

EQUIFAX INC  
Form 10-Q  
November 06, 2013

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

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**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2013**

**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: 001-06605**

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**EQUIFAX INC.**

(Exact name of registrant as specified in its charter)

**Georgia**

(State or other jurisdiction of incorporation or organization)

**58-0401110**

(I.R.S. Employer Identification No.)

**1550 Peachtree Street, N.W., Atlanta, Georgia**

(Address of principal executive offices)

**30309**

(Zip Code)

**404-885-8000**

(Registrant's telephone number, including area code)

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

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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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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

On October 11, 2013, there were 121,685,513 shares of the registrant's common stock outstanding.

**EQUIFAX INC.**

**QUARTERLY REPORT ON FORM 10-Q**

**QUARTER ENDED September 30, 2013**

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## **FORWARD-LOOKING STATEMENTS**

This report contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will,” “may” and similar expressions identify forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future, including statements relating to future operating results, are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company’s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part II, “Item 1A. Risk Factors,” and elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2012, and those described from time to time in our future reports filed with the Securities and Exchange Commission. As a result of such risks and uncertainties, we urge you not to place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)****EQUIFAX INC.****CONSOLIDATED STATEMENTS OF INCOME**

| (In millions, except per share amounts)                              | Three Months Ended<br>September 30,<br>2013<br>(Unaudited) | 2012     |
|--|--|----------|
| Operating revenue  | \$ 572.0   | \$ 520.0 |
| Operating expenses:  |  |          |
| Cost of services (exclusive of depreciation and amortization below)  | 196.8  | 188.4    |
| Selling, general and administrative expenses                         | 173.4  | 161.5    |
| Depreciation and amortization  | 51.8   | 39.6     |
| Total operating expenses   | 422.0  | 389.5    |
| Operating income   | 150.0  | 130.5    |
| Interest expense   | (17.5)   | (13.6)   |
| Other income, net  | 0.6  | 1.9      |
| Consolidated income from continuing operations before income taxes   | 133.1  | 118.8    |
| Provision for income taxes   | (47.0)   | (39.7)   |
| Consolidated income from continuing operations                       | 86.1   | 79.1     |
| Discontinued operations, net of tax                                  | (0.6)  | 1.0      |
| Consolidated net income  | 85.5   | 80.1     |
| Less: Net income attributable to noncontrolling interests            | (2.0)  | (2.2)    |
| Net income attributable to Equifax                                   | \$ 83.5  | \$ 77.9  |
| Amounts attributable to Equifax:                                     |  |          |
| Net income from continuing operations attributable to Equifax        | \$ 84.1  | \$ 76.9  |
| Discontinued operations, net of tax                                  | (0.6)  | 1.0      |
| Net income attributable to Equifax                                   | \$ 83.5  | \$ 77.9  |
| Basic earnings per common share:                                     |  |          |
| Net income from continuing operations attributable to Equifax        | \$ 0.69  | \$ 0.64  |
| Discontinued operations attributable to Equifax                      | -  | 0.01     |
| Net income attributable to Equifax                                   | \$ 0.69  | \$ 0.65  |
| Weighted-average shares used in computing basic earnings per share   | 121.6  | 119.7    |
| Diluted earnings per common share:                                   |  |          |
| Net income from continuing operations attributable to Equifax        | \$ 0.67  | \$ 0.63  |
| Discontinued operations attributable to Equifax                      | -  | 0.01     |
| Net income attributable to Equifax                                   | \$ 0.67  | \$ 0.64  |
| Weighted-average shares used in computing diluted earnings per share | 123.9  | 122.2    |
| Dividends per common share   | \$ 0.22  | \$ 0.18  |

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.****CONSOLIDATED STATEMENTS OF INCOME**

| (In millions, except per share amounts)                              | Nine Months Ended<br>September 30,<br>2013<br>(Unaudited) | 2012       |
|--|---|------------|
| Operating revenue  | \$ 1,725.4  | \$ 1,539.2 |
| Operating expenses:  |   |            |
| Cost of services (exclusive of depreciation and amortization below)  | 590.1   | 563.0      |
| Selling, general and administrative expenses                         | 534.4   | 468.1      |
| Depreciation and amortization  | 143.8   | 120.3      |
| Total operating expenses   | 1,268.3   | 1,151.4    |
| Operating income   | 457.1   | 387.8      |
| Interest expense   | (52.8)  | (41.1)     |
| Other income, net  | 4.2   | 5.4        |
| Consolidated income from continuing operations before income taxes   | 408.5   | 352.1      |
| Provision for income taxes   | (145.9)   | (123.2)    |
| Consolidated income from continuing operations                       | 262.6   | 228.9      |
| Discontinued operations, net of tax                                  | 18.4  | 3.7        |
| Consolidated net income  | 281.0   | 232.6      |
| Less: Net income attributable to noncontrolling interests            | (5.9)   | (6.8)      |
| Net income attributable to Equifax                                   | \$ 275.1  | \$ 225.8   |
| Amounts attributable to Equifax:                                     |   |            |
| Net income from continuing operations attributable to Equifax        | \$ 256.7  | \$ 222.1   |
| Discontinued operations, net of tax                                  | 18.4  | 3.7        |
| Net income attributable to Equifax                                   | \$ 275.1  | \$ 225.8   |
| Basic earnings per common share:                                     |   |            |
| Net income from continuing operations attributable to Equifax        | \$ 2.12   | \$ 1.85    |
| Discontinued operations attributable to Equifax                      | 0.15  | 0.03       |
| Net income attributable to Equifax                                   | \$ 2.27   | \$ 1.88    |
| Weighted-average shares used in computing basic earnings per share   | 121.0   | 120.0      |
| Diluted earnings per common share:                                   |   |            |
| Net income from continuing operations attributable to Equifax        | \$ 2.08   | \$ 1.81    |
| Discontinued operations attributable to Equifax                      | 0.15  | 0.03       |
| Net income attributable to Equifax                                   | \$ 2.23   | \$ 1.84    |
| Weighted-average shares used in computing diluted earnings per share | 123.5   | 122.4      |
| Dividends per common share   | \$ 0.66   | \$ 0.54    |

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

|   | Three Months Ended September 30,<br>2013 |                             |         | 2012                    |                             |         |
|---|--|-----------------------------|---------|-------------------------|-----------------------------|---------|
|   | Equifax<br>Shareholders                  | Noncontrolling<br>Interests | Total   | Equifax<br>Shareholders | Noncontrolling<br>Interests | Total   |
| Net income  | \$ 83.5                                  | \$ 2.0                      | \$ 85.5 | \$ 77.9                 | \$ 2.2                      | \$ 80.1 |
| Other comprehensive income:   |  |                             |         |                         |                             |         |
| Foreign currency translation adjustment, net  | 6.0                                      | (4.3)                       | 1.7     | 14.7                    | 0.1                         | 14.8    |
| Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans, net | 3.1                                      | -                           | 3.1     | 3.1                     | -                           | 3.1     |
| Change in cumulative loss from cash flow hedging transactions, net  | -  | -                           | -       | 0.1                     | -                           | 0.1     |
| Comprehensive income  | \$ 92.6                                  | \$ (2.3)                    | \$ 90.3 | \$ 95.8                 | \$ 2.3                      | \$ 98.1 |

|  | Nine Months Ended September 30,<br>2013 |                             |          | 2012                    |                             |          |
|--|---|-----------------------------|----------|-------------------------|-----------------------------|----------|
|  | Equifax<br>Shareholders                 | Noncontrolling<br>Interests | Total    | Equifax<br>Shareholders | Noncontrolling<br>Interests | Total    |
| Net income   | \$ 275.1                                | \$ 5.9                      | \$ 281.0 | \$ 225.8                | \$ 6.8                      | \$ 232.6 |
| Other comprehensive income:  |   |                             |          |                         |                             |          |
| Foreign currency translation adjustment  | (17.1)                                  | (2.3)                       | (19.4)   | 9.3                     | (0.2)                       | 9.1      |
| Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans | 8.4                                     | -                           | 8.4      | 9.3                     | -                           | 9.3      |
| Change in cumulative loss from cash flow hedging transactions  | -                                       | -                           | -        | 0.2                     | -                           | 0.2      |
| Comprehensive income   | \$ 266.4                                | \$ 3.6                      | \$ 270.0 | \$ 244.6                | \$ 6.6                      | \$ 251.2 |

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.****CONSOLIDATED BALANCE SHEETS**

|   | September 30,<br>2013<br>(Unaudited) | December 31,<br>2012 |
|---|--------------------------------------|----------------------|
| (In millions, except par values)  |                                      |                      |
| <b>ASSETS</b>   |                                      |                      |
| Current assets:   |                                      |                      |
| Cash and cash equivalents   | \$ 131.9                             | \$ 146.8             |
| Trade accounts receivable, net of allowance for doubtful accounts of \$6.5 and \$6.3<br>at September 30, 2013 and December 31, 2012, respectively                     | 306.2                                | 317.0                |
| Prepaid expenses  | 35.3                                 | 26.2                 |
| Other current assets  | 53.1                                 | 39.7                 |
| Total current assets  | 526.5                                | 529.7                |
| Property and equipment:   |                                      |                      |
| Capitalized internal-use software and system costs  | 389.6                                | 369.9                |
| Data processing equipment and furniture   | 199.7                                | 198.4                |
| Land, buildings and improvements  | 184.3                                | 177.0                |
| Total property and equipment  | 773.6                                | 745.3                |
| Less accumulated depreciation and amortization  | (487.9)                              | (461.6)              |
| Total property and equipment, net   | 285.7                                | 283.7                |
| Goodwill  | 2,356.0                              | 2,290.4              |
| Indefinite-lived intangible assets  | 95.6                                 | 254.5                |
| Purchased intangible assets, net  | 966.3                                | 987.7                |
| Other assets, net   | 160.3                                | 165.1                |
| Total assets  | \$ 4,390.4                           | \$ 4,511.1           |
| <b>LIABILITIES AND EQUITY</b>   |                                      |                      |
| Current liabilities:  |                                      |                      |
| Short-term debt and current maturities of long-term debt  | \$ 16.4                              | \$ 283.3             |
| Accounts payable  | 19.9                                 | 25.1                 |
| Accrued expenses  | 82.6                                 | 84.9                 |
| Accrued salaries and bonuses  | 72.8                                 | 104.7                |
| Deferred revenue  | 57.4                                 | 57.9                 |
| Other current liabilities   | 83.3                                 | 90.6                 |
| Total current liabilities   | 332.4                                | 646.5                |
| Long-term debt  | 1,427.8                              | 1,447.4              |
| Deferred income tax liabilities, net  | 211.4                                | 227.7                |
| Long-term pension and other postretirement benefit liabilities  | 171.4                                | 176.3                |
| Other long-term liabilities   | 54.0                                 | 54.0                 |
| Total liabilities   | 2,197.0                              | 2,551.9              |
| Commitments and Contingencies (see Note 5)  |                                      |                      |
| Equifax shareholders' equity:   |                                      |                      |
| Preferred stock, \$0.01 par value: Authorized shares - 10.0; Issued shares - none   | -                                    | -                    |
| Common stock, \$1.25 par value: Authorized shares - 300.0; Issued shares - 189.3 at<br>September 30, 2013 and December 31, 2012; Outstanding shares - 121.5 and 120.4 | 236.6                                | 236.6                |



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|  |            |            |
|--|------------|------------|
| at September 30, 2013 and December 31, 2012, respectively  |            |            |
| Paid-in capital  | 1,166.8    | 1,139.6    |
| Retained earnings  | 3,259.4    | 3,064.6    |
| Accumulated other comprehensive loss   | (370.7)    | (362.0)    |
| Treasury stock, at cost, 67.2 shares and 68.3 shares at September 30, 2013 and December 31, 2012, respectively | (2,112.2)  | (2,139.7)  |
| Stock held by employee benefits trusts, at cost, 0.6 shares at both September 30, 2013 and December 31, 2012   | (5.9)      | (5.9)      |
| Total Equifax shareholders' equity   | 2,174.0    | 1,933.2    |
| Noncontrolling interests   | 19.4       | 26.0       |
| Total equity   | 2,193.4    | 1,959.2    |
| Total liabilities and equity   | \$ 4,390.4 | \$ 4,511.1 |

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (In millions)  | Nine Months Ended<br>September 30,<br>2013<br>(Unaudited) | 2012     |
|--|---|----------|
| Operating activities:  |   |          |
| Consolidated net income  | \$ 281.0  | \$ 232.6 |
| Adjustments to reconcile consolidated net income to net cash provided<br>by operating<br>activities: |   |          |
| Gain on divestiture  | (19.0)  | -        |
| Depreciation and amortization  | 144.6   | 122.8    |
| Stock-based compensation expense   | 23.1  | 20.0     |
| Excess tax benefits from stock-based compensation plans  | (11.1)  | (3.9)    |
| Deferred income taxes  | (6.9)   | (3.8)    |
| Changes in assets and liabilities, excluding effects of acquisitions:                                |   |          |
| Accounts receivable, net   | (1.4)   | (9.5)    |
| Prepaid expenses and other current assets  | (6.8)   | (4.0)    |
| Other assets   | 4.5   | (2.4)    |
| Current liabilities, excluding debt  | (42.1)  | (5.7)    |
| Other long-term liabilities, excluding debt  | 8.5   | 2.2      |
| Cash provided by operating activities  | 374.4   | 348.3    |
| Investing activities:  |   |          |
| Capital expenditures   | (61.5)  | (49.3)   |
| Acquisitions, net of cash acquired   | (27.5)  | (7.3)    |
| Cash received from divestitures  | 47.5  | 2.5      |
| Investment in unconsolidated affiliates, net   | (6.4)   | (3.7)    |
| Cash used in investing activities  | (47.9)  | (57.8)   |
| Financing activities:  |   |          |
| Net short-term repayments  | (266.5)   | (28.1)   |
| Payments on long-term debt   | (15.0)  | (15.1)   |
| Treasury stock purchases   | (11.9)  | (85.1)   |
| Dividends paid to Equifax shareholders   | (79.9)  | (64.5)   |
| Dividends paid to noncontrolling interests   | (9.8)   | (1.9)    |
| Proceeds from exercise of stock options  | 38.9  | 40.9     |
| Excess tax benefits from stock-based compensation plans  | 11.1  | 3.9      |
| Other  | (0.8)   | -        |
| Cash used in financing activities  | (333.9)   | (149.9)  |
| Effect of foreign currency exchange rates on cash and cash equivalents                               | (7.5)   | (1.2)    |
| Increase (decrease) in cash and cash equivalents   | (14.9)  | 139.4    |
| Cash and cash equivalents, beginning of period   | 146.8   | 127.7    |
| Cash and cash equivalents, end of period   | \$ 131.9  | \$ 267.1 |

See Notes to Consolidated Financial Statements.



