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

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**Form 10-Q**

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

For the quarterly period ended September 30, 2019

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. 001-16427

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**Fidelity National Information Services, Inc.**

(Exact name of registrant as specified in its charter)

**Georgia**

(State or other jurisdiction of incorporation or organization)

**37-1490331**

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

**601 Riverside Avenue**

**Jacksonville**

(Address of principal executive offices)

**Florida**

**32204**

(Zip Code)

**(904) 438-6000**

(Registrant's telephone number, including area code)  
(Former Name or Former Address, if Changed Since Last Report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Common Stock, par value \$0.01 per share</b>	<b>FIS</b>	<b>New York Stock Exchange</b>
<b>0.400% Senior Notes due 2021</b>	<b>FIS21A</b>	<b>New York Stock Exchange</b>
<b>Floating Rate Senior Notes due 2021</b>	<b>FIS21B</b>	<b>New York Stock Exchange</b>
<b>0.125% Senior Notes due 2021</b>	<b>FIS21C</b>	<b>New York Stock Exchange</b>
<b>1.700% Senior Notes due 2022</b>	<b>FIS22B</b>	<b>New York Stock Exchange</b>
<b>0.750% Senior Notes due 2023</b>	<b>FIS23A</b>	<b>New York Stock Exchange</b>
<b>1.100% Senior Notes due 2024</b>	<b>FIS24A</b>	<b>New York Stock Exchange</b>
<b>2.602% Senior Notes due 2025</b>	<b>FIS25A</b>	<b>New York Stock Exchange</b>
<b>1.500% Senior Notes due 2027</b>	<b>FIS27</b>	<b>New York Stock Exchange</b>
<b>2.000% Senior Notes due 2030</b>	<b>FIS30</b>	<b>New York Stock Exchange</b>
<b>3.360% Senior Notes due 2031</b>	<b>FIS31</b>	<b>New York Stock Exchange</b>
<b>2.950% Senior Notes due 2039</b>	<b>FIS39</b>	<b>New York Stock Exchange</b>

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES  NO

As of November 4, 2019, 614,600,305 shares of the Registrant's Common Stock were outstanding.

FORM 10-Q  
QUARTERLY REPORT  
Quarter Ended September 30, 2019

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**FIDELITY NATIONAL INFORMATION SERVICES, INC.**  
**AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
(In millions, except per share amounts)  
(Unaudited)

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,305	\$ 703
Settlement deposits and merchant float	3,476	700
Trade receivables, net of allowance for doubtful accounts of \$37 and \$17 as of September 30, 2019 and December 31, 2018, respectively	3,065	1,472
Contract assets	153	123
Settlement receivables	755	281
Other receivables	269	166
Prepaid expenses and other current assets	302	288
Total current assets	9,325	3,733
Property and equipment, net	811	587
Goodwill	51,890	13,545
Intangible assets, net	16,083	3,132
Computer software, net	3,025	1,795
Other noncurrent assets	1,996	503
Deferred contract costs, net	588	475
Total assets	\$ 83,718	\$ 23,770
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable, accrued and other liabilities	\$ 2,143	\$ 1,099
Settlement payables	4,791	972
Deferred revenue	719	739
Short-term borrowings	3,169	267
Current portion of long-term debt	79	48
Total current liabilities	10,901	3,125
Long-term debt, excluding current portion	16,945	8,670
Deferred income taxes	4,198	1,360
Other long-term liabilities	2,411	326
Deferred revenue	51	67
Total liabilities	34,506	13,548
Equity:		
FIS stockholders' equity:		
Preferred stock, \$0.01 par value, 200 shares authorized, none issued and outstanding as of September 30, 2019 and December 31, 2018	—	—
Common stock, \$0.01 par value, 750 and 600 shares authorized, 615 and 433 shares issued as of September 30, 2019 and December 31, 2018	6	4
Additional paid in capital	45,063	10,800
Retained earnings	4,538	4,528
Accumulated other comprehensive earnings (loss)	(391)	(430)
Treasury stock, \$0.01 par value, less than 1 and 106 common shares as of September 30, 2019 and December 31, 2018, respectively, at cost	(21)	(4,687)
Total FIS stockholders' equity	49,195	10,215
Noncontrolling interest	17	7
Total equity	49,212	10,222
Total liabilities and equity	\$ 83,718	\$ 23,770

See accompanying notes to unaudited condensed consolidated financial statements.

**FIDELITY NATIONAL INFORMATION SERVICES, INC.**  
**AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Earnings**  
**(In millions, except per share amounts)**  
**(Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 2,822	\$ 2,084	\$ 6,991	\$ 6,256
Cost of revenue	1,838	1,364	4,623	4,192
Gross profit	984	720	2,368	2,064
Selling, general and administrative expenses	757	283	1,435	980
Asset impairments	87	95	87	95
Operating income	140	342	846	989
Other income (expense):				
Interest expense, net	(95)	(80)	(242)	(225)
Other income (expense), net	164	(58)	(8)	(60)
Total other income (expense), net	69	(138)	(250)	(285)
Earnings before income taxes and equity method investment earnings (loss)	209	204	596	704
Provision (benefit) for income taxes	48	37	119	122
Equity method investment earnings (loss)	(5)	(4)	(18)	(11)
Net earnings	156	163	459	571
Net (earnings) loss attributable to noncontrolling interest	(2)	(9)	(3)	(23)
Net earnings attributable to FIS common stockholders	\$ 154	\$ 154	\$ 456	\$ 548
Net earnings per share — basic attributable to FIS common stockholders	\$ 0.30	\$ 0.47	\$ 1.18	\$ 1.67
Weighted average shares outstanding — basic	516	328	388	329
Net earnings per share — diluted attributable to FIS common stockholders	\$ 0.29	\$ 0.47	\$ 1.15	\$ 1.65
Weighted average shares outstanding — diluted	524	331	396	333

See accompanying notes to unaudited condensed consolidated financial statements.

