EQUIFAX INC
Form 10-Q
October 27, 2016

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

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR
¬ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File Number: 001-06605

EQUIFAX INC.
(Exact name of registrant as specified in its charter)

Georgia	58-0401110
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1550 Peachtree Street, N.W., Atlanta, Georgia	30309
(Address of principal executive offices)	(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 ý No ¬

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý 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 x	Accelerated filer ¬	Non-accelerated filer ¬ (Do not check if a smaller reporting company)	Smaller reporting company ¬

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¬ No ý

On October 13, 2016, there were 119,761,309 shares of the registrant’s common stock outstanding.

EQUIFAX INC.

QUARTERLY REPORT ON FORM 10-Q

QUARTER ENDED September 30, 2016

INDEX

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, 2015, 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

(Unaudited)

	Three Months Ended September 30,	
	2016	2015
(In millions, except per share amounts)		
Operating revenue	$804.1	$667.4
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	288.0	226.5
Selling, general and administrative expenses	233.4	217.2
Depreciation and amortization	70.6	49.4
Total operating expenses	592.0	493.1
Operating income	212.1	174.3
Interest expense	(24.3)	(15.8)
Other income, net	2.4	14.4
Consolidated income from operations before income taxes	190.2	172.9
Provision for income taxes	(55.3)	(53.2)
Consolidated net income	134.9	119.7
Less: Net income attributable to noncontrolling interests including redeemable noncontrolling interests	(2.1)	(1.8)
Net income attributable to Equifax	$132.8	$117.9
Basic earnings per common share:		
Net income attributable to Equifax	$1.11	$1.00
Weighted-average shares used in computing basic earnings per share	119.5	118.4
Diluted earnings per common share:		
Net income attributable to Equifax	$1.09	$0.98
Weighted-average shares used in computing diluted earnings per share	121.3	120.6
Dividends per common share	$0.33	$0.29

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
(In millions, except per share amounts)		
Operating revenue	$2,343.8	$1,997.3
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	827.1	662.4
Selling, general and administrative expenses	708.2	668.8
Depreciation and amortization	194.5	149.1
Total operating expenses	1,729.8	1,480.3
Operating income	614.0	517.0
Interest expense	(68.0)	(48.1)
Other expense, net	(0.4)	—
Consolidated income from operations before income taxes	545.6	468.9
Provision for income taxes	(175.3)	(147.1)
Consolidated net income	370.3	321.8
Less: Net income attributable to noncontrolling interests including redeemable noncontrolling interests	(4.5)	(4.6)
Net income attributable to Equifax	$365.8	$317.2
Basic earnings per common share:		
Net income attributable to Equifax	$3.07	$2.67
Weighted-average shares used in computing basic earnings per share	119.2	118.8
Diluted earnings per common share:		
Net income attributable to Equifax	$3.02	$2.62
Weighted-average shares used in computing diluted earnings per share	121.1	121.0
Dividends per common share	$0.99	$0.87

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30, 2016					
	2016			2015		
	Equifax Shareholders	Noncontrolling Interests	Total	Equifax Shareholders	Noncontrolling Interests	Total
	(In millions)					
Net income	$132.8	$ 2.1	$134.9	$117.9	$ 1.8	$119.7
Other comprehensive income (loss):						
Foreign currency translation adjustment	82.2	—	82.2	(31.5)	(2.1)	(33.6)
Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans, net	2.3	—	2.3	2.6	—	2.6
Change in cumulative loss from cash flow hedging transactions, net	—	—	—	—	—	—
Comprehensive income (loss)	$217.3	$ 2.1	$219.4	$89.0	$ (0.3)	$88.7

	Nine Months Ended September 30,					
	2016			2015		
	Equifax Shareholders	Noncontrolling Interests	Total	Equifax Shareholders	Noncontrolling Interests	Total
	(In millions)					
Net income	$365.8	$ 4.5	$370.3	$317.2	$ 4.6	$321.8
Other comprehensive income (loss):						
Foreign currency translation adjustment	114.1	(1.3)	112.8	(49.6)	(4.6)	(54.2)
Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans, net	6.8	—	6.8	7.7	—	7.7
Change in cumulative loss from cash flow hedging transactions, net	0.6	—	0.6	0.2	—	0.2
Comprehensive income	$487.3	$ 3.2	$490.5	$275.5	$ —	$275.5

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except par values)	September 30, 2016 Unaudited	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$111.5	$93.3
Trade accounts receivable, net of allowance for doubtful accounts of $9.5 and $7.5 at September 30, 2016 and December 31, 2015, respectively	436.4	349.8
Prepaid expenses	64.4	39.3
Other current assets	49.5	79.2
Total current assets	661.8	561.6
Property and equipment:		
Capitalized internal-use software and system costs	287.4	212.5
Data processing equipment and furniture	265.3	247.8
Land, buildings and improvements	202.7	194.6
Total property and equipment	755.4	654.9
Less accumulated depreciation and amortization	(312.1)	(288.1)
Total property and equipment, net	443.3	366.8
Goodwill	4,071.5	2,571.0
Indefinite-lived intangible assets	94.9	94.7
Purchased intangible assets, net	1,406.4	827.9
Other assets, net	128.7	79.5
Total assets	$6,806.6	$4,501.5
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$706.7	$49.3
Accounts payable	46.0	40.6
Accrued expenses	136.6	112.7
Accrued salaries and bonuses	123.1	139.2
Deferred revenue	112.2	96.8
Other current liabilities	173.1	165.2
Total current liabilities	1,297.7	603.8
Long-term debt	2,136.3	1,138.4
Deferred income tax liabilities, net	358.2	205.5
Long-term pension and other postretirement benefit liabilities	141.2	146.4
Other long-term liabilities	85.8	57.0
Total liabilities	4,019.2	2,151.1
Commitments and Contingencies (see Note 6)		
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 September 30, 2016 and December 31, 2015; Outstanding shares - 119.6 and 118.7 at September 30, 2016 and December 31, 2015, respectively	236.6	236.6
Paid-in capital	1,304.4	1,260.5
Retained earnings	4,081.9	3,834.4
Accumulated other comprehensive loss	(363.3)	(484.8)

Treasury stock, at cost, 69.1 shares and 70.0 shares at September 30, 2016 and December 31, 2015, respectively	(2,507.6)	(2,529.9)
Stock held by employee benefit trusts, at cost, 0.6 shares at September 30, 2016 and December 31, 2015	(5.9)	(5.9)
Total Equifax shareholders' equity	2,746.1	2,310.9
Noncontrolling interests including redeemable noncontrolling interests	41.3	39.5
Total equity	2,787.4	2,350.4
Total liabilities and equity	$6,806.6	$4,501.5