## EQUIFAX INC.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND OTHER COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2013

(Unaudited)

|  | Equifax Shareholders                  |          |                    |                      |   |                   | Stock<br>Held<br>By<br>Employee<br>Benefits<br>Trusts | Noncontrolling<br>Interests | Total<br>Equity |
|--|---------------------------------------|----------|--------------------|----------------------|---|-------------------|---|-----------------------------|-----------------|
|  | Common Stock<br>Shares<br>Outstanding | Amount   | Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Treasury<br>Stock |   |                             |                 |
| Balance, December 31, 2012   | 120.4                                 | \$ 236.6 | \$ 1,139.6         | \$ 3,064.6           | \$ (362.0)                                    | \$ (2,139.7)      | \$ (5.9)  | \$ 26.0                     | \$ 1,959.2      |
| Net income   | -                                     | -        | -                  | 275.1                | -   | -                 | -   | 5.9                         | 281.0           |
| Other comprehensive income   | -                                     | -        | -                  | -                    | (8.7)   | -                 | -   | (2.3)                       | (11.0)          |
| Shares issued under stock and benefit plans, net of minimum tax withholdings | 1.3                                   | -        | (7.4)              | -                    | -   | 39.4              | -   | -                           | 32.0            |
| Treasury stock purchased under share repurchase program (\$59.74 per share)* | (0.2)                                 | -        | -                  | -                    | -   | (11.9)            | -   | -                           | (11.9)          |
| Cash dividends (\$0.66 per share)  | -                                     | -        | -                  | (80.3)               | -   | -                 | -   | -                           | (80.3)          |
| Dividends paid to employee benefits trusts                                   | -                                     | -        | 0.4                | -                    | -   | -                 | -   | -                           | 0.4             |
| Stock-based compensation expense   | -                                     | -        | 23.1               | -                    | -   | -                 | -   | -                           | 23.1            |
| Tax effects of stock-based compensation plans                                | -                                     | -        | 11.2               | -                    | -   | -                 | -   | -                           | 11.2            |
| Dividends paid to noncontrolling interests                                   | -                                     | -        | -                  | -                    | -   | -                 | -   | (9.8)                       | (9.8)           |
| Other  | -                                     | -        | (0.1)              | -                    | -   | -                 | -   | (0.4)                       | (0.5)           |

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Balance,  
 September 30, 2013 121.5 \$ 236.6 \$ 1,166.8 \$ 3,259.4 \$ (370.7) \$ (2,112.2) \$ (5.9) \$ 19.4 \$ 2,193.4

\* At September 30, 2013, \$215.1 million was authorized for future purchases of common stock under our share repurchase authorization.

**Accumulated Other Comprehensive Loss consists of the following components:**

|   | September 30,<br>2013 | December 31,<br>2012 |
|---|-----------------------|----------------------|
|   | (In millions)         |                      |
| Foreign currency translation  | \$ (100.7)            | \$ (83.6)            |
| Unrecognized actuarial losses and prior service cost related to our pension and other postretirement benefit plans, net of accumulated tax of \$155.0 and \$159.3 at September 30, 2013 and December 31, 2012, respectively | (268.0)               | (276.4)              |
| Cash flow hedging transactions, net of accumulated tax of \$1.2 at September 30, 2013 and \$1.3 at December 31, 2012  | (2.0)                 | (2.0)                |
| Accumulated other comprehensive loss  | \$ (370.7)            | \$ (362.0)           |

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**September 30, 2013**

As used herein, the terms Equifax, the Company, we, our and us refer to Equifax Inc., a Georgia corporation, and its consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only Equifax Inc.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations.** We collect, organize and manage various types of financial, demographic, employment and marketing information. Our products and services enable businesses to make credit and service decisions, manage their portfolio risk, automate or outsource certain human resources, employment tax and payroll-related business processes, and develop marketing strategies concerning consumers and commercial enterprises. We serve customers across a wide range of industries, including the financial services, mortgage, retail, telecommunications, utilities, automotive, brokerage, healthcare and insurance industries, as well as government agencies. We also enable consumers to manage and protect their financial health through a portfolio of products offered directly to consumers. As of September 30, 2013, we operated in the following countries: Argentina, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Paraguay, Peru, Portugal, Spain, the United Kingdom, or U.K., Uruguay, and the United States of America, or U.S. We also maintain support operations in the Republic of Ireland. We have an investment in a consumer and commercial credit information company in Brazil and offer credit services in Russia and India through joint ventures.

We develop, maintain and enhance secured proprietary information databases through the compilation of actual consumer data, including credit, employment, asset, liquidity, net worth and spending activity, and business data, including credit and business demographics, that we obtain from a variety of sources, such as credit granting institutions, public record information (including bankruptcies, liens and judgments), income and tax information primarily from large to mid-sized companies in the U.S., and marketing information. We process this information utilizing our proprietary information management systems.

**Basis of Presentation.** The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, the instructions to Form 10-Q and applicable sections of Regulation S-X. To understand our complete financial position and results, as defined by GAAP, this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2012 (“2012 Form 10-K”).

Our unaudited Consolidated Financial Statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the periods presented and are of a normal recurring nature. Certain prior year amounts have been reclassified to conform to current period presentation.

**Earnings Per Share.** Our basic earnings per share, or EPS, is calculated as net income attributable to Equifax divided by the weighted-average number of common shares outstanding during the period. Diluted EPS is calculated to reflect the potential dilution that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common shares outstanding. The net income amounts used in both our basic and diluted EPS calculations are the same. A reconciliation of the weighted-average outstanding shares used in the two calculations is as follows:



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

|   | Three Months Ended September 30,<br>2013<br>(In millions) | 2012  | Three Months Ended September 30,<br>2013 | Nine Months Ended September 30,<br>2012 |
|---|---|-------|--|---|
| Weighted-average shares outstanding (basic)   | 121.6   | 119.7 | 121.0                                    | 120.0                                   |
| Effect of dilutive securities:                |   |       |  |   |
| Stock options and restricted stock units      | 2.3   | 2.5   | 2.5                                      | 2.4                                     |
| Weighted-average shares outstanding (diluted) | 123.9   | 122.2 | 123.5                                    | 122.4                                   |

For the three and nine months ended September 30, 2013 and 2012, the stock options that were anti-dilutive were not material.

**Financial Instruments.** Our financial instruments consist primarily of cash and cash equivalents, accounts and notes receivable, accounts payable and short- and long-term debt. The carrying amounts of these items, other than long-term debt, approximate their fair market values due to the short-term nature of these instruments. The fair value of our fixed-rate debt is determined using Level 2 inputs such as quoted market prices for publicly traded instruments, and for non-publicly traded instruments through valuation techniques depending on the specific characteristics of the debt instrument. As of September 30, 2013 and December 31, 2012, the fair value of our long-term debt, based on observable inputs was \$1.5 billion and \$1.6 billion, respectively compared to its carrying value of \$1.4 billion and \$1.5 billion, respectively.

**Derivatives and Hedging Activities.** We use derivative financial instruments as a risk management tool to hedge the Company's exposure to changes in interest rates, not for speculative purposes. We have used interest rate swaps and interest rate lock agreements to manage interest rate risk associated with our fixed and floating-rate borrowings. Forward contracts on various foreign currencies have been used to manage the foreign currency exchange rate risk of certain firm commitments denominated in foreign currencies. We recognize all derivatives on the balance sheet at fair value. Derivative valuations reflect the value of the instrument including material amounts associated with counterparty risk.

**Fair Value Hedges.** In conjunction with our November 2009 sale of five-year Senior Notes, we entered into five-year interest rate swaps, designated as fair value hedges, which convert the debt's fixed interest rate to a variable rate. These swaps involve the receipt of fixed rate amounts for floating interest rate payments over the life of the swaps without exchange of the underlying principal amount. Changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed-rate Senior Notes they hedge due to changes in the designated benchmark interest rate and are recorded in interest expense. The fair value of these interest rate swaps was an asset of \$7.4 million and \$12.2 million at September 30, 2013 and December 31, 2012, respectively, and was recorded in other long-term assets on our Consolidated Balance Sheets.

**Fair Value Measurements.** Fair value is determined based on the assumptions marketplace participants use in pricing the asset or liability. We use a three level fair value hierarchy to prioritize the inputs used in valuation techniques between observable inputs that reflect quoted prices in active markets, inputs other than quoted prices with observable market data and unobservable data (e.g., a company's own data).



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following table presents items measured at fair value on a recurring basis:

| Description                                   | Fair Value of Assets<br>(Liabilities) at<br>September 30, 2013 | Fair Value Measurements at Reporting Date Using:                        |   |  |
|---|--|---|---|--|
|   |  | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|   | (In millions)  |   |   |  |
| Fair Value Interest Rate Swaps <sup>(1)</sup> | \$ 7.4   | \$ -  | \$ 7.4  | \$ -   |
| Notes, due 2014 <sup>(1)</sup>                | (282.4)  | -   | (282.4)   | -  |
| Deferred Compensation Plan <sup>(2)</sup>     | (20.4)   | -   | (20.4)  | -  |
| Total   | \$ (295.4)   | \$ -  | \$ (295.4)  | \$ -   |

(1) The fair value of our interest rate swaps, which are designated as fair value hedges, and our notes, due in 2014, are based on the present value of expected future cash flows using zero coupon rates and are classified within Level 2 of the fair value hierarchy.

(2) We maintain deferred compensation plans that allow for certain management employees to defer the receipt of compensation (such as salary, incentive compensation and commissions) until a later date based on the terms of the plan. The liability representing benefits accrued for plan participants is valued at the quoted market prices of the participants' investment elections.

**Variable Interest Entities.** We hold interests in certain entities, including credit data and information solutions ventures, that are considered variable interest entities, or VIEs. These variable interests relate to ownership interests that require financial support for these entities. Our investments related to these VIEs totaled \$24.3 million at September 30, 2013, representing our maximum exposure to loss. We are not the primary beneficiary and are not required to consolidate any of these VIEs.

**Other Assets.** Other assets on our Consolidated Balance Sheets primarily represents our investment in unconsolidated affiliates, interest rate swaps, assets related to life insurance policies covering certain officers of the Company, and employee benefit trust assets. Our investment in Boa Vista Servicos ("BVS"), which represents a 15% equity interest in BVS, was valued at 130 million Brazilian Reais (\$57.7 million and \$63.6 million at September 30, 2013 and December 31, 2012, respectively) and is accounted for using the cost method. The estimated fair value of the investment approximates carrying value at September 30, 2013.

**Recent Accounting Pronouncements. Testing Indefinite-Lived Intangible Assets for Impairment.** In July 2012, the FASB issued Accounting Standards Update No. 2012-02, "Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment," which allows a company the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Under that option, a company would no longer be required to calculate the fair value of an indefinite-lived intangible asset unless the company determines, based on that qualitative assessment, that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. This guidance is effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption was permitted. We implemented the new standard in our 2013 annual impairment testing. This guidance did not have a material effect on our financial condition or results of operations.

*Other Comprehensive Income.* In February 2013, the FASB issued Accounting Standards Update No. 2013-02, “Reporting of Amounts Reclassified Out of Other Comprehensive Income,” which requires public companies to present information about reclassification adjustments from accumulated other comprehensive income in their annual and interim financial statements in a single note or on the face of the financial statements. This standard is effective prospectively for annual and interim reporting periods beginning after December 15, 2012. We adopted this standard in the first quarter of 2013 and it did not have an effect on our financial condition or results of operations.

For additional information about recent accounting pronouncements adopted or pending adoption, see Note 1 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

## 2. DISCONTINUED OPERATIONS

During the first quarter of 2013, we divested of two non-strategic business lines, Equifax Settlement Services, which was part of our Mortgage business within the USCIS operating segment, and Talent Management Services, which was part of our Employer Services business within our Workforce Solutions operating segment, for a total of \$47.5 million. \$3.5 million of the proceeds of the sale of Talent Management Services was placed in escrow and is due 18 months after the transaction date. The historical results of these operations are classified as discontinued operations in the Consolidated Statements of Income. Revenue for these business lines for the three and nine months ended September 30, 2013, was \$0 and \$9.3 million, respectively, and \$23.9 million and \$63.3 million for the three and nine months ended September 30, 2012, respectively. Pretax income was immaterial for the three and nine months ended September 30, 2013, respectively, and \$1.6 million and \$6.1 million for the three and nine months ended September 30, 2012, respectively. We recorded a gain on the disposals in the first quarter of 2013 of \$18.4 million, including an income tax benefit of \$18.1 million, of which \$14.3 million was current tax benefits. The tax benefit is primarily a result of our tax basis in Talent Management Services. The gain was classified as discontinued operations in the Consolidated Statements of Income.

## 3. GOODWILL AND INTANGIBLE ASSETS

**Goodwill.** Goodwill represents the cost in excess of the fair value of the net assets acquired in a business combination. Goodwill is tested for impairment at the reporting unit level on an annual basis and on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. We perform our annual goodwill impairment tests as of September 30.

