusive of depreciation and amortization shown below	125,280		(185)		