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
	(In millions)	
Operating activities:		
Consolidated net income	$370.3	$321.8
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Impairment of cost method investment	—	14.8
Depreciation and amortization	195.4	150.4
Stock-based compensation expense	30.2	32.2
Excess tax benefits from stock-based compensation plans	(29.6)	(22.1)
Deferred income taxes	(10.4)	(24.3)
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable, net	(54.5)	(29.0)
Prepaid expenses and other current assets	7.0	21.2
Other assets	(7.9)	3.9
Current liabilities, excluding debt	1.8	68.0
Other long-term liabilities, excluding debt	22.2	(0.1)
Cash provided by operating activities	524.5	536.8
Investing activities:		
Capital expenditures	(131.0)	(93.6)
Acquisitions, net of cash acquired	(1,792.4)	(4.4)
Cash received from divestitures	—	2.9
Economic hedges	(10.8)	—
Investment in unconsolidated affiliates, net	—	(0.1)
Cash used in investing activities	(1,934.2)	(95.2)
Financing activities:		
Net short-term borrowings (repayments)	194.2	(193.4)
Payments on long-term debt	(300.0)	—
Borrowings on long-term debt	1,574.7	—
Treasury stock purchases	—	(196.3)
Dividends paid to Equifax shareholders	(118.1)	(103.4)
Dividends paid to noncontrolling interests	(5.8)	(6.0)
Proceeds from exercise of stock options	26.8	26.0
Excess tax benefits from stock-based compensation plans	29.6	22.1
Purchase of redeemable noncontrolling interests	(3.6)	—
Debt issuance costs	(5.4)	—
Cash provided by (used in) financing activities	1,392.4	(451.0)
Effect of foreign currency exchange rates on cash and cash equivalents	35.5	(10.4)
Increase (decrease) in cash and cash equivalents	18.2	(19.8)
Cash and cash equivalents, beginning of period	93.3	128.3
Cash and cash equivalents, end of period	$111.5	$108.5

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, 2016

(Unaudited)

	Equifax Shareholders								
	Common Stock Shares Outstanding	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Stock Held By Employee Benefits Trusts	Noncontrolling Interests	Total Equity
	(In millions, except per share amounts)								
Balance, December 31, 2015	118.7	$236.6	$1,260.5	$3,834.4	$ (484.8)	$(2,529.9)	$ (5.9)	$ 39.5	$2,350.4
Net income	—	—	—	365.8	—	—	—	4.5	370.3
Other comprehensive loss	—	—	—	—	121.5	—	—	(1.3)	120.2
Shares issued under stock and benefit plans, net of minimum tax withholdings	0.9	—	(14.9)	—	—	22.3	—	—	7.4
Treasury stock purchased under share repurchase program*	—	—	—	—	—	—	—	—	—
Cash dividends ($0.99 per share)	—	—	—	(118.7)	—	—	—	—	(118.7)
Dividends paid to employee benefits trusts	—	—	0.6	—	—	—	—	—	0.6
Stock-based compensation expense	—	—	30.2	—	—	—	—	—	30.2
Tax effects of stock-based compensation plans	—	—	29.6	—	—	—	—	—	29.6
Purchases of redeemable noncontrolling interests	—	—	(1.6)	—	—	—	—	(2.0)	(3.6)
Acquisition of Veda noncontrolling interests	—	—	—	—	—	—	—	6.7	6.7
Redeemable noncontrolling interest adjustment	—	—	—	0.4	—	—	—	(0.3)	0.1
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(5.8)	(5.8)

Balance, September 30, 2016	119.6	$236.6	$1,304.4	$4,081.9	$ (363.3)	$(2,507.6)	$ (5.9)	$ 41.3	$2,787.4

* At September 30, 2016, $667.2 million was available for future purchases of common stock under our share repurchase authorization.

Accumulated Other Comprehensive Loss consists of the following components:

	September 30, 2016	December 31, 2015
	(In millions)	
Foreign currency translation	$(123.3)	$(237.4)
Unrecognized actuarial losses and prior service cost related to our pension and other postretirement benefit plans, net of accumulated tax of $134.7 and $138.2 at September 30, 2016 and December 31, 2015, respectively	(239.0)	(245.8)
Cash flow hedging transactions, net of accumulated tax of $0.9 and $1.0 at September 30, 2016 and December 31, 2015, respectively	(1.0)	(1.6)
Accumulated other comprehensive loss	$(363.3)	$(484.8)

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2016

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 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. We also provide information, technology and services to support debt collections and recovery management. As of September 30, 2016, we operated in the following countries: Argentina, Australia, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, India, Ireland, Mexico, New Zealand, Paraguay, Peru, Portugal, Spain, the United Kingdom, or U.K., Uruguay, and the United States of America, or U.S. We also offer Equifax branded credit services in India and Russia through joint ventures, we have investments in consumer and/or commercial credit information companies through joint ventures in Cambodia, Malaysia and Singapore, and have an investment in a consumer and commercial credit information company in Brazil.

We develop, maintain and enhance secured proprietary information databases through the compilation of consumer specific data, including credit, income, 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, income and tax information primarily from large to mid-sized companies in the U.S., and survey-based 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 SEC 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, 2015 (“2015 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.

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:

	Three Months	Nine Months

	Ended September 30,		Ended September 30,	
	2016	2015	2016	2015
	(In millions)			
Weighted-average shares outstanding (basic)	119.5	118.4	119.2	118.8
Effect of dilutive securities:				
Stock options and restricted stock units	1.8	2.2	1.9	2.2
Weighted-average shares outstanding (diluted)	121.3	120.6	121.1	121.0

For the three and nine months ended September 30, 2016 and 2015, the stock options that were anti-dilutive were not material.

Accelerated Share Repurchase Program. On October 24, 2014, we entered into an accelerated share repurchase(“ASR”) program to repurchase shares of our common stock under our approved share repurchase program. Under the ASR program, the number of shares to be repurchased is based generally on the daily volume weighted average price of our common stock during the term of the ASR program. On October 24, 2014, we paid $115 million in exchange for an initial delivery of 1.4 million shares to the Company, subject to a 10%, or $11.5 million, holdback. On February 4, 2015, we settled the ASR by receiving approximately 0.02 million additional shares, for a total shares received of 1.42 million from the ASR.

Financial Instruments. Our financial instruments consist 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, 2016 and December 31, 2015, the fair value of our long-term debt, including the current portion, based on observable inputs was $2.6 billion and $1.2 billion, respectively compared to its carrying value of $2.4 billion and $1.1 billion, respectively.

Derivatives and Hedging Activities. Although derivative financial instruments are not utilized for speculative purposes or as the Company’s primary risk management tool, derivatives have been used as a risk management tool to hedge the Company’s exposure to changes in interest rates and foreign exchange rates. 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 the value associated with any material counterparty risk.