Our annual goodwill impairment testing was completed during the third quarter of 2013. The fair value estimates for our reporting units were determined using a combination of the income and market approaches in accordance with our methodology as discussed in the “Application of Critical Accounting Policies” section in this Form 10-Q. The estimated fair value for all reporting units exceeded the carrying value of those units as of September 30, 2013. As a result, no goodwill impairment was recorded. Changes in the amount of goodwill for the nine months ended September 30, 2013, are as follows:

|  | U.S. Consumer<br>Information<br>Solutions<br>(In millions) | International | Workforce<br>Solutions | North America<br>Personal<br>Solutions | North America<br>Commercial<br>Solutions | Total      |
|--|--|---------------|------------------------|--|--|------------|
| Balance, December 31, 2012                       | \$ 947.7   | \$ 369.3      | \$ 934.0               | \$ 1.8                                 | \$ 37.6                                  | \$ 2,290.4 |
| Acquisitions                                     | -  | -             | -                      | 14.5                                   | -  | 14.5       |
| Adjustments to initial purchase price allocation | 87.5   | -             | -                      | -                                      | -  | 87.5       |
| Foreign currency translation                     | -  | (5.8)         | -                      | -                                      | (0.2)                                    | (6.0)      |
| Tax benefits of stock options exercised          | -  | -             | (0.2)                  | -                                      | -  | (0.2)      |
| Businesses sold                                  | (2.7)  | (1.4)         | (26.1)                 | -                                      | -  | (30.2)     |
| Balance, September 30, 2013                      | \$ 1,032.5   | \$ 362.1      | \$ 907.7               | \$ 16.3                                | \$ 37.4                                  | \$ 2,356.0 |



**3. GOODWILL AND INTANGIBLE ASSETS (Continued)**

**Indefinite-Lived Intangible Assets.** Indefinite-lived intangible assets consist of acquired operating agreements in specific territories representing the estimated acquisition date fair value of certain territory specific rights acquired through the purchase of independent credit reporting agencies in the U.S. and Canada. At the time we acquired these agreements, they were considered perpetual in nature and, therefore, the useful lives are considered indefinite. Indefinite-lived intangible assets are not amortized. We are required to test indefinite-lived intangible assets for impairment annually and whenever events or circumstances indicate that there may be an impairment of the asset value. We perform our annual indefinite-lived intangible asset impairment test as of September 30. Our 2013 annual impairment test completed during the third quarter of 2013 resulted in no impairment of indefinite-lived intangible assets.

**Purchased Intangible Assets.** Purchased intangible assets represent the estimated acquisition date fair value of acquired intangible assets used in our business. Purchased data files represent the estimated acquisition date fair value of consumer credit files acquired primarily through the purchase of independent credit reporting agencies in the U.S. and Canada. We expense the cost of modifying and updating credit files in the period such costs are incurred. Our reacquired rights represent the value of rights which we had granted to Computer Sciences Corporation that were reacquired in connection with the acquisition of CSC Credit Services in the fourth quarter of 2012 which are being amortized over the remaining term of the affiliation agreement on a straight-line basis from December 28, 2012 to August 1, 2018. We amortize all of our purchased intangible assets on a straight-line basis. For additional information about the useful lives related to our purchased intangible assets, see Note 1 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

Purchased intangible assets at September 30, 2013 and December 31, 2012 consisted of the following:

|   | September 30, 2013 |                             |          | December 31, 2012 |                             |          |
|---|--------------------|-----------------------------|----------|-------------------|-----------------------------|----------|
|   | Gross              | Accumulated<br>Amortization | Net      | Gross             | Accumulated<br>Amortization | Net      |
| Definite-lived intangible assets:       | (In millions)      |                             |          |                   |                             |          |
| Purchased data files                    | \$ 704.7           | \$ (178.6)                  | \$ 526.1 | \$ 795.6          | \$ (229.2)                  | \$ 566.4 |
| Acquired software and technology        | 36.1               | (18.7)                      | 17.4     | 34.4              | (13.5)                      | 20.9     |
| Customer relationships                  | 493.5              | (165.1)                     | 328.4    | 522.1             | (164.5)                     | 357.6    |
| Reacquired rights                       | 73.3               | (9.7)                       | 63.6     | -                 | -                           | -        |
| Proprietary database                    | 7.4                | (4.9)                       | 2.5      | 125.0             | (115.9)                     | 9.1      |
| Non-compete agreements                  | 20.6               | (8.6)                       | 12.0     | 19.4              | (5.5)                       | 13.9     |
| Trade names and other intangible assets | 40.0               | (23.7)                      | 16.3     | 41.5              | (21.7)                      | 19.8     |
| Total definite-lived intangible assets  | \$ 1,375.6         | \$ (409.3)                  | \$ 966.3 | \$ 1,538.0        | \$ (550.3)                  | \$ 987.7 |

Amortization expense from continuing operations related to purchased intangible assets was \$33.9 million and \$21.5 million during the three months ended September 30, 2013 and 2012, respectively. Amortization expense from continuing operations related to purchased intangible assets was \$90.4 million and \$64.8 million during the nine months ended September 30, 2013 and 2012, respectively.

During the third quarter of 2013, we recorded adjustments to the purchased intangible assets and related accumulated amortization previously recorded in connection with our December 28, 2012 acquisition of certain credit services business assets and operations of Computer Sciences Corporation. This correction resulted in the establishment of \$73.3 million of reacquired rights which will be amortized over 5.6 years, an increase in goodwill of \$85.5 million and a reduction of our indefinite-lived intangible assets of \$158.8 million. To reflect this change, we recorded \$9.7 million of amortization expense in the third quarter of 2013, \$6.5 million of which related to the first and second quarters of 2013.

**4. DEBT**

Debt outstanding at September 30, 2013 and December 31, 2012 was as follows:

|  | September 30,<br>2013<br>(In millions) | December 31,<br>2012 |
|--|--|----------------------|
| Commercial paper                                   | \$ -                                   | \$ 265.0             |
| Notes, 7.34%, due in installments through May 2014 | 15.0                                   | 30.0                 |
| Notes, 4.45%, due December 2014                    | 275.0                                  | 275.0                |
| Notes, 6.30%, due July 2017                        | 272.5                                  | 272.5                |
| Notes, 3.30%, due Dec 2022                         | 500.0                                  | 500.0                |
| Debentures, 6.90%, due July 2028                   | 125.0                                  | 125.0                |
| Notes, 7.00%, due July 2037                        | 250.0                                  | 250.0                |
| Capitalized lease obligation                       | -                                      | 2.2                  |
| Other  | 1.3                                    | 0.7                  |
| Total debt   | 1,438.8                                | 1,720.4              |
| Less short-term debt and current maturities        | (16.4)                                 | (283.3)              |
| Less unamortized discounts                         | (2.2)                                  | (2.3)                |
| Plus fair value adjustments                        | 7.6                                    | 12.6                 |
| Total long-term debt, net                          | \$ 1,427.8                             | \$ 1,447.4           |

**Senior Credit Facility.** We are party to a \$750.0 million unsecured revolving credit facility, which we refer to as the Senior Credit Facility, with a group of financial institutions. The Senior Credit Facility also has an accordion feature that allows us to request an increase in the total commitment to \$1.0 billion. Borrowings may be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchase programs. The Senior Credit Facility is scheduled to expire in December 2017. Availability of the Senior Credit Facility for borrowings is reduced by the outstanding face amount of any letters of credit issued under the facility and, pursuant to our existing Board of Directors authorization, by the outstanding principal amount of our commercial paper notes. As of September 30, 2013, there were no outstanding borrowings under this facility and \$748.6 million was available for borrowing.

**Commercial Paper Program.** Our \$750.0 million commercial paper program has been established through the private placement of commercial paper notes from time-to-time. Maturities of commercial paper can range from overnight to 397 days. The commercial paper program is supported by our Senior Credit Facility and, pursuant to our existing Board of Directors authorization, the total amount of commercial paper which may be issued is reduced by the amount of any outstanding borrowings under our Senior Credit Facility. At September 30, 2013, there were no commercial paper notes outstanding.

For additional information about our debt agreements, see Note 6 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

## 5. COMMITMENTS AND CONTINGENCIES

**Data Processing, Outsourcing Services and Other Agreements.** We have separate agreements with IBM, TCS and others to outsource portions of our computer data processing operations, applications development, maintenance and related functions and to provide certain other administrative and operational services. The agreements expire between 2013 and 2018. The estimated aggregate minimum contractual obligation remaining under these agreements is approximately \$70 million as of December 31, 2012, with no future year's minimum contractual obligation expected to exceed approximately \$40 million. Annual payment obligations in regard to these agreements vary due to factors such as the volume of data processed; changes in our servicing needs as a result of new product offerings, acquisitions or divestitures; the introduction of significant new technologies; foreign currency; or the general rate of inflation. In certain circumstances (e.g., a change in control or for our convenience), we may terminate these data processing and outsourcing agreements, and, in doing so, certain of these agreements require us to pay a significant penalty.

**Guarantees and General Indemnifications.** We may issue standby letters of credit, performance bonds or other guarantees in the normal course of business. The aggregate notional amount of all performance bonds and standby letters of credit was not material at September 30, 2013, and all have a remaining maturity of one year or less. The maximum potential future payments we could be required to make under the guarantees is not material at September 30, 2013.

We have agreed to standard indemnification clauses in many of our lease agreements for office space, covering such things as tort, environmental and other liabilities that arise out of or relate to our use or occupancy of the leased premises. Certain of our credit agreements include provisions which require us to make payments to preserve an expected economic return to the lenders if that economic return is diminished due to certain changes in law or regulations. In conjunction with certain transactions, such as sales or purchases of operating assets or services in the ordinary course of business, or the disposition of certain assets or businesses, we sometimes provide routine indemnifications, the terms of which range in duration and sometimes are not limited. Additionally, the Company has entered into indemnification agreements with its directors and executive officers to indemnify such individuals to the fullest extent permitted by applicable law against liabilities that arise by reason of their status as directors or officers. The Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations.

We cannot reasonably estimate our potential future payments under the indemnities and related provisions described above because we cannot predict when and under what circumstances these provisions may be triggered. We had no accruals related to indemnifications on our Consolidated Balance Sheets at September 30, 2013 or December 31, 2012.



## 5. COMMITMENTS AND CONTINGENCIES (Continued)

**Contingencies.** We are involved in legal proceedings, claims and litigation arising in the ordinary course of business. We periodically assess our exposure related to these matters based on the information which is available. We have recorded accruals in our Consolidated Financial Statements for those matters in which it is probable that we have incurred a loss and the amount of the loss, or range of loss, can be reasonably estimated.

For other legal proceedings, claims and litigation, we have recorded loss contingencies that are immaterial, or we cannot reasonably estimate the potential loss because of uncertainties about the outcome of the matter and the amount of the loss or range of loss. Although the final outcome of these other matters cannot be predicted with certainty, any possible adverse outcome arising from these matters is not expected to have a material impact on our Consolidated Financial Statements, either individually or in the aggregate. However, our evaluation of the likely impact of these matters may change in the future.

For additional information about these and other commitments and contingencies, see Note 7 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

## 6. INCOME TAXES

We are subject to U.S. federal, state and international income taxes. We are generally no longer subject to federal, state, or international income tax examinations by tax authorities for years ending prior to December 31, 2007, with few exceptions. Due to the potential for resolution of state and foreign examinations, and the expiration of various statutes of limitations, it is reasonably possible that our gross unrecognized tax benefit balance may change within the next twelve months by a range of \$0 to \$6.2 million.

**Effective Tax Rate.** Our effective income tax rate was 35.3% for the three months ended September 30, 2013, up from 33.5% for the same period in 2012 due primarily to higher foreign income taxes. The effective income tax rate was 35.7% for the nine months ended September 30, 2013, up from 35.0% for the same period in 2012 with the increase primarily due to increases in foreign and state income taxes.

**7. ACCUMULATED OTHER COMPREHENSIVE INCOME**

Changes in accumulated other comprehensive income by component, after tax, for the nine months ended September 30, 2013, are as follows:

|   | Foreign<br>currency<br>(In millions) | Pension and other<br>postretirement<br>benefit plans | Cash flow<br>hedging<br>transactions | Total      |
|---|--------------------------------------|--|--------------------------------------|------------|
| Balance, December 31, 2012  | \$ (83.6)                            | \$ (276.4)   | \$ (2.0)                             | \$ (362.0) |
| Other comprehensive income before<br>reclassifications              | (17.1)                               | (2.6)  | -                                    | (19.7)     |
| Amounts reclassified from accumulated<br>other comprehensive income | -                                    | 11.0   | -                                    | 11.0       |
| Net current-period other comprehensive<br>income                    | (17.1)                               | 8.4  | -                                    | (8.7)      |
| Balance, September 30, 2013   | \$ (100.7)                           | \$ (268.0)   | \$ (2.0)                             | \$ (370.7) |

Reclassifications out of accumulated other comprehensive income for the nine months ended September 30, 2013, are as follows:

| Details about accumulated other<br>comprehensive income components | Amount reclassified<br>from accumulated other<br>comprehensive income <sup>(1)</sup><br>(in millions) | Affected line item in<br>the statement where<br>net income is presented |
|--|---|---|
| Amortization of pension and other postretirement plan<br>items:    |   |   |
| Prior service cost   | \$ (0.6)  | (2)   |
| Recognized actuarial loss  | (17.1)  | (2)   |
|  | (17.7)  | Total before<br>tax   |
|  | 6.7   | Tax benefit   |
|  | \$ (11.0)   | Net of tax  |

(1) Amounts in parentheses indicate expense recognized in the Consolidated Statements of Income.

(2) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (See Note 8 Benefit Plans for additional details).

Changes in accumulated other comprehensive income related to noncontrolling interests were not material as of September 30, 2013.

**8. BENEFIT PLANS**

We sponsor defined benefit pension plans and defined contribution plans. For additional information about our benefit plans, see Note 11 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

The following table provides the components of net periodic benefit cost, included in selling, general and administrative expenses in the Consolidated Statements of Income, for the three and nine months ended September 30, 2013 and 2012:

|                                    | Pension Benefits                 |        | Other Benefits |        |
|------------------------------------|----------------------------------|--------|----------------|--------|
|                                    | Three Months Ended September 30, |        | 2013           | 2012   |
|                                    | 2013                             | 2012   |                |        |
|                                    | (In millions)                    |        |                |        |
| Service cost                       | \$ 1.3                           | \$ 1.6 | \$ 0.1         | \$ 0.1 |
| Interest cost                      | 7.2                              | 8.3    | 0.3            | 0.3    |
| Expected return on plan assets     | (9.8)                            | (11.6) | (0.4)          | (0.4)  |
| Amortization of prior service cost | 0.3                              | 0.2    | (0.1)          | (0.1)  |
| Recognized actuarial loss          | 4.4                              | 4.0    | 0.3            | 0.3    |
| Total net periodic benefit cost    | \$ 3.4                           | \$ 2.5 | \$ 0.2         | \$ 0.2 |

|                                    | Pension Benefits                |        | Other Benefits |        |
|------------------------------------|---------------------------------|--------|----------------|--------|
|                                    | Nine Months Ended September 30, |        | 2013           | 2012   |
|                                    | 2013                            | 2012   |                |        |
|                                    | (In millions)                   |        |                |        |
| Service cost                       | \$ 3.9                          | \$ 4.8 | \$ 0.4         | \$ 0.3 |
| Interest cost                      | 21.6                            | 24.9   | 1.0            | 0.9    |
| Expected return on plan assets     | (29.4)                          | (34.8) | (1.2)          | (1.2)  |
| Amortization of prior service cost | 0.9                             | 0.6    | (0.3)          | (0.3)  |
| Recognized actuarial loss          | 13.2                            | 12.0   | 3.9            | 0.9    |
| Total net periodic benefit cost    | \$ 10.2                         | \$ 7.5 | \$ 3.8         | \$ 0.6 |

## 9. SEGMENT INFORMATION

**Reportable Segments.** We manage our business and report our financial results through the following five reportable segments, which are the same as our operating segments:

- U.S. Consumer Information Solutions
- International
- Workforce Solutions
- North America Personal Solutions
- North America Commercial Solutions

The accounting policies of the reportable segments are the same as those described in our summary of significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K. We evaluate the performance of these reportable segments based on their operating revenues, operating income and operating margins, excluding unusual or infrequent items, if any. Inter-segment sales and transfers are not material for all periods presented. The measurement criteria for segment profit or loss and segment assets are substantially the same for each reportable segment. All transactions between segments are accounted for at cost, and no timing differences occur between segments.

A summary of segment products and services is as follows:

**U.S. Consumer Information Solutions.** This segment includes consumer information services (such as credit information and credit scoring, credit modeling services, locate services, fraud detection and prevention services, identity verification services and other consulting services); mortgage loan origination information; consumer financial marketing services; and identity management.

**International.** This segment includes information services products, which includes consumer and commercial services (such as credit and financial information, credit scoring and credit modeling services), credit and other marketing products and services, and products and services sold directly to consumers similar to those sold by North America Personal Solutions.

**Workforce Solutions.** This segment includes employment, income and social security number verification services as well as complementary payroll-based transaction services and employment tax management services.

**North America Personal Solutions.** This segment includes credit information, credit monitoring and identity theft protection products sold directly to consumers via the internet.

**North America Commercial Solutions.** This segment includes commercial products and services such as business credit and demographic information, credit scores and portfolio analytics (decisioning tools), which are derived from our databases of business credit and financial information.

**9. SEGMENT INFORMATION (Continued)**

Operating revenue and operating income by operating segment during the three and nine months ended September 30, 2013 and 2012 are as follows:

| (In millions)                       | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |            |
|-------------------------------------|-------------------------------------|----------|------------------------------------|------------|
|                                     | 2013                                | 2012     | 2013                               | 2012       |
| Operating revenue:                  |                                     |          |                                    |            |
| U.S. Consumer Information Solutions | \$ 253.1                            | \$ 219.8 | \$ 757.9                           | \$ 647.7   |
| International                       | 128.5                               | 121.1    | 382.0                              | 361.6      |
| Workforce Solutions                 | 115.0                               | 111.8    | 361.9                              | 330.4      |
| North America Personal Solutions    | 52.3                                | 46.1     | 154.9                              | 137.2      |
| North America Commercial Solutions  | 23.1                                | 21.2     | 68.7                               | 62.3       |
| Total operating revenue             | \$ 572.0                            | \$ 520.0 | \$ 1,725.4                         | \$ 1,539.2 |

| (In millions)                       | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|-------------------------------------|-------------------------------------|----------|------------------------------------|----------|
|                                     | 2013                                | 2012     | 2013                               | 2012     |
| Operating income:                   |                                     |          |                                    |          |
| U.S. Consumer Information Solutions | \$ 95.8                             | \$ 88.1  | \$ 292.0                           | \$ 256.9 |
| International                       | 38.6                                | 33.1     | 110.5                              | 106.6    |
| Workforce Solutions                 | 34.5                                | 28.4     | 110.2                              | 81.3     |
| North America Personal Solutions    | 13.7                                | 13.1     | 42.4                               | 36.8     |
| North America Commercial Solutions  | 4.0                                 | 4.0      | 12.7                               | 10.3     |
| General Corporate Expense           | (36.6)                              | (36.2)   | (110.7)                            | (104.1)  |
| Total operating income              | \$ 150.0                            | \$ 130.5 | \$ 457.1                           | \$ 387.8 |

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

As used herein, the terms Equifax, the Company, we, our and us refer to Equifax Inc., a Georgia corporation, and its consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only Equifax Inc.

All references to earnings per share data in Management's Discussion and Analysis, or MD&A, are to diluted earnings per share, or EPS, unless otherwise noted. Diluted EPS is calculated to reflect the potential dilution that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common shares outstanding.

### **BUSINESS OVERVIEW**

We are a leading global provider of information solutions, employment and income verifications and human resources business process outsourcing services. We leverage some of the largest sources of consumer and commercial data, along with advanced analytics and proprietary technology, to create customized insights which enable our business customers to grow faster, more efficiently and more profitably, and to inform and empower consumers.

Businesses rely on us for consumer and business credit intelligence, credit portfolio management, fraud detection, decisioning technology, marketing tools, and human resources-related services. We also offer a portfolio of products that enable individual consumers to manage their financial affairs and protect their identity. Our revenue stream is diversified among businesses across a wide range of industries and international geographies and individual consumers.

### **Segment and Geographic Information**

**Segments.** The U.S. Consumer Information Solutions, or USCIS, segment, the largest of our five segments, consists of three product and service lines: Online Consumer Information Solutions, or OCIS; Mortgage Solutions; and Consumer Financial Marketing Services. OCIS and Mortgage Solutions revenue is principally transaction-based and is derived from our sales of products such as consumer credit reporting and scoring, identity management, fraud detection and modeling services. USCIS also markets certain decisioning software services which facilitate and automate a variety of consumer credit-oriented decisions. Consumer Financial Marketing Services revenue is principally project- and subscription-based and is derived from our sales of batch credit and consumer wealth information such as those that assist clients in acquiring new customers, cross-selling to existing customers and managing portfolio risk.

The International segment consists of Canada Consumer, Europe and Latin America. Canada Consumer's products and services are similar to our USCIS offerings, while Europe and Latin America are made up of varying mixes of product lines that are in our USCIS, North America Commercial Solutions and North America Personal Solutions reportable segments.

The Workforce Solutions segment consists of the Verification Services and Employer Services business lines. Verification Services revenue is transaction-based and is derived primarily from employment and income verification. Employer Services revenues are derived from our provision of certain human resources business process outsourcing services that include both transaction- and subscription-based product offerings. These services include unemployment claims management, employment-based tax credit services, and complementary payroll-based transaction services.

North America Personal Solutions revenue is primarily subscription-based supplemented by some transaction-based services, and is derived from the sale of credit monitoring, debt management and identity theft protection products,

which we deliver to consumers electronically via the internet.

North America Commercial Solutions revenue is principally transaction-based, with the remainder project-based, and is derived from the sale of business information, credit scores and portfolio analytics that enable customers to utilize our reports to make financing, marketing and purchasing decisions related to businesses.

**Geographic Information.** We currently operate in the following countries: Argentina, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Paraguay, Peru, Portugal, the Republic of Ireland, Spain, the U.K., Uruguay, and the U.S. Our operations in the Republic of Ireland focus on data handling and customer support activities. We have an investment in a consumer and commercial credit information company in Brazil and offer consumer credit services in India and Russia through joint ventures.

**Key Performance Indicators.** Management focuses on a variety of key indicators to monitor operating and financial performance. These performance indicators include operating revenue, change in operating revenue, operating income, operating margin, net income attributable to Equifax, diluted earnings per share, cash provided by operating activities and capital expenditures. The key performance indicators for the three and nine months ended September 30, 2013 and 2012 were as follows:

|   | Key Performance Indicators                   |       |      |       |  |         |      |         |   |
|---|--|-------|------|-------|--|---------|------|---------|---|
|   | Three Months Ended<br>September 30,<br>2013  |       | 2012 |       | Nine Months Ended<br>September 30,<br>2013 |         | 2012 |         |   |
|   | (Dollars in millions, except per share data) |       |      |       |  |         |      |         |   |
| Operating revenue   | \$   | 572.0 | \$   | 520.0 | \$   | 1,725.4 | \$   | 1,539.2 |   |
| Operating revenue change  |  | 10    | %    | 10    | %  | 12      | %    | 10      | % |
| Operating income  | \$   | 150.0 | \$   | 130.5 | \$   | 457.1   | \$   | 387.8   |   |
| Operating margin  |  | 26.2  | %    | 25.1  | %  | 26.5    | %    | 25.2    | % |
| Net income from continuing operations attributable to Equifax                 | \$   | 84.1  | \$   | 76.9  | \$   | 256.7   | \$   | 222.1   |   |
| Net income attributable to Equifax  | \$   | 83.5  | \$   | 77.9  | \$   | 275.1   | \$   | 225.8   |   |
| Diluted earnings per share from continuing operations attributable to Equifax | \$   | 0.67  | \$   | 0.63  | \$   | 2.08    | \$   | 1.81    |   |
| Diluted earnings per share attributable to Equifax                            | \$   | 0.67  | \$   | 0.64  | \$   | 2.23    | \$   | 1.84    |   |
| Cash provided by operating activities   | \$   | 167.6 | \$   | 151.0 | \$   | 374.4   | \$   | 348.3   |   |
| Capital expenditures  | \$   | 25.3  | \$   | 14.8  | \$   | 61.5    | \$   | 49.3    |   |

### Business Environment and Company Outlook

Demand for our services tends to be correlated to general levels of economic activity, to consumer credit activity, to a lesser extent small commercial credit and marketing activity, and to our own initiatives to expand our products and markets served. During the first nine months of 2013, in the United States, we experienced modest growth in overall economic activity and in general consumer credit, strong year-over-year growth in consumer mortgage activity, and continuing benefits from our internal product and market initiatives. As expected, total company mortgage related revenues slowed dramatically in the third quarter, a trend we expect will continue into 2014. As a result, our Mortgage Solutions business unit's rate of year-over-year revenue growth slowed in the third quarter compared to the first half of 2013 and the mortgage-related components of revenue included in USCIS' Online Consumer Information Solutions and Workforce Solutions' Verification Services each declined modestly in absolute terms compared to a year ago.

While we continue to expect modest growth in overall economic activity and general consumer credit to continue through the current year, mortgage market origination activity is expected to continue declining due to rising interest rates. This environment is consistent with the outlook we expected as we entered the year. Internationally, the environment continues to be challenging as various countries address their particular political, fiscal and economic issues. Offsetting these challenges, we continue to expect that our ongoing investments in new product innovation, business execution, enterprise growth initiatives, technology infrastructure, and continuous process improvement will enable us, in a modestly growing economy, to deliver long-term average organic revenue growth ranging between 6%



and 8% with additional growth of 1% to 2% derived from strategic acquisitions. We also expect to grow earnings per share at a somewhat faster rate than revenue as a result of both operating and financial leverage. We now expect total revenue growth, including the impact of our acquisition of CSC Credit Services, in 2013 to be around the midpoint of our original guidance of 10% to 12%.

**RESULTS OF OPERATIONS THREE AND NINE MONTHS SEPTEMBER 30, 2013 AND 2012****Consolidated Financial Results****Operating Revenue**

| Consolidated Operating Revenue      | Three Months Ended September 30, |          |         |      | Nine Months Ended September 30, |            |          |      |
|-------------------------------------|----------------------------------|----------|---------|------|---------------------------------|------------|----------|------|
|                                     | 2013                             | 2012     | Change  |      | 2013                            | 2012       | Change   |      |
|                                     | (Dollars in millions)            |          |         |      | (Dollars in millions)           |            |          |      |
| U.S. Consumer Information Solutions | \$ 253.1                         | \$ 219.8 | \$ 33.3 | 15 % | \$ 757.9                        | \$ 647.7   | \$ 110.2 | 17 % |
| International                       | 128.5                            | 121.1    | 7.4     | 6 %  | 382.0                           | 361.6      | 20.4     | 6 %  |
| Workforce Solutions                 | 115.0                            | 111.8    | 3.2     | 3 %  | 361.9                           | 330.4      | 31.5     | 10 % |
| North America Personal Solutions    | 52.3                             | 46.1     | 6.2     | 14 % | 154.9                           | 137.2      | 17.7     | 13 % |
| North America Commercial Solutions  | 23.1                             | 21.2     | 1.9     | 9 %  | 68.7                            | 62.3       | 6.4      | 10 % |
| Consolidated operating revenue      | \$ 572.0                         | \$ 520.0 | \$ 52.0 | 10 % | \$ 1,725.4                      | \$ 1,539.2 | \$ 186.2 | 12 % |

Revenue increased by 10% and 12% in the third quarter and first nine months of 2013, respectively, compared to the same periods in 2012. The growth was driven by the acquisition of CSC Credit Services in the fourth quarter of 2012 (“CSC Credit Services Acquisition”) and the impact of strategic growth initiatives across our businesses. The nine month period also benefitted from the impact of increased mortgage refinancing activity in the U.S., which, as expected, has begun to decline in the second half of 2013 as compared to the prior year. This expected decline reduced reported growth rates in our USCIS and Workforce Solutions business units for the third quarter of 2013 as compared to the first half of 2013. The effect of foreign exchange rates reduced revenue by \$6.6 million in the third quarter and \$13.0 million during the first nine months of 2013 compared to the year-ago period.