Economic Hedges. In December 2015, in anticipation of the acquisition of Veda Group Limited ("Veda"), we purchased foreign currency options to buy Australian dollars with a weighted average strike price of $0.7225 and a notional value of 1.0 billion Australian dollars. These foreign currency options ("options") were designed to act as economic hedges for the pending Veda acquisition and have been marked to market. The options had an expiry date of February 18, 2016. We recorded a mark-to-market gain on the options of $4.7 million for the year ended December 31, 2015, which was recorded in other income (expense), net. The fair value of these options at December 31, 2015 were $14.4 million, and were recorded in other current assets, net, on our Consolidated Balance Sheet. In January 2016, we purchased additional options for a notional amount of 1.0 billion Australian dollars, with a weighted average strike price of $0.7091, with expiry dates of February 11, 2016 and February 16, 2016. We settled all of the options on the respective settlement dates in February 2016. We recognized a net loss of $15.4 million related to the options in the first quarter of 2016, which was recorded in other income (expense), net.

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).

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

		Fair Value Measurements at Reporting Date Using:		
Description	Fair Value of Assets	Quoted Prices in	Significant Other Observable Inputs	Significant Unobservable Inputs (Level 3)

	(Liabilities) at September 30, 2016	Active Markets for Identical Assets (Level 1)	(Level 2)	
	(In millions)			
Deferred Compensation Plan Assets[1]	$28.1	$28.1	$ —	$ —
Deferred Compensation Plan Liability[1]	(28.1)	—	(28.1)	—
Total	$—	$28.1	$ (28.1)	$ —

(1) 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. The asset consists of mutual funds reflective of the participants' investment selections and is valued at daily quoted market prices.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis. As disclosed in Note 3, we completed various acquisitions during the nine months ended September 30, 2016. The values of net assets acquired and the resulting goodwill were recorded at fair value using Level 3 inputs. The majority of the related current assets acquired and liabilities assumed were recorded at their carrying values as of the date of acquisition, as their carrying values approximated their fair values due to their short-term nature. The fair values of goodwill and definite-lived intangible assets acquired in this acquisition were internally estimated primarily based on the income approach. The income approach estimates fair value based on the present value of the cash flows that the assets are expected to generate in the future. We developed internal estimates for the expected cash flows and discount rates in the present value calculations. The fair value of the equity method investment assets acquired were internally estimated based on the market approach. Under the market approach, we estimated fair value based on market multiples of comparable companies.

Other Current Assets. Other current assets on our Consolidated Balance Sheets primarily represent amounts in specifically designated accounts that hold the funds that are due to customers from our debt collection and recovery management services. As of September 30, 2016, these assets were approximately $23.8 million, with a corresponding balance in other current liabilities. These amounts are restricted as to their current use, and will be released according to the specific customer agreements. Other current assets also include certain current tax accounts.

Variable Interest Entities. We hold interests in certain entities, including credit data, information solutions and debt collections and recovery management 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 $14.4 million at September 30, 2016, representing our maximum exposure to loss, with the exception of the guarantees referenced in Note 6. We are not the primary beneficiary and are not required to consolidate any of these VIEs, with the exception of a debt collections and recovery management venture, for which we meet the consolidation criteria under Accounting Standards Codification ("ASC") 810, Consolidation. In regards to that consolidated VIE, we have a 75% equity ownership interest and control of the activities that most significantly impact the VIE's economic performance. The assets and liabilities of the VIE for which we are the primary beneficiary were not significant to the Company's Consolidated Financial Statements, and no gain or loss was recognized because of its consolidation.

In evaluating whether we have the power to direct the activities of a VIE that most significantly impact its economic performance, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

In determining whether we have the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, we evaluate all of our economic interests in the entity, regardless of form (debt, equity, management and servicing fees, and other contractual arrangements). This evaluation considers all relevant factors of the entity's design, including: the entity's capital structure, contractual rights to earnings (losses), subordination of our interests relative to those of other investors, contingent payments, as well as other contractual arrangements that have the potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests is a matter that requires the exercise of professional judgment.
Certain of our VIEs have redeemable noncontrolling interests that are subject to classification outside of permanent equity on the Company's Consolidated Balance Sheet. The redeemable noncontrolling interests are reflected using the redemption method as of the balance sheet date. Redeemable noncontrolling interest adjustments to the redemption values are reflected in retained earnings. The adjustment of redemption value at the period end that reflects a redemption value in excess of fair value is included as an adjustment to net income attributable to Equifax stockholders for the purposes of the calculation of earnings per share. None of the current period adjustments reflect a redemption in excess of fair value. Additionally, due to the immaterial balance of the redeemable noncontrolling interest, we have elected to maintain the noncontrolling interest in permanent equity, rather than temporary equity, within our Consolidated Balance Sheet.

Other Assets. Other assets on our Consolidated Balance Sheets primarily represents our investment in unconsolidated affiliates, our cost method investment in Brazil, assets related to life insurance policies covering certain officers of the Company, and employee benefit trust assets.

Cost Method Investment.   We monitor the status of our cost method investment in order to determine if conditions exist or events and circumstances indicate that it may be impaired in that its carrying amount may exceed the fair value of the investment. Significant factors that are considered that could be indicative of an impairment include: changes in business strategy, market conditions, underperformance relative to historical or expected future operating results; and negative industry or economic trends. If potential indicators of impairment exist, we estimate the fair value of the investment using a combination of a discounted cash flow analysis and an evaluation of EBITDA multiples for comparable companies. If the carrying value of the investment exceeds the estimated fair value, an impairment loss is recorded based on the amount by which the investment's carrying amount exceeds its fair value. We recorded an impairment of our cost method investment in the second quarter of 2015. See Note 2 for further discussion.

Other Current Liabilities. Other current liabilities on our Consolidated Balance Sheets consist of corresponding amounts of other current assets, related to amounts in specifically designated accounts that hold the funds that are due to customers from our debt collection and recovery management services. As of September 30, 2016, these funds were approximately $23.8 million. These amounts are restricted as to their current use, and will be released according to the specific customer agreements. Other current liabilities also include various accrued liabilities such as interest expense, accrued employee benefits, accrued taxes, accrued payroll, and accrued legal expenses.

Change in Accounting Principle. In April 2015, the FASB issued ASU 2015-03 “Interest - Imputation of Interest.” The guidance modified the presentation of debt issuance costs, to require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15 "Interest - Imputation of Interest", which updated the ASU 2015-03 guidance to state that the SEC staff would not object to an entity deferring and presenting debt issuance costs relating to a line-of-credit arrangement as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. For public business entities, the amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2015, and interim periods within those annual periods.

The Company has adopted the new guidance and retrospectively presented the debt issuance costs related to its long-term debt as a deduction from the carrying amount of the associated debt on its Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015. The Company continues to present the debt issuance costs related to its revolving credit facilities as an asset on its Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015. This change did not affect the Company's consolidated statements of income, cash flows, or shareholders' equity.

Recent Accounting Pronouncements. Statement of Cash Flows. In August 2016, the FASB issued ASU 2016-15 "Classification of Certain Cash Receipts and Cash Payments (Topic 230)". This standard provides guidance for eight targeted changes with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The guidance is effective in 2018 with early adoption permitted. The Company is currently evaluating the impacts the adoption of this accounting standard will have on its Consolidated Financial Statements.

Share-based payments. In March 2016, the FASB issued ASU 2016-09 "Compensation - Stock Compensation (Topic 718)". This standard requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid-in capital pools. The guidance also allows for the employer to repurchase more of an employee’s shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The guidance is effective in 2017 with early adoption permitted. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

Equity method investments. In March 2016, the FASB issued ASU 2016-07 "Investments - Equity Method and Joint Ventures (Topic 323)". This standard eliminates the requirement that an investor retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for the equity method. The guidance requires that an equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The guidance is effective in 2017 with early adoption permitted. The guidance will not have a material impact on our Consolidated Financial Statements.

Leases. In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)”. This standard requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to current lease accounting. The guidance also eliminates current real estate-specific provisions for all entities. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. All entities will classify leases to determine how to recognize lease-related revenue and expense. The guidance becomes effective for fiscal years and interim reporting periods beginning after December 15, 2018. The Company is evaluating the potential effects of the adoption of this standard on its Consolidated Financial Statements.

Reporting of Provisional Amounts in a Business Combination. In September 2015, the FASB issued ASU 2015-03 “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments”. This standard eliminates the requirement to restate prior period financial statements for measurement period adjustments following a business combination. The new standard requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The prior period impact of the adjustment should be either presented separately on the face of the income statement or disclosed in the notes. The guidance became effective for fiscal years and interim reporting periods beginning after December 15, 2015. The adoption of this standard did not have a material impact on our consolidated financial position, results of operations and cash flows.

Cloud Computing Arrangements. In April 2015, the FASB issued ASU 2015-05 “Intangibles—Goodwill and Other—Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.” The update provides criteria for customers in a cloud computing arrangement to use to determine whether the arrangement includes a license of software. The guidance becomes effective for fiscal years and interim reporting periods beginning after December 15, 2015. We have elected to adopt the standard prospectively. The adoption of this standard did not have a material impact on our consolidated financial position, results of operations and cash flows.

Revenue Recognition. In May 2014, the FASB issued ASU No. 2014-9, "Revenue from Contracts with Customers." ASU 2014-9 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-9 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-9 was originally effective for annual reporting periods, and interim periods within that period, beginning after December 15, 2016 and early adoption was not permitted. On July 9, 2015, the FASB voted to defer the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date and permitted early adoption of the standard, but not before the original effective date of December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-9. The Company is evaluating the potential effects of the adoption of this standard on its Consolidated Financial Statements.

2. INVESTMENT IN BOA VISTA SERVICOS

We hold a 15% equity interest in Boa Vista Servicos ("BVS"), which is the second largest consumer and commercial credit information company in Brazil. This investment is recorded in other assets, net, on the Consolidated Balance Sheets and is accounted for using the cost method. BVS is undergoing a process to issue new shares through which we expect our ownership interest to be diluted by approximately 1%. We do not expect this dilution to result in an impairment of our investment.

During the second quarter of 2015, we recorded a loss of 46 million Reais ($14.8 million) which is included in other (expense) income, net, in the Consolidated Statements of Income. As of December 31, 2015 our investment in BVS was recorded at 44 million Brazilian Reais, which approximated the fair value. The fair value was determined by management using income and market approaches. The carrying value has decreased by $36.8 million related to the foreign exchange impact since 2011, which is included in the foreign currency translation adjustments in accumulated other comprehensive income. As of September 30, 2016, our investment in BVS, recorded at 44 million Reais ($13.7 million), approximated the fair value.

3. ACQUISITIONS AND INVESTMENTS

2016 Acquisitions and Investments. On February 24, 2016, the Company completed the acquisition of 100% of the ordinary voting shares of Veda for cash consideration of approximately $1.7 billion (2.4 billion Australian dollars) and debt assumed of approximately $189.5 million (261.9 million Australian dollars). The acquisition provides a strong platform for Equifax to offer data and analytic services and further broaden the Company's geographic footprint. Veda stockholders received 2.825 Australian dollars in cash for each share of Veda common stock they owned. The Company financed the transaction with $1.7 billion of debt, consisting of commercial paper, an $800 million 364-Day revolving credit facility (the "364-Day Revolver"), and an $800 million three-year delayed draw term loan facility (the "Term Loan"). Refer to Note 5 for further discussion on debt. Additionally, on August 23, 2016, the Company completed the acquisition of 100% of the assets and certain liabilities of unemployment tax and claims management specialists Barnett & Associates ("Barnett"), as well as the verifications business, Computersoft, LLC ("Computersoft").

The primary areas of the Veda purchase price that are not yet finalized are related to income taxes, provisions, unearned revenue, intangible assets, property and equipment, working capital, amortization and depreciation lives, and residual goodwill, including the allocation between reporting units. The primary areas of the Barnett and Computersoft purchase price that are not yet finalized are related to working capital and the allocation between reporting units. Accordingly, adjustments may be made to the values of the assets acquired and liabilities assumed as additional information is obtained about the facts and circumstances that existed at the valuation date.

The preliminary valuation of acquired assets and assumed liabilities at the date of the acquisition, include the following:

	(In millions)
Cash	$23.2
Accounts receivable and other current assets	36.2
Other assets	41.7
Identifiable intangible assets [1]	676.7
Goodwill [2]	1,448.1
Total assets acquired	2,225.9
Debt[3]	(189.5)
Other current liabilities	(37.5)
Other liabilities	(174.0)
Noncontrolling interest	(6.7)
Net assets acquired	$1,818.2

(1) Identifiable intangible assets are further disaggregated in the table below.

(2) The goodwill related to Veda is included in the International segment and is not deductible for tax purposes. The goodwill related to the Barnett and Computersoft acquisition is included in the Workforce Solutions segment and is deductible for tax purposes.

(3) The Veda debt of $191 million was paid in full on March 10, 2016.

The primary reasons that the purchase price of the acquisitions exceeded the fair value of the net assets acquired, which resulted in the recognition of goodwill, were attributable to new growth opportunities and the acquired assembled and trained workforce of Veda.

	Fair value	Weighted-average useful life
Definite-lived intangible assets:	(In millions)	(In years)
Customer relationships	$ 169.9	15.0
Acquired software and technology	104.1	4.3
Purchased data files	387.5	14.8
Non-compete agreements	5.3	2.1
Trade names and other intangible assets	9.9	1.0
Total acquired intangibles	$ 676.7	13.0

Pro Forma Financial Information. The following table presents unaudited consolidated pro forma information as if our acquisition of Veda had occurred at the beginning of the earliest period presented. The pro forma amounts may not be necessarily indicative of the operating revenues and results of operations had the acquisition actually taken place at the beginning of the earliest period presented. Furthermore, the pro forma information may not be indicative of future performance.