**Operating Expenses**

| Consolidated Operating Expenses                           | Three Months Ended September 30, |          |         |      | Nine Months Ended September 30, |            |          |      |
|---|----------------------------------|----------|---------|------|---------------------------------|------------|----------|------|
|   | 2013                             | 2012     | Change  |      | 2013                            | 2012       | Change   |      |
|   | (Dollars in millions)            |          |         |      | (Dollars in millions)           |            |          |      |
| Consolidated cost of services                             | \$ 196.8                         | \$ 188.4 | \$ 8.4  | 4 %  | \$ 590.1                        | \$ 563.0   | \$ 27.1  | 5 %  |
| Consolidated selling, general and administrative expenses | 173.4                            | 161.5    | 11.9    | 7 %  | 534.4                           | 468.1      | 66.3     | 14 % |
| Consolidated depreciation and amortization expense        | 51.8                             | 39.6     | 12.2    | 31 % | 143.8                           | 120.3      | 23.5     | 20 % |
| Consolidated operating expenses                           | \$ 422.0                         | \$ 389.5 | \$ 32.5 | 8 %  | \$ 1,268.3                      | \$ 1,151.4 | \$ 116.9 | 10 % |

The increase in cost of services, when compared to the third quarter and first nine months of 2012, was due primarily to increased salary and benefit costs of \$7.8 million and \$18.8 million in the third quarter and first nine months of 2013 as well as smaller increases across other categories. The CSC Credit Services Acquisition did not have a material impact on cost of services as this business had already been processed on our systems under our previous affiliate arrangement. The effect of changes in foreign exchange rates reduced cost of services by \$1.7 million and \$3.0 million in the three and nine months ended September 30, 2013, respectively.

Selling, general and administrative expense increased \$11.9 million in the third quarter and \$66.3 million in the first nine months of 2013 compared to the year ago periods. The increase in the third quarter and first nine months of 2013 was due primarily to increased salary, employee benefit, advertising, litigation, and regulatory compliance expenses of \$13.0 million and \$44.2 million, respectively, as well as smaller increases in expense in various categories as we continue to support our business growth. These expenses were partially offset by declines in incentive costs. Both periods were also impacted by the CSC Credit Services Acquisition which contributed approximately \$3 million and \$17 million of incremental selling, general and administrative expense in the third quarter and first nine months of 2013, respectively, some of which are transitional expenses as we integrate the business. The impact of changes in foreign currency exchange rates decreased our selling, general and administrative expenses by \$1.5 million and \$2.7 million in the three and nine months ended September 30, 2013, respectively.

Depreciation and amortization expense for the third quarter and first nine months of 2013 increased \$12.2 million and \$23.5 million, respectively, as compared to the same periods in 2012, driven by \$18.8 million in the third quarter and \$36.8 million in the first nine months of 2013 resulting from the CSC Credit Services Acquisition primarily related to amortization of purchased intangibles. The CSC Credit Services Acquisition amortization is partially offset by certain purchased intangible assets related to the TALX acquisition in 2007 that became fully amortized during the second quarter of 2013.

### *Operating Income and Operating Margin*

|                                 | Three Months Ended September 30, |         |        |           | Nine Months Ended September 30, |           |         |           |
|---------------------------------|----------------------------------|---------|--------|-----------|---------------------------------|-----------|---------|-----------|
|                                 | 2013                             | 2012    | Change |           | 2013                            | 2012      | Change  |           |
| Consolidated Operating Income   | (Dollars in millions)            |         |        |           | (Dollars in millions)           |           |         |           |
| Consolidated operating revenue  | \$572.0                          | \$520.0 | \$52.0 | 10 %      | \$1,725.4                       | \$1,539.2 | \$186.2 | 12 %      |
| Consolidated operating expenses | (422.0)                          | (389.5) | (32.5) | 8 %       | (1,268.3)                       | (1,151.4) | (116.9) | 10 %      |
| Consolidated operating income   | \$150.0                          | \$130.5 | \$19.5 | 15 %      | \$457.1                         | \$387.8   | \$69.3  | 18 %      |
| Consolidated operating margin   | 26.2 %                           | 25.1 %  |        | 1.1 % pts | 26.5 %                          | 25.2 %    |         | 1.3 % pts |

In the third quarter of 2013, operating income from continuing operations increased faster than revenue due to margin improvements in our International and Workforce Solutions businesses, reflecting rapid revenue growth and the ability to leverage our existing cost base. The first nine months of 2013 also benefitted from margin expansion in North America Personal Solutions and North America Commercial Solutions.

### *Other Expense, Net*

|  | Three Months Ended September 30, |          |          |       | Nine Months Ended September 30, |          |          |       |
|--|----------------------------------|----------|----------|-------|---------------------------------|----------|----------|-------|
|  | 2013                             | 2012     | Change   |       | 2013                            | 2012     | Change   |       |
| Consolidated Other Expense, Net              | (Dollars in millions)            |          |          |       | (Dollars in millions)           |          |          |       |
| Consolidated interest expense                | \$ 17.5                          | \$ 13.6  | \$ 3.9   | 29 %  | \$ 52.8                         | \$ 41.1  | \$ 11.7  | 28 %  |
| Consolidated other income                    | (0.6)                            | (1.9)    | 1.3      | -72 % | (4.2)                           | (5.4)    | 1.2      | -23 % |
| Consolidated other expense, net              | \$ 16.9                          | \$ 11.7  | \$ 5.2   | 46 %  | \$ 48.6                         | \$ 35.7  | \$ 12.9  | 36 %  |
| Average cost of debt                         | 4.8 %                            | 5.6 %    |          |       | 4.5 %                           | 5.6 %    |          |       |
| Total consolidated debt, net, at quarter end | \$ 1,444.2                       | \$ 968.3 | \$ 475.9 | 49 %  | \$ 1,444.2                      | \$ 968.3 | \$ 475.9 | 49 %  |

Interest expense increased for the third quarter and the first nine months of 2013, when compared to the same periods in 2012, due primarily to the issuance of \$500 million of 3.30% ten-year senior notes in December 2012. Our consolidated debt balance increased as of September 30, 2013, as compared to the prior year, as a result of the issuance of the 3.30% senior notes and additional borrowings in the form of commercial paper to fund the CSC Credit Services Acquisition. The decrease in the average cost of debt for the third quarter and first nine months of 2013 is due to the issuance of the \$500 million senior notes at a low interest rate and additional low rate commercial paper outstanding on average which caused the average cost of debt to decrease as compared to the prior year period.

Other income for the three and nine month periods ending September 30, 2013, did not change materially as compared to the prior year periods.



**Income Taxes**

| Consolidated Provision for Income Taxes | Three Months Ended September 30, 2013 |                       |        |      | Nine Months Ended September 30, 2013 |                       |         |      |
|---|---------------------------------------|-----------------------|--------|------|--------------------------------------|-----------------------|---------|------|
|   | 2013                                  | 2012                  | Change |      | 2013                                 | 2012                  | Change  |      |
| (Dollars in millions)                   | (Dollars in millions)                 | (Dollars in millions) | \$     | %    | (Dollars in millions)                | (Dollars in millions) | \$      | %    |
| Consolidated provision for income taxes | \$ 47.0                               | \$ 39.7               | \$ 7.3 | 18 % | \$ 145.9                             | \$ 123.2              | \$ 22.7 | 18 % |
| Effective income tax rate               | 35.3 %                                | 33.5 %                |        |      | 35.7 %                               | 35.0 %                |         |      |

Our effective income tax rate was 35.3% for the three months ended September 30, 2013, up from 33.5% for the same period in 2012 due primarily to higher foreign income taxes. The effective income tax rate was 35.7% for the nine months ended September 30, 2013, up from 35.0% for the same period in 2012 with the increase primarily due to increases in foreign and state income taxes.

**Net Income**

| Consolidated Net Income  | Three Months Ended September 30, 2013   |   |         |        | Nine Months Ended September 30, 2013    |   |         |       |
|--|---|---|---------|--------|---|---|---------|-------|
|  | 2013                                    | 2012                                    | Change  |        | 2013                                    | 2012                                    | Change  |       |
| (In millions, except per share amounts)                              | (In millions, except per share amounts) | (In millions, except per share amounts) | \$      | %      | (In millions, except per share amounts) | (In millions, except per share amounts) | \$      | %     |
| Consolidated operating income  | \$ 150.0                                | \$ 130.5                                | \$ 19.5 | 15 %   | \$ 457.1                                | \$ 387.8                                | \$ 69.3 | 18 %  |
| Consolidated other expense, net                                      | (16.9)                                  | (11.7)                                  | (5.2)   | 46 %   | (48.6)                                  | (35.7)                                  | (12.9)  | 36 %  |
| Consolidated provision for income taxes                              | (47.0)                                  | (39.7)                                  | (7.3)   | 18 %   | (145.9)                                 | (123.2)                                 | (22.7)  | 18 %  |
| Consolidated net income from continuing operations                   | 86.1                                    | 79.1                                    | 7.0     | 9 %    | 262.6                                   | 228.9                                   | 33.7    | 15 %  |
| Discontinued operations, net of tax                                  | (0.6)                                   | 1.0                                     | (1.6)   | -165 % | 18.4                                    | 3.7                                     | 14.7    | 398 % |
| Net income attributable to noncontrolling interests                  | (2.0)                                   | (2.2)                                   | 0.2     | -7 %   | (5.9)                                   | (6.8)                                   | 0.9     | -13 % |
| Net income attributable to Equifax                                   | \$ 83.5                                 | \$ 77.9                                 | \$ 5.6  | 7 %    | \$ 275.1                                | \$ 225.8                                | \$ 49.3 | 22 %  |
| Diluted earnings per common share:                                   |   |   |         |        |   |   |         |       |
| Net income from continuing operations attributable to Equifax        | \$ 0.67                                 | \$ 0.63                                 | \$ 0.04 | 8 %    | \$ 2.08                                 | \$ 1.81                                 | \$ 0.27 | 15 %  |
| Discontinued operations attributable to Equifax                      | -                                       | 0.01                                    | (0.01)  | -100 % | 0.15                                    | 0.03                                    | 0.12    | 397 % |
| Net income attributable to Equifax                                   | \$ 0.67                                 | \$ 0.64                                 | \$ 0.03 | 5 %    | \$ 2.23                                 | \$ 1.84                                 | \$ 0.39 | 21 %  |
| Weighted-average shares used in computing diluted earnings per share | 123.9                                   | 122.2                                   |         |        | 123.5                                   | 122.4                                   |         |       |

Consolidated income from continuing operations increased by \$7.0 million, or 9%, and \$33.7 million, or 15%, in the three and nine month periods ending September 30, 2013, respectively, due to increased operating income in a majority of our operating segments, net of associated income taxes and higher interest expense as a result of our CSC Credit Services Acquisition. Net income attributable to Equifax for the first nine months of 2013, as compared to the prior year, also benefitted from increased income from discontinued operations, driven by an \$18.4 million gain, after tax, on the sale of our Talent Management Services and Equifax Settlement Services business lines. This gain was primarily the result of an income tax benefit of \$18.1 million, including \$14.3 million of current tax benefits. Net income attributable to Equifax for the three months ended September 30, 2013, was negatively impacted compared to the prior year period by the absence of earnings from the discontinued operations which benefitted the prior year period.

**Segment Financial Results****USCIS**

|  | Three Months Ended September 30, |          |         |            | Nine Months Ended September 30, |          |          |            |
|--|----------------------------------|----------|---------|------------|---------------------------------|----------|----------|------------|
|  | 2013                             | 2012     | Change  |            | 2013                            | 2012     | Change   |            |
| U.S. Consumer Information Solutions          | (Dollars in millions)            |          |         |            | (Dollars in millions)           |          |          |            |
| Operating revenue:                           |                                  |          |         |            |                                 |          |          |            |
| Online Consumer Information Solutions (OCIS) | \$ 183.8                         | \$ 161.9 | \$ 21.9 | 14 %       | \$ 544.2                        | \$ 473.7 | \$ 70.5  | 15 %       |
| Mortgage Solutions                           | 28.4                             | 24.6     | 3.8     | 15 %       | 90.5                            | 70.5     | 20.0     | 28 %       |
| Consumer Financial Marketing Services        | 40.9                             | 33.3     | 7.6     | 23 %       | 123.2                           | 103.5    | 19.7     | 19 %       |
| Total operating revenue                      | \$ 253.1                         | \$ 219.8 | \$ 33.3 | 15 %       | \$ 757.9                        | \$ 647.7 | \$ 110.2 | 17 %       |
| % of consolidated revenue                    | 44 %                             | 42 %     |         |            | 44 %                            | 42 %     |          |            |
| Total operating income                       | \$ 95.8                          | \$ 88.1  | \$ 7.7  | 9 %        | \$ 292.0                        | \$ 256.9 | \$ 35.1  | 14 %       |
| Operating margin                             | 37.9 %                           | 40.1 %   |         | -2.2 % pts | 38.5 %                          | 39.7 %   |          | -1.2 % pts |

U.S. Consumer Information Solutions revenue increased 15% and 17% in the third quarter and first nine months of 2013 as compared to the prior year periods. The CSC Credit Services Acquisition contributed 14% of the revenue growth in both the third quarter and the first nine months of 2013. The remaining growth in the third quarter resulted from solid mid-single digit percentage growth from core non-mortgage products and from strategic product, penetration and pricing initiatives in the mortgage market more than offsetting a decline in mortgage market activity. The remaining growth in the nine month period was due to strategic growth initiatives as well as the higher level of mortgage market volumes in the first half of 2013 as compared to the prior year.