	Three months ended September 30, 2015

	As Reported	Pro Forma
	(In millions, except per share data)	
Operating revenues	$667.4	$732.9
Net income attributable to Equifax	117.9	116.1
Net income per share (basic)	1.00	0.98
Net income per share (diluted)	0.98	0.96

	Nine months ended September 30,			
	2016		2015	
	As Reported	Pro Forma	As Reported	Pro Forma
	(In millions, except per share data)			
Operating revenues	$2,343.8	$2,383.2	$1,997.3	$2,198.4
Net income attributable to Equifax	365.8	368.4	317.2	318.5
Net income per share (basic)	3.07	3.09	2.67	2.68
Net income per share (diluted)	3.02	3.04	2.62	2.63

The unaudited pro forma financial information presented in the table above has been adjusted to give effect to adjustments that are (1) directly related to the business combination; (2) factually supportable; and (3) expected to have a continuing impact. These adjustments include, but are not limited to, the application of our accounting policies and depreciation and amortization related to fair value adjustments and intangible assets.

4. 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 2016. The estimated fair value for all reporting units exceeded the carrying value of those units as of September 30, 2016. As a result, no goodwill impairment was recorded. Refer to our methodology of fair value estimates as discussed in the “Application of Critical Accounting Policies” section in this Form 10-Q.

In the first quarter of 2016, we acquired Veda, which operates primarily in Australia and New Zealand. We have included Veda's operations within a newly-created Asia Pacific reporting unit within the International segment. Additionally, we moved the TDX Australia and India operations that were included in our Europe reporting unit to the Asia Pacific reporting unit to align with how we manage our business. Our financial results for the three and nine months ended September 30, 2016 and 2015, reflect our new organizational structure. Additionally in 2016, we have renamed our Personal Solutions segment Global Consumer Solutions.

To reflect this new organizational structure, we have reallocated goodwill from the Europe reporting unit to the Asia Pacific reporting unit based on the relative fair values of the respective portions of Europe. A change in reporting units requires that goodwill be tested for impairment. During 2016, we performed goodwill impairment tests prior to and following the reallocation of goodwill, which resulted in no impairment.

In the third quarter of 2016, we acquired Barnett and Computersoft for which the acquired goodwill has been allocated between the Verification Services and Employer Services reporting units within the Workforce Solutions reportable segment.

Changes in the amount of goodwill for the nine months ended September 30, 2016, are as follows:

	U.S. Information Solutions	International	Workforce Solutions	Global Consumer Solutions	Total

	(In millions)				
Balance, December 31, 2015	$1,071.3	$ 441.5	$ 907.6	$ 150.6	$2,571.0
Acquisitions	—	1,403.4	44.7	—	1,448.1
Adjustments to initial purchase price allocation	—	(3.6)	—	—	(3.6)
Foreign currency translation	—	66.2	—	(10.2)	56.0
Balance, September 30, 2016	$1,071.3	$ 1,907.5	$ 952.3	$ 140.4	$4,071.5

Indefinite-Lived Intangible Assets. Indefinite-lived intangible assets consist of indefinite-lived reacquired rights representing the value of rights which we had granted to various affiliate credit reporting agencies that were reacquired in the U.S. and Canada. At the time we acquired these agreements, they were considered perpetual in nature under the accounting guidance in place at that time 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. The estimated fair value of our indefinite-lived intangible assets exceeded the carrying value as of September 30, 2015. As a result, no impairment was recorded. Our indefinite-lived intangible asset carrying amounts did not change materially during the nine months ended September 30, 2016.

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 and the Veda acquisition. 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 certain assets of CSC Credit Services ("CSC Credit Services Acquisition") in the fourth quarter of 2012. These reacquired rights are being amortized over the remaining term of the affiliation agreement on a straight-line basis until 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 2015 Form 10-K.

Purchased intangible assets at September 30, 2016 and December 31, 2015 consisted of the following:

	September 30, 2016			December 31, 2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Definite-lived intangible assets:	(In millions)					
Purchased data files	$1,041.0	$ (264.9)	$776.1	$665.9	$ (240.6)	$425.3
Acquired software and technology	149.9	(44.3)	105.6	52.4	(35.5)	16.9
Customer relationships	733.8	(270.5)	463.3	565.9	(239.3)	326.6
Reacquired rights	73.3	(49.2)	24.1	73.3	(39.4)	33.9
Proprietary database	21.5	(6.3)	15.2	7.4	(5.8)	1.6
Non-compete agreements	27.8	(21.1)	6.7	25.8	(18.3)	7.5
Trade names and other intangible assets	57.9	(42.5)	15.4	49.1	(33.0)	16.1
Total definite-lived intangible assets	$2,105.2	$ (698.8)	$1,406.4	$1,439.8	$ (611.9)	$827.9

Amortization expense related to purchased intangible assets was $47.5 million and $30.5 million during the three months ended September 30, 2016 and 2015, respectively. Amortization expense related to purchased intangible assets was $130.3 million and $93 million during the nine months ended September 30, 2016 and 2015, respectively.

Estimated future amortization expense related to definite-lived purchased intangible assets at September 30, 2016 is as follows:

Years ending December 31,	Amount
	(In millions)
2016	$47.8
2017	173.4
2018	140.7
2019	122.6
2020	117.8
Thereafter	804.1
	$1,406.4

17

5. DEBT

Debt outstanding at September 30, 2016 and December 31, 2015 was as follows:

	September 30, 2016	December 31, 2015
	(In millions)	
Commercial paper	$431.7	$47.2
364-Day Revolver	—	—
Notes, 6.30%, due July 2017	272.5	272.5
Term Loan, due Nov 2018	500.0	—
Notes, 2.30%, due June 2021	500.0	—
Notes, 3.30%, due Dec 2022	500.0	500.0
Notes, 3.25%, due June 2026	275.0	—
Debentures, 6.90%, due July 2028	125.0	125.0
Notes, 7.00%, due July 2037	250.0	250.0
Other	2.7	2.1
Total debt	2,856.9	1,196.8
Less short-term debt and current maturities	(706.7)	(49.3)
Less unamortized discounts and debt issuance costs	(13.9)	(9.1)
Total long-term debt, net	$2,136.3	$1,138.4

Senior Credit Facilities. We are party to a $900.0 million five-year unsecured revolving credit facility (the "Revolver") and the Term Loan, an $800.0 million term loan facility (the Revolver and the Term Loan collectively, the "Senior Credit Facility"), with a group of financial institutions. The Revolver also has an accordion feature that allows us to request an increase in the total commitment to $1.2 billion. Borrowings may be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchase programs. The Revolver and the Term Loan are scheduled to expire in November 2020 and November 2018, respectively. Availability of the Revolver for borrowings is reduced by the outstanding face amount of our commercial paper notes and by any letters of credit issued under the facility. As of September 30, 2016, there were $0.5 million of letters of credit outstanding. As of September 30, 2016, there were no outstanding borrowings under the Revolver and $467.8 million was available for borrowing.

We were also a party to the 364-Day Revolver, which is an $800.0 million revolving credit facility. On May 16, 2016, we repaid all outstanding borrowings of $475 million and terminated the 364-Day Revolver using a portion of the net proceeds from the issuance of the senior notes discussed below.

Commercial Paper Program. Our $900.0 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 Revolver 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 Revolver. At September 30, 2016, $431.7 million in commercial paper notes was outstanding, all with maturities of less than 90 days.

2.3% and 3.25% Senior Notes. On May 12, 2016, we issued $500.0 million principal amount of 2.3%, five-year senior notes and $275.0 million principal amount of 3.25%, ten-year senior notes in an underwritten public offering. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2016. The net proceeds of the sale of the notes were used to repay borrowings under our 364-Day Revolver and a portion of the borrowings under our commercial paper program incurred to finance the acquisition of Veda. We must comply with various non-financial covenants, including certain limitations on mortgages, liens and sale-leaseback transactions, as well as mergers and sales of substantially all of our assets. The senior notes are unsecured and rank equally with all of our other unsecured and unsubordinated indebtedness.

For additional information about our debt agreements, see Note 6 of the Notes to Consolidated Financial Statements in our 2015 Form 10-K.

6. COMMITMENTS AND CONTINGENCIES

Data Processing, Outsourcing Services and Other Agreements. We have separate agreements with IBM, Tata Consultancy Services and others to outsource portions of our computer data processing operations, applications development, business continuity and recovery services, help desk service and desktop support functions, operation of our voice and data networks, maintenance and related functions and to provide certain other administrative and operational services. The agreements expire between 2016 and 2023. The estimated aggregate minimum contractual obligation remaining under these agreements was approximately $55 million as of December 31, 2015, with no future year's minimum contractual obligation expected to exceed approximately $35 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 significant termination fees.

Guarantees and General Indemnifications. We may issue standby letters of credit and performance bonds 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, 2016, and all have a remaining maturity of one year or less. We may issue other guarantees in the ordinary course of business. The maximum potential future payments we could be required to make under the guarantees in the ordinary course of business is not material at September 30, 2016. We have agreed to guarantee the liabilities and performance obligations (some of which have limitations) of a certain debt collections and recovery management VIE under its commercial agreements.

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 guarantees and 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 guarantees and indemnities on our Consolidated Balance Sheets at September 30, 2016 or December 31, 2015.

Contingencies. We are involved in legal and regulatory matters, government investigations, 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. These amounts do not have a material impact on our Consolidated Financial Statements, either individually or in the aggregate.

For additional information about these and other commitments and contingencies, see Note 7 of the Notes to Consolidated Financial Statements in our 2015 Form 10-K.

7. 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 before 2011 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 $6.8 million.

Effective Tax Rate. Our effective income tax rate was 29.1% and 30.8% for the three months ended September 30, 2016 and September 30, 2015, respectively. Our effective income tax rate was 32.1% and 31.4% for the nine months ended September 30, 2016 and September 30, 2015, respectively. In 2016, our foreign rate differential is more favorable than 2015 due to higher earnings in lower tax jurisdictions and the rationalization of the structure of foreign subsidiaries. The effective tax rate for the third quarter of 2016 also benefits from an increase of research and development tax credits. The 2015 tax rate benefited from other non-recurring permanent items including the settlement of escrow related to a past acquisition and state law changes that did not recur in 2016.

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income by component, after tax, for the nine months ended September 30, 2016, are as follows:

	Foreign currency	Pension and other postretirement benefit plans	Cash flow hedging transactions	Total
	(In millions)			
Balance, December 31, 2015	$(237.4)	$ (245.8)	$ (1.6)	$(484.8)
Other comprehensive income before reclassifications	114.1	—	0.6	114.7
Amounts reclassified from accumulated other comprehensive income	—	6.8	—	6.8
Net current-period other comprehensive income	114.1	6.8	0.6	121.5
Balance, September 30, 2016	$(123.3)	$ (239.0)	$ (1.0)	$(363.3)

Reclassifications out of accumulated other comprehensive income for the nine months ended September 30, 2016, are as follows:

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the statement where net income is presented
	(In millions)	
Amortization of pension and other postretirement plan items:		
Prior service cost	$ 0.3	(1)
Recognized actuarial loss	(11.1)	(1)
	(10.8)	Total before tax
	4.0	Tax benefit
	$ (6.8)	Net of tax

(1)These accumulated other comprehensive income components are included in the computation of net periodic pension cost (See Note 9 Benefit Plans for additional details).

Changes in accumulated other comprehensive income related to noncontrolling interests were not material as of September 30, 2016.

9. 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 2015 Form 10-K.

20

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, 2016 and 2015:

	Pension Benefits		Other Benefits	
	Three Months Ended September 30,			
	2016	2015	2016	2015
	(In millions)			
Service cost	$0.9	$1.1	$0.1	$0.1
Interest cost	8.0	7.7	0.2	0.2
Expected return on plan assets	(9.6)	(10.1)	(0.3)	(0.4)
Amortization of prior service cost	0.2	0.2	(0.3)	(0.3)
Recognized actuarial loss	3.5	4.0	0.2	0.1
Total net periodic benefit cost	$3.0	$2.9	$(0.1)	$(0.3)

	Pension Benefits		Other Benefits	
	Nine months ended September 30,			
	2016	2015	2016	2015
	(In millions)			
Service cost	$2.7	$3.3	$0.3	$0.3
Interest cost	24.0	23.1	0.6	0.6
Expected return on plan assets	(28.8)	(30.1)	(0.9)	(1.2)
Amortization of prior service cost	0.6	0.6	(0.9)	(0.9)
Recognized actuarial loss	10.5	12.0	0.6	0.3
Total net periodic benefit cost	$9.0	$8.9	$(0.3)	$(0.9)

10. RESTRUCTURING CHARGES

In the first quarter of 2015, we recorded a $20.7 million restructuring charge ($13.2 million, net of tax) all of which was recorded in selling, general and administrative expenses on our Consolidated Statements of Income. This charge resulted from our continuing efforts to realign our internal resources to support the Company's strategic objectives and increase the integration of our global operations.

The restructuring charge primarily relates to a reduction of headcount of approximately 300 positions resulting in a charge of $16.2 million, which was accrued for under existing severance plans or statutory requirements. The remainder was related to costs associated with real estate exits of $1.2 million and other integration costs of $3.3 million. Generally, severance benefits for our U.S. and international employees are paid in the form of a lump sum cash payment according to the number of weeks of severance benefit provided to the employee. Payments related to the above restructuring charges were substantially completed in the first quarter of 2016.

11. SEGMENT INFORMATION

Organizational Realignment. In the first quarter of 2016, we acquired Veda, which operates primarily in Australia and New Zealand. We have included Veda's operations within a newly-created Asia Pacific reporting unit within the International reportable segment. Additionally, we moved the TDX Australia and India operations that were included in our Europe reporting unit, along with corporate assets including equity method investments in Russia and India, to the Asia Pacific reporting unit to align with how we manage our business. Our financial results for the three and nine months ended September 30, 2016 and 2015, reflect our new organizational structure. Additionally in 2016, we have renamed our Personal Solutions reportable segment Global Consumer Solutions.