**OCIS**

Revenue for the third quarter and first nine months of 2013 increased 14% and 15% when compared to the prior year periods. This increase was driven primarily by the incremental revenue from the CSC Credit Services Acquisition as compared to the prior year. Excluding the CSC Credit Services Acquisition, revenue was flat in the third quarter and increased 1% in the first nine months of 2013 as compared to a year ago. A 3% decline the third quarter of 2013 in credit report transaction volume compared to the prior year due to a decline in mortgage-related credit report volume and lower volume from select high volume but lower priced accounts in the financial services market was offset by higher average unit revenue due to pricing initiatives. A 5% decline in the first nine months of 2013 compared to prior year due to changes in usage in the telecommunications sector and declines in volume from select high volume but lower priced accounts in the financial services market was offset by higher average unit revenue due to more favorable mix and specific pricing initiatives.

**Mortgage Solutions**

Revenue increased 15% and 28% for the three and nine month periods ended September 30, 2013, when compared to the prior year period due to the incremental revenue resulting from the CSC Credit Services Acquisition which contributed all of the growth in the third quarter and 19% of the growth in the first nine months of 2013. The first half of 2013 also benefitted from continued favorable market conditions and increased new product sales and market share from existing customers.

**Consumer Financial Marketing Services**



Revenue increased \$7.6 million, or 23%, for the third quarter and \$19.7 million, or 19%, for the first nine months of 2013, as compared to 2012. Revenue related to the CSC Credit Services Acquisition contributed approximately 12% of the revenue growth in the third quarter of 2013 and 11% of the growth in the first nine months of 2013, with the remainder coming from account acquisition and analytical services delivered to members of our key client program.

***USCIS Operating Margin***

USCIS operating margin decreased to 37.9% in the third quarter and decreased to 38.5% in the first nine months of 2013 as compared to 2012. Margin expansion from revenue growth was more than offset in the third quarter and first nine months of 2013 by increased depreciation and amortization expense, principally related to the CSC Credit Services Acquisition, and including a year-to-date adjustment recorded in the third quarter of 2013. The first nine months of 2013 was also impacted by certain transitional expenses related to the CSC Credit Services Acquisition and increased investments in growth initiatives. The increased depreciation and amortization expense was primarily a result of the additional \$18.8 million and \$36.8 million in the third quarter and first nine months of 2013, respectively, of acquisition-related amortization expense related to the CSC Credit Services Acquisition.

**International**

| International             | Three Months Ended September 30, |          |        |    |     | Nine Months Ended September 30, |          |         |      |   |      |       |
|---------------------------|----------------------------------|----------|--------|----|-----|---------------------------------|----------|---------|------|---|------|-------|
|                           | 2013                             | 2012     | Change |    |     | 2013                            | 2012     | Change  |      |   |      |       |
|                           | (Dollars in millions)            |          |        |    |     | (Dollars in millions)           |          |         |      |   |      |       |
| Operating revenue:        |                                  |          |        |    |     |                                 |          |         |      |   |      |       |
| Latin America             | \$ 49.0                          | \$ 46.7  | \$ 2.3 | 5  | %   | \$ 144.1                        | \$ 139.5 | \$ 4.6  | 3    | % |      |       |
| Europe                    | 46.5                             | 41.7     | 4.8    | 12 | %   | 138.2                           | 126.1    | 12.1    | 10   | % |      |       |
| Canada Consumer           | 33.0                             | 32.7     | 0.3    | 1  | %   | 99.7                            | 96.0     | 3.7     | 4    | % |      |       |
| Total operating revenue   | \$ 128.5                         | \$ 121.1 | \$ 7.4 | 6  | %   | \$ 382.0                        | \$ 361.6 | \$ 20.4 | 6    | % |      |       |
| % of consolidated revenue | 23                               | %        | 23     | %  |     | 22                              | %        | 24      | %    |   |      |       |
| Total operating income    | \$ 38.6                          | \$ 33.1  | \$ 5.5 | 16 | %   | \$ 110.5                        | \$ 106.6 | \$ 3.9  | 4    | % |      |       |
| Operating margin          | 30.0                             | %        | 27.4   | %  | 2.6 | % pts                           | 28.9     | %       | 29.5 | % | -0.6 | % pts |

International revenue increased by 6% in the third quarter and first nine months of 2013, respectively, as compared to the same periods in 2012. Local currency revenue increased 11% in the third quarter and 9% in the nine month period due to growth across the geographies. Local currency fluctuations against the U.S. dollar negatively impacted revenue by \$6.4 million, or 5%, in the third quarter and \$12.6 million, or 3%, in the first nine months of 2013.

**Latin America**

Revenue increased in the third quarter and first nine months of 2013 as compared to the prior year periods. In local currency, revenue growth was 16% in the third quarter and 10% in the first nine months of 2013 driven most significantly by growth in Argentina. In addition, Chile returned to growth in the third quarter, after declining modestly in the first half of 2013 due to regulatory changes in the allowable uses of credit information, which the impact on year over year comparisons was anniversaried late in the first half of 2013. Other smaller countries contributed lesser amounts to our growth. Local currency fluctuations against the U.S. dollar negatively impacted revenue by \$5.1 million, or 11%, in the third quarter of 2013 and \$9.4 million, or 7%, in the first nine months of 2013, principally due to depreciation in the foreign exchange rate of the Argentine peso.

**Europe**

Revenue increased 12% and 10% in the three and nine month periods ended September 30, 2013, respectively, compared to the same periods in 2012. In local currency, revenue growth was 11% in the third quarter 2013 and 10% in the first nine months of 2013 driven by increased revenue in the U.K. across most product segments and in Spain in technology and analytic services and new market penetration, despite continued challenging economic conditions in both countries. Local currency fluctuations against the U.S. dollar negatively impacted revenue by \$0.1 million, or 1%, in the third quarter and \$1.0 million, or 0%, in the first nine months of 2013.

**Canada Consumer**

Local currency revenue increased 5% and 6% in the three and nine month periods ended September 30, 2013, respectively, compared to the prior year periods in 2012 primarily due to new customers within our technology services sector along with growth in analytical services. Local currency fluctuations against the U.S. dollar negatively impacted revenue by \$1.4 million, or 4%, in the third quarter of 2013 and \$2.2 million, or 2%, in the first nine months of 2013. These currency fluctuations resulted in 1% and 4% reported revenue growth in the third quarter and first

nine months of 2013, respectively.

***International Operating Margin***

Operating margin increased in the third quarter as compared to 2012 due to strong revenue growth in consumer information products with significant fixed costs. In the first nine months of 2013 as compared to 2012, operating margin slightly decreased as the revenue growth was more than offset by increased investments in new business and strategic initiatives across most geographies in order to support future revenue growth.

**Workforce Solutions**

| Workforce Solutions       | Three Months Ended September 30, |          |          |           | Nine Months Ended September 30, |          |         |           |
|---------------------------|----------------------------------|----------|----------|-----------|---------------------------------|----------|---------|-----------|
|                           | 2013                             | 2012     | Change   |           | 2013                            | 2012     | Change  |           |
|                           | (Dollars in millions)            |          |          |           | (Dollars in millions)           |          |         |           |
| Operating revenue:        |                                  |          |          |           |                                 |          |         |           |
| Verification Services     | \$ 68.7                          | \$ 68.8  | \$ (0.1) | 0 %       | \$ 214.2                        | \$ 188.9 | \$ 25.3 | 13 %      |
| Employer Services         | 46.3                             | 43.0     | 3.3      | 8 %       | 147.7                           | 141.5    | 6.2     | 4 %       |
| Total operating revenue   | \$ 115.0                         | \$ 111.8 | \$ 3.2   | 3 %       | \$ 361.9                        | \$ 330.4 | \$ 31.5 | 10 %      |
| % of consolidated revenue | 20 %                             | 22 %     |          |           | 21 %                            | 21 %     |         |           |
| Total operating income    | \$ 34.5                          | \$ 28.4  | \$ 6.1   | 21 %      | \$ 110.2                        | \$ 81.3  | \$ 28.9 | 36 %      |
| Operating margin          | 29.9 %                           | 25.4 %   |          | 4.5 % pts | 30.4 %                          | 24.6 %   |         | 5.8 % pts |

**Verification Services**

Revenue was flat in the third quarter and increased 13% in the first nine months of 2013 compared to the prior year periods. In the third quarter of 2013 as compared to 2012, 12% growth in non-mortgage verification revenue was offset by a 12% decline in mortgage-related verification revenue due to the expected decline in mortgage market activity in the second half of 2013. In the first nine months of 2013 as compared to the prior year, there was 11% growth in mortgage-related verification revenue due to the strong level of mortgage refinancing activity during the first half of 2013, and 17% growth in non-mortgage verification revenue as a result of increased revenue mostly related to government, pre-employment and consumer finance customer segments.

**Employer Services**

Revenue increased 8% in the third quarter and 4% in the first nine months of 2013, as compared to the same periods in 2012. Revenue growth due to the renewal of the federal Work Opportunity Tax Credit program at the end of 2012 and growth in our transaction-based complementary services business was partially offset by lower overall claims activity in our unemployment cost management business and the expiration of the HIRE Act tax credit.

**Workforce Solutions Operating Margin**

Operating margin for the third quarter and first nine months of 2013 increased significantly compared to the prior year periods. Margin expansion was primarily driven by strong revenue growth in products with a high degree of fixed costs and strategic initiatives implemented to reduce costs. Both periods also benefitted from lower acquisition-related amortization.

**North America Personal Solutions**

| North America Personal Solutions | Three Months Ended September 30, |         |        |            | Nine Months Ended September 30, |          |         |           |
|----------------------------------|----------------------------------|---------|--------|------------|---------------------------------|----------|---------|-----------|
|                                  | 2013                             | 2012    | Change |            | 2013                            | 2012     | Change  |           |
|                                  | (Dollars in millions)            |         |        |            | (Dollars in millions)           |          |         |           |
| Total operating revenue          | \$ 52.3                          | \$ 46.1 | \$ 6.2 | 14 %       | \$ 154.9                        | \$ 137.2 | \$ 17.7 | 13 %      |
| % of consolidated revenue        | 9 %                              | 9 %     |        |            | 9 %                             | 9 %      |         |           |
| Total operating income           | \$ 13.7                          | \$ 13.1 | \$ 0.6 | 5 %        | \$ 42.4                         | \$ 36.8  | \$ 5.6  | 15 %      |
| Operating margin                 | 26.3 %                           | 28.4 %  |        | -2.1 % pts | 27.4 %                          | 26.8 %   |         | 0.6 % pts |

Revenue increased 14% and 13% for the three and nine month periods ended September 30, 2013 as compared to the same periods in the prior year primarily due to increased direct to consumer, Equifax-branded U.S.-based subscription service revenue which was up 10% in the third quarter and 11% in the first nine months of 2013. The increase was driven by new product sales and higher average revenue per subscriber, reflecting additional features in the Equifax product offering, as well as growth in subscribers. Strong growth of services in the Canadian market and a small acquisition completed in the third quarter also contributed to growth in the Personal Solutions business. Operating margin decreased in the third quarter of 2013 as compared to the prior year as a result of the small acquisition during the quarter. Operating margin increased in the first nine months of 2013 as compared to the prior year due to lower monitoring and credit file expenses resulting from the CSC Credit Services Acquisition, partially offset by the increased investment in sales and marketing expenses and the impact of the third quarter 2013 acquisition.

**North America Commercial Solutions**

| North America Commercial Solutions | Three Months Ended September 30, |         |        |            | Nine Months Ended September 30, |         |        |           |
|------------------------------------|----------------------------------|---------|--------|------------|---------------------------------|---------|--------|-----------|
|                                    | 2013                             | 2012    | Change |            | 2013                            | 2012    | Change |           |
|                                    | (Dollars in millions)            |         |        |            | (Dollars in millions)           |         |        |           |
| Total operating revenue            | \$ 23.1                          | \$ 21.2 | \$ 1.9 | 9 %        | \$ 68.7                         | \$ 62.3 | \$ 6.4 | 10 %      |
| % of consolidated revenue          | 4 %                              | 4 %     |        |            | 4 %                             | 4 %     |        |           |
| Total operating income             | \$ 4.0                           | \$ 4.0  | \$ -   | 1 %        | \$ 12.7                         | \$ 10.3 | \$ 2.4 | 23 %      |
| Operating margin                   | 17.5 %                           | 18.8 %  |        | -1.3 % pts | 18.5 %                          | 16.6 %  |        | 1.9 % pts |

Revenue increased 9% and 10%, in both U.S. dollars and local currency, for the three and nine months ended September 30, 2013 as compared to the same periods in the prior year. Transaction-based revenue serving credit risk needs of our customers, which represents approximately 60% of our revenue, grew 12% in the third quarter of 2013 and 11% in the first nine months as compared to the prior year periods. Project-oriented revenue increased 8% in the third quarter of 2013 and 11% in the first nine months of 2013 due to stronger demand for risk projects and marketing services as well as new product offerings. Local currency fluctuations against the U.S. dollar negatively impacted revenue by \$0.3 million, or 1%, in the third quarter of 2013 and \$0.4 million, or 1%, in the first nine months of 2013. Operating margin decreased in the third quarter as revenue growth was more than offset by our continued investment in growth initiatives. Operating margin increased for the first nine months of 2013 compared to the prior year as revenue growth in a business with significant fixed costs outpaced our investments in the business.