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

- U.S. Information Solutions ("USIS")
- International
- Workforce Solutions
- Global Consumer 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 2015 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 fair market value or cost depending on the nature of the transaction, and no timing differences occur between segments.

A summary of segment products and services is as follows:

U.S. Information Solutions. This segment includes consumer and commercial information services (such as credit information and credit scoring, credit modeling services and portfolio analytics (decisioning tools), which are derived from our databases of business credit and financial information, locate services, fraud detection and prevention services, identity verification services and other consulting services); mortgage loan origination information; 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. In Europe, Asia Pacific and Latin America, we also provide information, technology and services to support debt collections and recovery management.

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.

Global Consumer Solutions. This segment includes credit information, credit monitoring and identity theft protection products sold directly and indirectly to consumers via the internet and in various hard-copy formats in the U.S., Canada, and the U.K.

Operating revenue and operating income by operating segment during the three and nine months ended September 30, 2016 and 2015 are as follows:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
Operating revenue:	2016	2015	2016	2015
U.S. Information Solutions	$317.4	$292.5	$920.2	$875.1
International	214.3	145.4	591.2	425.9
Workforce Solutions	171.3	139.0	528.7	434.0
Global Consumer Solutions	101.1	90.5	303.7	262.3
Total operating revenue	$804.1	$667.4	$2,343.8	$1,997.3

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
Operating income:	2016	2015	2016	2015
U.S. Information Solutions	$139.5	$117.0	$396.3	$368.1
International	26.3	28.5	79.3	84.0
Workforce Solutions	69.9	50.0	226.9	165.9
Global Consumer Solutions	28.0	25.6	80.7	72.6
General Corporate Expense	(51.6)	(46.8)	(169.2)	(173.6)
Total operating income	$212.1	$174.3	$614.0	$517.0

Total assets by operating segment at September 30, 2016 and December 31, 2015 are as follows:

(In millions)	September 30, 2016	December 31, 2015
Total assets:		
U.S. Information Solutions	$ 1,842.7	$ 1,869.6
International	3,053.0	844.5
Workforce Solutions	1,345.2	1,268.5
Global Consumer Solutions	188.9	197.9
General Corporate	376.8	321.0
Total assets	$ 6,806.6	$ 4,501.5

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, international geographies and individual consumers.

On February 24, 2016, we completed the acquisition of Veda for cash consideration of approximately $1.7 billion (2.4 billion Australian dollars) and debt assumed of approximately $189.5 million (261.9 million Australian dollars). We financed the cash portion of the purchase price through a combination of new debt, including the Term Loan, the 364-Day Revolver, and commercial paper. Refer to Note 5 for further information on debt.

Segment and Geographic Information

Segments. The USIS segment, the largest of our four segments, consists of three service lines: Online Information Solutions; Mortgage Solutions; and Financial Marketing Services. Online Information Solutions and Mortgage Solutions revenue is principally transaction-based and is derived from our sales of products such as consumer and commercial credit reporting and scoring, identity management, fraud detection and modeling services. USIS also markets certain decisioning software services, which facilitate and automate a variety of consumer and commercial credit-oriented decisions. 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, Europe, Asia Pacific and Latin America. Following the acquisition of Veda, we have created an Asia Pacific reporting unit which consists mainly of our Australia and New Zealand operations. Canada's services are similar to our USIS offerings, while Europe, Asia Pacific and Latin America are made up of varying mixes of service lines that are in our USIS reportable segment. In Europe, Asia Pacific and Latin America, we also provide information and technology services to support lenders and other creditors in the collections and recovery management process.

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 other complementary employment-based transaction services.

Global Consumer Solutions revenue is both transaction and subscription based and is derived from the sale of credit monitoring and identity theft protection products, which we deliver electronically to consumers primarily via the internet in the U.S., Canada, and the U.K. We reach consumers directly and indirectly through partners. We also sell consumer and credit information to resellers who combine our information with other information to provide direct to consumer monitoring, reports and scores.

Geographic Information. We currently have significant operations in the following countries: Argentina, Australia, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, India, Ireland, Mexico, New Zealand, Paraguay, Peru, Portugal, the Republic of Ireland, Spain, the U.K., Uruguay and the U.S. We also offer Equifax branded credit services in India and

Russia through joint ventures, we have investments in consumer and/or commercial credit information companies through joint ventures in Cambodia, Malaysia and Singapore, and have an investment in a consumer and commercial credit information company in Brazil.

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, 2016 and 2015 were as follows:

	Key Performance Indicators			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In millions, except per share data)		(In millions, except per share data)	
Operating revenue	$804.1	$667.4	$2,343.8	$1,997.3
Operating revenue change	20 %	10 %	17 %	11 %
Operating income	$212.1	$174.3	$614.0	$517.0
Operating margin	26.4 %	26.1 %	26.2 %	25.9 %
Net income attributable to Equifax	$132.8	$117.9	$365.8	$317.2
Diluted earnings per share from continuing operations	$1.09	$0.98	$3.02	$2.62
Cash provided by operating activities	$245.0	$247.2	$524.5	$536.8
Capital expenditures	$(48.2)	$(38.4)	$(131.0)	$(93.6)

Operational and Financial Highlights

- We did not repurchase shares of our common stock during the first nine months of 2016. At September 30, 2016, $667.2 million was available for future purchases of common stock under our share repurchase authorization.

- We paid out $118.1 million or $0.99 per share in dividends to our shareholders during the first nine months of 2016.

Business Environment and Company Outlook

Demand for our services tends to be correlated to general levels of economic activity and to consumer credit activity, both enhanced by our own initiatives to expand our products and markets served, and to small commercial credit and marketing activity. In the United States we expect modest growth in overall economic activity and consumer credit for the remainder of the year. Mortgage market origination activity is expected to be up double digits for the full year. Internationally, the environment continues to be challenging as various countries address their particular political, fiscal and economic issues. In addition, current foreign exchange rates, compared to the prior year, will negatively impact growth in revenue and profit when reported in U.S. dollars.

Over the long term, we expect that our ongoing investments in new product innovation, business execution, enterprise growth initiatives, technology infrastructure, and continuous process improvement will enable us to deliver long-term average organic revenue growth ranging between 6% and 8% with additional growth of 1% to 2% derived from strategic acquisitions consistent with our long term business strategy. We also expect to grow earnings per share at a somewhat faster rate than revenue over time as a result of both operating and financial leverage.

25

RESULTS OF OPERATIONS—THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

Consolidated Financial Results

Operating Revenue

Consolidated Operating Revenue	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2016	2015	$	%	2016	2015	$	%
	(In millions)				(In millions)			
U.S. Information Solutions	$317.4	$292.5	$24.9	9 %	$920.2	$875.1	$45.1	5 %
International	214.3	145.4	68.9	47%	591.2	425.9	165.3	39%
Workforce Solutions	171.3	139.0	32.3	23%	528.7	434.0	94.7	22%
Global Consumer Solutions	101.1	90.5	10.6	12%	303.7	262.3	41.4	16%
Consolidated operating revenue	$804.1	$667.4	$136.7	20%	$2,343.8	$1,997.3	$346.5	17%

Revenue increased by $136.7 million or 20%, and $346.5 million or 17%, in the third quarter and first nine months of 2016, respectively, compared to the same periods in 2015. The growth was driven by broad-based organic growth due to revenue increases in mortgage, healthcare, government and direct to consumer reseller verticals as well as the Veda acquisition. Total revenue was negatively impacted by foreign exchange rates, which reduced revenue, on a constant currency basis, by $19.3 million, or 3%, and $55.3 million, or 3%, when compared to the third quarter and the first nine months of 2015, respectively.

Operating Expenses

Consolidated Operating Expenses	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2016	2015	$	%	2016	2015	$	%
	(In millions)				(In millions)			
Consolidated cost of services	$288.0	$226.5	$61.5	27%	$827.1	$662.4	$164.7	25%
Consolidated selling, general and administrative expenses	233.4	217.2	16.2	7 %	708.2	668.8	39.4	6 %
Consolidated depreciation and amortization expense	70.6	49.4	21.2	43%	194.5	149.1	45.4	30%
Consolidated operating expenses	$592.0	$493.1	$98.9	20%	$1,729.8	$1,480.3	$249.5	17%

Cost of services increased $61.5 million and $164.7 million in the third quarter and first nine months of 2016, respectively, as compared to the same periods in 2015. The increase in the third quarter was due to higher production costs driven by higher revenues including the Veda acquisition, and an increase in people costs. The drivers of the increase for the first nine months of 2016 are the same as the third quarter of 2016 as well as an increase in technology costs. The impact of changes in foreign exchange rates reduced cost of services by $5.1 million and $15.6 million in the third quarter and first nine months of 2016, respectively.

Selling, general and administrative expense increased $16.2 million and $39.4 million in the third quarter and first nine months of 2016, respectively, as compared to the same periods in 2015. The increase was due to Veda selling, general and administrative expense, Veda integration and transaction costs and an overall increase in people costs. In addition to these items, the increase for the first nine months of 2016 as compared to the prior year period was offset by the first quarter 2015 expense for the realignment of internal resources, that did not recur in 2016. The impact of changes in foreign currency exchange rates reduced our selling, general and administrative expenses by $6.1 million and $17.2 million in the third quarter and first nine months of 2016, respectively.

Depreciation and amortization expense for the third quarter and first nine months of 2016 increased by $21.2 million and $45.4 million, respectively, compared to the same periods in 2015, primarily due to the Veda acquisition.

Operating Income and Operating Margin

Consolidated Operating Income	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2016	2015	$	%	2016	2015	$	%
	(In millions)				(In millions)			
Consolidated operating revenue	$804.1	$667.4	$136.7	20 %	$2,343.8	$1,997.3	$346.5	17 %
Consolidated operating expenses	592.0	493.1	98.9	20 %	1,729.8	1,480.3	249.5	17 %
Consolidated operating income	$212.1	$174.3	$37.8	22 %	$614.0	$517.0	$97.0	19 %
Consolidated operating margin	26.4 %	26.1 %		0.3 % pts	26.2 %	25.9 %		0.3 % pts

Total company operating margin increased in the third quarter and first nine months of 2016 due to increased margins in our Workforce Solutions and USIS businesses, partially offset by the increase in the amortization of intangibles from the Veda acquisition.

Interest Expense and Other Income (Expense), net

Consolidated Interest Expense and Other Income (Expense), net	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2016	2015	$	%	2016	2015	$	%
	(In millions)				(In millions)			
Consolidated interest expense	$(24.3)	$(15.8)	$(8.5)	54 %	$(68.0)	$(48.1)	$(19.9)	41 %
Consolidated other income (expense), net	2.4	14.4	(12.0)	(83)%	(0.4)	—	(0.4)	nm
Average cost of debt	3.4 %	4.5 %			3.5 %	4.4 %		
Total consolidated debt, net, at quarter end	$2,843.0	$1,332.7	$1,510.3	113 %	$2,843.0	$1,332.7	$1,510.3	113%

Interest expense increased for the third quarter and first nine months of 2016 when compared to the same periods in 2015, due to an overall increase in our consolidated debt outstanding as of September 30, 2016 incurred to finance the Veda acquisition. Our average cost of debt decreased for the third quarter and first nine months of 2016, compared to the prior year periods, due to the higher balance of low rate commercial paper outstanding and lower long-term rates related to the issuance of 2.3% and 3.25% Senior Notes.

Other income (expense), net, for the third quarter of 2016, declined as compared to the prior year period, due primarily to the 2015 settlement of escrow amounts related to an acquisition from January 2014 which did not recur in 2016. For the first nine months of 2016, other income (expense), net declined as compared to the prior year period due to 2016 foreign exchange losses related to the Veda acquisition and the 2015 settlement of escrow described above, partially offset by the second quarter 2015 impairment of our cost method investment in Brazil which did not recur in 2016.

Income Taxes

	Three Months Ended September 30,	Change	Nine Months Ended September 30,	Change

Consolidated Provision for Income Taxes	2016	2015	$	%	2016	2015	$	%
	(In millions)				(In millions)			
Consolidated provision for income taxes	$(55.3)	$(53.2)	$(2.1)	4%	$(175.3)	$(147.1)	$(28.2)	19%
Effective income tax rate	29.1 %	30.8 %			32.1 %	31.4 %		

Our effective income tax rate was 29.1% for the third quarter of 2016, down from 30.8% for the third quarter of 2015. The effective income tax rate was 32.1% for the nine months ended September 30, 2016, as compared to 31.4% for the same period in 2015. In 2016, our foreign rate differential is more favorable than 2015 due to higher earnings in lower tax jurisdictions and the rationalization of the structure of foreign subsidiaries. The effective tax rate for the third quarter of 2016 also benefits from an increase of research and development tax credits. The 2015 tax rate benefited from other non-recurring permanent items including the settlement of escrow related to a past acquisition and state law changes that did not recur in 2016.

Net Income

Consolidated Net Income	Three Months Ended September 30, 2016	2015	Change $	%	Nine Months Ended September 30, 2016	2015	Change $	%
	(In millions, except per share amounts)				(In millions, except per share amounts)			
Consolidated operating income	$212.1	$174.3	$37.8	22 %	$614.0	$517.0	$97.0	19 %
Consolidated other expense, net	(21.9)	(1.4)	(20.5)	nm	(68.4)	(48.1)	(20.3)	42 %
Consolidated provision for income taxes	(55.3)	(53.2)						