**General Corporate Expense**

| General Corporate Expense | Three Months Ended September 30, |         |        |     | Nine Months Ended September 30, |          |        |     |
|---------------------------|----------------------------------|---------|--------|-----|---------------------------------|----------|--------|-----|
|                           | 2013                             | 2012    | Change |     | 2013                            | 2012     | Change |     |
|                           | (Dollars in millions)            |         |        |     | (Dollars in millions)           |          |        |     |
| General corporate expense | \$ 36.6                          | \$ 36.2 | \$ 0.4 | 1 % | \$ 110.7                        | \$ 104.1 | \$ 6.6 | 6 % |

Our general corporate expenses are unallocated costs that are incurred at the corporate level and include those expenses impacted by corporate direction, including shared services, administrative, legal, restructuring, and the portion of management incentive compensation determined by total company-wide performance. General corporate expenses was relatively flat for the third quarter and increased 6% for the first nine months of 2013 compared to the same periods in 2012. The growth in the first nine months of 2013 was primarily due to increased salary and employee benefit costs as well as investments in company infrastructure and growth.

**LIQUIDITY AND FINANCIAL CONDITION**

Management assesses liquidity in terms of our ability to generate cash to fund operating, investing and financing activities. We continue to generate substantial cash from operating activities and remain in a strong financial position, with resources available for reinvestment in existing businesses, strategic acquisitions and managing our capital structure to meet short- and long-term objectives.

**Sources and Uses of Cash**

Funds generated by operating activities and our credit facilities continue to be our most significant sources of liquidity. We expect that funds generated from results of operations will be sufficient to finance our anticipated working capital and other cash requirements (such as capital expenditures, interest payments, potential pension

funding contributions and dividend payments) for the foreseeable future. If borrowings were needed, we would expect to borrow in the commercial paper or corporate bond markets; or in the event that credit market conditions were to deteriorate, we would rely more heavily on borrowings from the Senior Credit Facility as described below. At September 30, 2013, \$748.6 million was available to borrow under our Senior Credit Facility. Our Senior Credit Facility does not include a provision under which lenders could refuse to allow us to borrow under this facility in the event of a material adverse change in our financial condition, as long as we are in compliance with the covenants contained in the credit agreement.

The following table summarizes our cash flows for the nine months ended September 30, 2013 and 2012:

| Net cash provided by (used in): | Nine Months Ended September 30, |            | Change<br>2013 vs. 2012 |
|---------------------------------|---------------------------------|------------|-------------------------|
|                                 | 2013                            | 2012       |                         |
|                                 | (Dollars in millions)           |            |                         |
| Operating activities            | \$ 374.4                        | \$ 348.3   | \$ 26.1                 |
| Investing activities            | \$ (47.9)                       | \$ (57.8)  | \$ 9.9                  |
| Financing activities            | \$ (333.9)                      | \$ (149.9) | \$ (184.0)              |

### ***Operating Activities***

Cash provided by operating activities in the nine months ended September 30, 2013 increased by \$26.1 million over the prior year. Cash provided from net income, excluding the impact of the 2013 divestitures and adjusting for an increase in amortization expense resulting from the CSC Credit Services Acquisition, increased \$51.2 million. This increase in cash from operations was partially offset by changes in net working capital and other balance sheet changes, including a higher incentive payout in 2013 as compared to 2012.

*Fund Transfer Limitations.* The ability of certain of our subsidiaries and associated companies to transfer funds to us is limited, in some cases, by certain restrictions imposed by foreign governments. These restrictions do not, individually or in the aggregate, materially limit our ability to service our indebtedness, meet our current obligations or pay dividends. As of September 30, 2013, we held \$115.2 million of cash in our foreign subsidiaries.

### ***Investing Activities***

#### **Capital Expenditures**

| Net cash provided by (used in): | Nine Months Ended September 30, |           | Change<br>2013 vs. 2012 |
|---------------------------------|---------------------------------|-----------|-------------------------|
|                                 | 2013                            | 2012      |                         |
|                                 | (In millions)                   |           |                         |
| Capital expenditures            | \$ (61.5)                       | \$ (49.3) | \$ (12.2)               |

Our capital expenditures are used for developing, enhancing and deploying new and existing software in support of our expanding product set, replacing or adding facilities and equipment, the licensing of software applications and investing in system reliability, security and disaster recovery enhancements. Capital expenditures in 2013 increased from 2012 as we are continuing to invest in new products and technology infrastructure.



**Acquisitions, Divestitures and Investments**

| Net cash provided by (used in):              | Nine Months Ended September 30, |          | Change<br>2013 vs. 2012 |
|--|---------------------------------|----------|-------------------------|
|  | 2013<br>(In millions)           | 2012     |                         |
| Acquisitions, net of cash acquired           | \$ (27.5)                       | \$ (7.3) | \$ (20.2)               |
| Cash received from divestitures              | \$ 47.5                         | \$ 2.5   | \$ 45.0                 |
| Investment in unconsolidated affiliates, net | \$ (6.4)                        | \$ (3.7) | \$ (2.7)                |

During the third quarter of 2013, we acquired TrustedID, a direct-to-consumer identity protection business that is included as part of our North America Personal Solutions business unit. During the third quarter of 2012, we completed a small acquisition in the Latin America region of our International segment.

During the first nine months of 2013, we divested of two non-strategic business lines, Equifax Settlement Services which was part of our Mortgage business within the USCIS operating segment and Talent Management Services which was part of our Employer Services business within our Workforce Solutions operating segment, for a total of \$47.5 million. \$3.5 million of the proceeds of the sale of Talent Management Services was placed into an escrow account and will be released to us 18 months after the transaction date. We also divested of two other small non-strategic operations.

During the first nine months of 2013, we invested \$5.4 million in our joint venture in Russia to increase our percentage ownership interest as well as \$1.0 million in another international entity as compared to the first nine months of 2012 in which we invested \$3.7 million in our joint venture in Russia.

***Financing Activities*****Borrowings and Credit Facility Availability**

| Net cash provided by (used in): | Nine Months Ended September 30, |           | Change<br>2013 vs. 2012 |
|---------------------------------|---------------------------------|-----------|-------------------------|
|                                 | 2013<br>(In millions)           | 2012      |                         |
| Net short-term repayments       | \$ (266.5)                      | \$ (28.1) | \$ (238.4)              |
| Payments on long-term debt      | \$ (15.0)                       | \$ (15.1) | \$ 0.1                  |

***Credit Facility Availability***

Our principal unsecured revolving credit facility with a group of banks, which we refer to as the Senior Credit Facility, permits us to borrow up to \$750.0 million through December 2017. The Senior Credit Facility may be used for general corporate purposes. Availability of the Senior Credit Facility for borrowings is reduced by the outstanding face amount of any letters of credit issued under the facility and, pursuant to our existing Board of Directors authorization, by the outstanding principal amount of our commercial paper notes, or CP.

Our \$750.0 million CP program has been established to allow for borrowing through the private placement of CP with maturities ranging from overnight to 397 days. We may use the proceeds of CP for general corporate purposes. The CP program is supported by our Senior Credit Facility and, pursuant to our existing Board of Directors authorization, the total amount of CP which may be issued is reduced by the amount of any outstanding borrowings under our Senior Credit Facility.

At September 30, 2013, there were no borrowings outstanding under our CP program. At September 30, 2013, a total of \$748.6 million was available under our Senior Credit Facility.

At September 30, 2013, 80% of our debt was fixed-rate debt and 20% was effectively variable-rate debt. Our variable-rate debt, consisting of five-year senior notes due 2014 (against which we have executed interest rate swaps to convert interest expense from fixed rates to floating rates), generally bears interest based on a specified margin plus a base rate (LIBOR). The interest rates reset periodically, depending on the terms of the respective financing arrangements. At September 30, 2013, the interest rate on our variable-rate debt ranged from 1.87% to 2.06%.

### ***Borrowing and Repayment Activity***

Net short-term repayments primarily represent activity under our CP program. We primarily borrow under our CP program, as need and availability allow.

The increase in net short-term repayments primarily reflects the net repayment of the CP notes outstanding as a result of the CSC Credit Services Acquisition at the end of 2012 during the first nine months of 2013.

The payments on long-term debt primarily reflect \$15 million payments made in the second quarter of both 2013 and 2012 on our 7.34% Notes.

*Debt Covenants.* A downgrade in our credit ratings would increase the cost of borrowings under our CP program and credit facilities, and could limit or, in the case of a significant downgrade, preclude our ability to issue CP. Our outstanding indentures and comparable instruments also contain customary covenants including, for example, limits on the incurrence of secured debt and sale/leaseback transactions. In addition, our Senior Credit Facility requires us to maintain a maximum leverage ratio of not more than 3.5. Our leverage ratio was 1.74 at September 30, 2013. None of these covenants are considered restrictive to our operations and, as of September 30, 2013, we were in compliance with all of our debt covenants.

We do not have any credit rating triggers that would accelerate the maturity of a material amount of our outstanding debt; however, our 4.45% Senior Notes due 2014, 6.3% Senior Notes due 2017, 3.3% Senior Notes due 2022 and 7.0% Senior Notes due 2037 (together, the "Senior Notes") contain change of control provisions. If we experience a change of control or publicly announce our intention to effect a change of control and the rating on the Senior Notes is lowered by each of Standard & Poor's, or S&P, and Moody's Investors Service, or Moody's, below an investment grade rating within 60 days of such change of control or notice thereof, we will be required to offer to repurchase the Senior Notes at a price equal to 101% of the aggregate principal amount of the Senior Notes plus accrued and unpaid interest.

For additional information about our debt, including the terms of our financing arrangements, basis for variable interest rates and debt covenants, see Note 6 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

**Equity Transactions**

| Net cash provided by (used in):                         | Nine Months Ended September 30,<br>2013<br>(In millions) | 2012      | Change<br>2013 vs. 2012 |
|---|--|-----------|-------------------------|
| Treasury stock repurchases                              | \$ (11.9)  | \$ (85.1) | \$ 73.2                 |
| Dividends paid to Equifax shareholders                  | \$ (79.9)  | \$ (64.5) | \$ (15.4)               |
| Dividends paid to noncontrolling interests              | \$ (9.8)   | \$ (1.9)  | \$ (7.9)                |
| Proceeds from exercise of stock options                 | \$ 38.9  | \$ 40.9   | \$ (2.0)                |
| Excess tax benefits from stock-based compensation plans | \$ 11.1  | \$ 3.9    | \$ 7.2                  |

Sources and uses of cash related to equity during the nine months ended September 30, 2013 and 2012 were as follows:

- During the first nine months of 2013, we repurchased 0.2 million of our common shares on the open market for \$11.9 million at an average price of \$59.74 per share. During the first nine months of 2012, we repurchased 1.9 million of our common shares on the open market for \$85.1 million at an average price of \$45.73 per share.
- We increased our quarterly dividend from \$0.18 per share to \$0.22 per share as announced in the fourth quarter of 2012. We paid cash dividends to Equifax shareholders of \$79.9 million and \$64.5 million during the nine months ended September 30, 2013 and 2012, respectively.
- We received cash of \$38.9 million and \$40.9 million during the first nine months of 2013 and 2012, respectively, from the exercise of stock options.

At September 30, 2013, the Company had \$215.1 million remaining for stock repurchases under the existing Board authorization.

**Contractual Obligations, Commercial Commitments and Other Contingencies**

Our contractual obligations have not changed materially from those reported in our 2012 Form 10-K. For additional information about certain obligations and contingencies see Note 5 of the Notes to Consolidated Financial Statements in this Form 10-Q.

**Off-Balance Sheet Arrangements**

There have been no material changes with respect to our off-balance sheet arrangements from those presented in our 2012 Form 10-K.

**Related Party Transactions**

We engage in various transactions and arrangements with related parties. We believe the terms of the transactions and arrangements do not differ from those that would have been negotiated with an independent party.

**Benefit Plans**

At December 31, 2012, our U.S. Retirement Income Plan, or USRIP, met or exceeded ERISA's minimum funding requirements. In the future, we expect to make minimum funding contributions as required and may make discretionary contributions, depending on certain circumstances, including market conditions and our liquidity needs. We believe additional funding contributions, if any, would not prevent us from continuing to meet our liquidity needs, which are primarily funded from cash flows generated by operating activities, available cash and cash equivalents, and our committed credit facilities.

For our non-U.S., tax-qualified retirement plans, we fund an amount sufficient to meet minimum funding requirements but no more than allowed as a tax deduction pursuant to applicable tax regulations. For our non-qualified supplementary retirement plans, we fund the benefits as they are paid to retired participants, but accrue the associated expense and liabilities in accordance with GAAP.

For additional information about our benefit plans, see Note 11 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

### **Seasonality**

We experience seasonality in certain of our revenue streams. Revenue generated by the online consumer information services component of our USCIS operating segment are typically the lowest during the first quarter, when consumer lending activity is at a seasonal low. Revenue generated from the Employer Services business unit within the Workforce Solutions operating segment is generally higher in the first quarter due primarily to the provision of Form W-2 preparation services which occur in the first quarter each year. Revenue generated from our financial wealth asset products in Consumer Financial Marketing Services and from data management services in our North America Commercial business are generally higher in the fourth quarter each year due to the significant portion of our annual renewals which occur in the fourth quarter of each year.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

For information about new accounting pronouncements and the potential impact on our Consolidated Financial Statements, see Note 1 of the Notes to Consolidated Financial Statements in this Form 10-Q and Note 1 of the Notes to Consolidated Financial Statements in our 2012 Form 10-K.

### **APPLICATION OF CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in our Consolidated Financial Statements and the Notes to Consolidated Financial Statements. We believe the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates and assumptions about the effects of matters that are inherently uncertain. The “Application of Critical Accounting Policies and Estimates” section in the MD&A, and Note 1 of the Notes to Consolidated Financial Statements, in our 2012 Form 10-K describe the significant accounting estimates and policies used in the preparation of our Consolidated Financial Statements. Although we believe that our estimates, assumptions and judgments are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

### **Goodwill**

We review goodwill and indefinite lived intangible assets for impairment annually (as of September 30) and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. These events or circumstances could include a significant change in the business climate, legal factors, operating performance or trends, competition, or sale or disposition of a significant portion of a reporting unit. We have nine reporting units comprised of Consumer Information Solutions (which includes part of Online Consumer Information Solutions, Mortgage Solutions and Consumer Financial Marketing Services), Identity Management (part of Online Consumer Information Solutions), Europe, Latin America, Canada Consumer, North America Personal Solutions, North America Commercial Solutions, Verification Services, and Employer Services.



The goodwill balance at September 30, 2013, for our nine reporting units was as follows:

|                                    | September 30,<br>2013<br>(In millions) |
|------------------------------------|--|
| Consumer Information Solutions     | \$ 971.4                               |
| ID Management                      | 61.1                                   |
| Europe                             | 122.0                                  |
| Latin America                      | 209.9                                  |
| Canada Consumer                    | 30.0                                   |
| North America Personal Solutions   | 16.3                                   |
| North America Commercial Solutions | 37.4                                   |
| Verification Services              | 738.9                                  |
| Employer Services                  | 169.0                                  |
| Total goodwill                     | \$ 2,356.0                             |

We performed a qualitative assessment to determine whether further impairment testing was necessary for our Consumer Information Solutions, Europe, Canada Consumer, North America Personal Solutions, North America Commercial Solutions, Verification Services and Employer Services reporting units. In this qualitative assessment, we considered the following items for each of the reporting units: macroeconomic conditions, industry and market conditions, overall financial performance and other entity specific events. In addition, for each of these reporting units, the most recent fair value determination resulted in an amount that exceeded the carrying amount of the reporting units. Based on these assessments, we determined the likelihood that a current fair value determination would be less than the current carrying amount of the reporting unit is not more likely than not. As a result of our conclusions, no further testing was required for these reporting units.

#### *Valuation Techniques*

In determining the fair value the ID Management and Latin America reporting units for which we performed a quantitative test, we used a combination of the income and market approaches to estimate the reporting unit's business enterprise value.

Under the income approach, we calculate the fair value of a reporting unit based on estimated future discounted cash flows which require assumptions about short and long-term revenue growth rates, operating margins for each reporting unit, discount rates, foreign currency exchange rates and estimates of capital charges. The assumptions we use are based on what we believe a hypothetical marketplace participant would use in estimating fair value. Under the market approach, we estimate the fair value based on market multiples of revenue or earnings before income taxes, depreciation and amortization, for benchmark companies. We believe the benchmark companies used for each of the reporting units serve as an appropriate input for calculating a fair value for the reporting unit as those benchmark companies have similar risks, participate in similar markets, provide similar services for their customers and compete with us directly. The companies we use as benchmarks are principally outlined in our discussion of Competition in our 2012 Form 10-K. Data for the benchmark companies was obtained from publicly available information. Latin America and ID Management have benchmark companies that conduct operations of businesses of a similar type, such as Experian Group Limited and Fair Isaac Corporation. Valuation multiples were selected based on a financial benchmarking analysis that compared the reporting unit's operating result with the comparable companies' information. In addition to these financial considerations, qualitative factors such as variations in growth opportunities and overall risk among the benchmark companies were considered in the ultimate selection of the multiple.





The values separately derived from each of the income and market approach valuation techniques were used to develop an overall estimate of a reporting unit's fair value. We use a consistent approach across all reporting units when considering the weight of the income and market approaches for calculating the fair value of each of our reporting units. This approach relies more heavily on the calculated fair value derived from the income approach, with 70% of the value coming from the income approach. We believe this approach is consistent with that of a market participant in valuing prospective purchase business combinations. The selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weightings that are most representative of fair value.

We have not made any material changes to the valuation methodology we use to assess goodwill impairment since the date of the last annual impairment test.

#### *Growth Assumptions*

The assumptions for our future cash flows begin with our historical operating performance, the details of which are described in our Management's Discussion & Analysis of operating performance. Additionally, we consider the impact that known economic, industry and market trends will have on our future forecasts, as well as the impact that we expect from planned business initiatives including new product initiatives, client service and retention standards, and cost management programs. At the end of the forecast period, the long-term growth rate we used to determine the terminal value of each reporting unit was 3% based on management's assessment of the minimum expected terminal growth rate of the reporting unit, as well as broader economic considerations such as GDP, inflation and the maturity of the markets we serve.

We projected revenue growth in 2014 for our reporting units in completing our 2013 impairment testing based on planned business initiatives and prevailing trends exhibited by these units and not based on the assumption of meaningful acceleration in economic growth. The anticipated revenue growth in our reporting units, however, is partially offset by assumed increases in expenses for a majority of our reporting units which reflect the additional level of investment needed in order to achieve the planned revenue growth. Our 2014 long-term forecast is not dependent upon meaningful acceleration of global economic growth in the near term and we continue to take cost containment actions to help maintain operating margins for our reporting units.

#### *Discount Rate Assumptions*

We utilize a weighted average cost of capital, or WACC, in our impairment analysis that makes assumptions about the capital structure that we believe a market participant would make and include a risk premium based on an assessment of risks related to the projected cash flows of each reporting unit. We believe this approach yields a discount rate that is consistent with an implied rate of return that a market participant would require for an investment in a company having similar risks and business characteristics to the reporting unit being assessed. To calculate the WACC, the cost of equity and cost of debt are multiplied by the assumed capital structure of the reporting unit as compared to industry trends and relevant benchmark company structures. The cost of equity was computed using the Capital Asset Pricing Model which considers the risk-free interest rate, beta, equity risk premium and specific company risk premium related to a particular reporting unit. The cost of debt was computed using a benchmark rate and the Company's tax rate. For the 2013 annual goodwill impairment evaluation, the discount rates used to develop the estimated fair value of the reporting units evaluated were 11% and 17%. Because of assigned market premiums, discount rates are lowest for reporting units, whose cash flows are expected to be less volatile due to such factors as the maturity of the market they serve, their position in that market or other macroeconomic factors. Where there is the greatest volatility of cash flows due to competition, or participation in less stable geographic markets than the United States, such as our Latin America reporting unit, the discount rate selected is in the higher portion of the range as there is more inherent risk in the expected cash flows of that reporting unit.

*Estimated Fair Value and Sensitivities*

The estimated fair value of the reporting units whose fair value was calculated for purposes of the 2013 impairment testing is derived from the valuation techniques described above, incorporating the related projections and assumptions. An indication of possible impairment occurs when the estimated fair value of the reporting unit is below the carrying value of its equity. The estimated fair value for these reporting units exceeded their related carrying value as of September 30, 2013. As a result, no goodwill impairment was recorded.

The estimated fair value of the reporting unit is highly sensitive to changes in these projections and assumptions; therefore, in some instances changes in these assumptions could impact whether the fair value of a reporting unit is greater than its carrying value. For example, an increase in the discount rate and decline in the projected cumulative cash flow of a reporting unit could cause the fair value of certain reporting units to be below its carrying value. We perform sensitivity analyses around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values. Ultimately, future potential changes in these assumptions may impact the estimated fair value of a reporting unit and cause the fair value of the reporting unit to be below its carrying value. The excess of fair value over carrying value for the Company's reporting units that were valued as of September 30, 2013, were 27% and 40%.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For information regarding our exposure to certain market risks, see "Quantitative and Qualitative Disclosures about Market Risk," in Part II, Item 7A of our 2012 Form 10-K. There were no material changes to our market risk exposure during the nine months ended September 30, 2013.

### **ITEM 4. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, an evaluation was carried out by the Company's management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Equifax, certain of its subsidiaries, and other persons have been named as parties in various legal actions and administrative proceedings arising in connection with the operation of Equifax's businesses. In most cases, plaintiffs seek unspecified damages and other relief. These actions include the following:

**California Bankruptcy Litigation.** In consolidated actions filed in the U.S. District Court for the Central District of California, captioned *Terri N. White, et al. v. Equifax Information Services LLC, Jose Hernandez v. Equifax Information Services LLC, Kathryn L. Pike v. Equifax Information Services LLC, and Jose L. Acosta, Jr., et al. v. Trans Union LLC, et al.*, plaintiffs asserted that Equifax violated federal and state law (the FCRA, the California Credit Reporting Act and the California Unfair Competition Law) by failing to follow reasonable procedures to determine whether credit accounts are discharged in bankruptcy, including the method for updating the status of an account following a bankruptcy discharge. On August 20, 2008, the District Court approved a Settlement Agreement and Release providing for certain changes in the procedures used by defendants to record discharges in bankruptcy on consumer credit files. That settlement resolved claims for injunctive relief, but not plaintiffs' claims for damages. On May 7, 2009, the District Court issued an order preliminarily approving an agreement to settle remaining class claims. The District Court subsequently deferred final approval of the settlement and required the settling parties to send a supplemental notice to those class members who filed a claim and objected to the settlement or opted out, with the cost for the re-notice to be deducted from the plaintiffs' counsel fee award. Mailing of the supplemental notice was completed on February 15, 2011. The deadline for this group of settling plaintiffs to provide additional documentation to support their damage claims or to opt-out of the settlement was March 31, 2011. On July 15, 2011, following another approval hearing, the District Court approved the settlement. Several objecting plaintiffs subsequently filed notices of appeal to the U.S. Court of Appeals for the Ninth Circuit, which, on April 22, 2013, issued an order remanding the case to the District Court for further proceedings. On August 14, 2013, the District Court held a hearing on a motion to disqualify one set of counsel for the plaintiffs and competing motions by two sets of plaintiffs' counsel to be appointed interim lead class counsel. The parties are awaiting a ruling from the District Court on those motions.

**State Attorney General Investigations.** The Attorneys General of the State of Ohio and multiple other states commenced an investigation in late 2012 into certain business practices of the nationwide consumer reporting agencies (Equifax, Experian and TransUnion). Presently, there are 32 states participating in this investigation. In addition, the Attorneys General for the States of New York and Mississippi have commenced separate investigations into the same or similar matters being reviewed by the multi-state attorney general investigation. We are responding to the documentary requests in connection with these investigations. At this time we are unable to predict the outcomes of these investigations, but we do not expect the outcomes will have a material impact on our Consolidated Financial Statements.

**Other.** Equifax has been named as a defendant in various other legal actions, including administrative claims, class actions and other litigation arising in connection with our business. Some of the legal actions include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. We believe we have strong defenses to, and where appropriate, will vigorously contest, many of these matters. Given the number of these matters, some are likely to result in adverse judgments, penalties, injunctions, fines or other relief. However, we do not believe that these litigation matters will be individually material to our financial condition or results of operations. We may explore potential settlements before a case is taken through trial because of the uncertainty and risks inherent in the litigation process.

For information regarding our accounting for legal contingencies, see Note 5 of the Notes to Consolidated Financial Statements in this Form 10-Q.

**ITEM 1A. RISK FACTORS**

There have been no material changes with respect to the risk factors disclosed in our 2012 Form 10-K.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table contains information with respect to purchases made by or on behalf of Equifax or any “affiliated purchaser” (as defined in Rule 10b-18(a) (3) under the Securities Exchange Act of 1934), of our common stock during our third quarter ended September 30, 2013:

| Period                           | Total Number of Shares Purchased (1) | Average Price Paid Per Share (2) | Total Number of Shares Purchased as Part of Publicly-Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (3) |
|----------------------------------|--------------------------------------|----------------------------------|--|--|
| July 1 - July 31, 2013           | 4,880                                | \$-                              | -  | \$227,063,511  |
| August 1 - August 31, 2013       | 2,570                                | \$-                              | -  | \$227,063,511  |
| September 1 - September 30, 2013 | 204,185                              | \$59.74                          | 200,000  | \$215,115,511  |
| Total                            | 211,635                              | \$59.74                          | 200,000  | \$215,115,511  |

- (1) The total number of shares purchased for the quarter includes shares surrendered, or deemed surrendered, in satisfaction of the exercise price and/or to satisfy tax withholding obligations in connection with the exercise of employee stock options, totaling 4,880 shares for the month of July 2013, 2,570 shares for the month of August 2013, and 4,185 shares for the month of September 2013.
- (2) Average price paid per share for shares purchased as part of our share repurchase program (includes brokerage commissions).
- (3) At September 30, 2013, the amount authorized for future share repurchases under the share repurchase program was \$215.1 million. The program does not have a stated expiration date.

## **Dividend and Share Repurchase Restrictions**

Our Senior Credit Facility restricts our ability to pay cash dividends on our capital stock or repurchase capital stock if a default or event of default exists or would result, according to the terms of the credit agreement.

## **ITEM 6. EXHIBITS**

| <b>Exhibit No.</b> | <b>Description</b>                                      |
|--------------------|---|
| 31.1               | Rule 13a-14(a) Certification of Chief Executive Officer |
| 31.2               | Rule 13a-14(a) Certification of Chief Financial Officer |
| 32.1               | Section 1350 Certification of Chief Executive Officer   |
| 32.2               | Section 1350 Certification of Chief Financial Officer   |
| 101.INS            | XBRL Instance Document                                  |
| 101.SCH            | XBRL Taxonomy Extension Schema Document                 |
| 101.CAL            | XBRL Taxonomy Extension Calculation Linkbase            |
| 101.DEF            | XBRL Taxonomy Extension Definition Linkbase             |
| 101.LAB            | XBRL Taxonomy Extension Label Linkbase                  |
| 101.PRE            | XBRL Taxonomy Extension Presentation Linkbase           |

**SIGNATURES**

Pursuant to the requirements 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.

**Equifax Inc.**  
(Registrant)

Date: November 6, 2013

By: /s/ Richard F. Smith  
Richard F. Smith  
*Chairman and Chief Executive Officer*  
*(Principal Executive Officer)*

Date: November 6, 2013

/s/ Lee Adrean  
Lee Adrean  
*Corporate Vice President and*  
*Chief Financial Officer*  
*(Principal Financial Officer)*

Date: November 6, 2013

/s/ Nuala M. King  
Nuala M. King  
*Senior Vice President and Corporate*  
*Controller*  
*(Principal Accounting Officer)*



**INDEX TO EXHIBITS**

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