**FIDELITY NATIONAL INFORMATION SERVICES, INC.  
AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Comprehensive Earnings**  
**(In millions)**  
**(Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net earnings	\$ 156	\$ 163	\$ 459	\$ 571
Other comprehensive earnings, before tax:				
Unrealized gain (loss) on derivatives	\$ —	\$ —	\$ (16)	\$ —
Reclassification adjustment for (gains) losses included in net earnings	1	—	(3)	—
Unrealized gain (loss) on derivatives, net	1	—	(19)	—
Foreign currency translation adjustments	81	(35)	98	(123)
Minimum pension liability adjustment	—	—	(4)	—
Other comprehensive earnings (loss), before tax:	82	(35)	75	(123)
Provision for income tax expense (benefit) related to items of other comprehensive earnings	35	—	36	—
Other comprehensive earnings (loss), net of tax	<u>\$ 47</u>	<u>\$ (35)</u>	<u>\$ 39</u>	<u>\$ (123)</u>
Comprehensive earnings:	203	128	498	448
Net (earnings) loss attributable to noncontrolling interest	(2)	(9)	(3)	(23)
Other comprehensive (earnings) loss attributable to noncontrolling interest	—	5	—	22
Comprehensive earnings attributable to FIS common stockholders	<u>\$ 201</u>	<u>\$ 124</u>	<u>\$ 495</u>	<u>\$ 447</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**FIDELITY NATIONAL INFORMATION SERVICES, INC.**  
**AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Equity**  
**Three and nine months ended September 30, 2019**  
(In millions, except per share amounts)  
(Unaudited)

	Amount									
	FIS Stockholders									
	Number of shares		Additional			Accumulated		Treasury	Noncontrolling	Total
	Common	Treasury	Common	paid in	Retained	other	earnings (loss)			
shares	shares	stock	capital	earnings	earnings (loss)	stock	interest	equity		
Balances, June 30, 2019	433	(109)	\$ 4	\$ 10,887	\$ 4,599	\$ (438)	\$ (5,067)	\$ 7	\$ 9,992	
Worldpay acquisition	180	109	2	34,040			5,042	11	39,095	
Issuance of restricted stock	1	—	—	—	—	—	2	—	2	
Exercise of stock options	1	—	—	42	—	—	3	—	45	
Treasury shares held for taxes due upon exercise of stock options	—	—	—	(1)	—	—	(1)	—	(2)	
Stock-based compensation	—	—	—	95	—	—	—	—	95	
Cash dividends paid (\$0.35 per share per quarter) and other distributions	—	—	—	—	(215)	—	—	(3)	(218)	
Net earnings	—	—	—	—	154	—	—	2	156	
Other comprehensive earnings, net of tax	—	—	—	—	—	47	—	—	47	
Balances, September 30, 2019	<u>615</u>	<u>—</u>	<u>\$ 6</u>	<u>\$ 45,063</u>	<u>\$ 4,538</u>	<u>\$ (391)</u>	<u>\$ (21)</u>	<u>\$ 17</u>	<u>\$ 49,212</u>	

	Amount									
	FIS Stockholders									
	Number of shares		Additional			Accumulated		Treasury	Noncontrolling	Total
	Common	Treasury	Common	paid in	Retained	other	earnings (loss)			
shares	shares	stock	capital	earnings	earnings (loss)	stock	interest	equity		
Balances, December 31, 2018	433	(106)	\$ 4	\$ 10,800	\$ 4,528	\$ (430)	\$ (4,687)	\$ 7	\$ 10,222	
Worldpay acquisition	180	109	2	34,040			5,042	11	39,095	
Issuance of restricted stock	1	—	—	—	—	—	2	—	2	
Exercise of stock options	1	1	—	86	—	—	46	—	132	
Treasury shares held for taxes due upon exercise of stock options	—	—	—	(1)	—	—	(24)	—	(25)	
Purchases of treasury stock	—	(4)	—	—	—	—	(400)	1	(399)	
Stock-based compensation	—	—	—	138	—	—	—	—	138	
Cash dividends paid (\$0.35 per share per quarter) and other distributions	—	—	—	—	(441)	—	—	(5)	(446)	
Other	—	—	—	—	(5)	—	—	—	(5)	
Net earnings	—	—	—	—	456	—	—	3	459	
Other comprehensive earnings, net of tax	—	—	—	—	—	39	—	—	39	
Balances, September 30, 2019	<u>615</u>	<u>—</u>	<u>\$ 6</u>	<u>\$ 45,063</u>	<u>\$ 4,538</u>	<u>\$ (391)</u>	<u>\$ (21)</u>	<u>\$ 17</u>	<u>\$ 49,212</u>	

See accompanying notes to unaudited condensed consolidated financial statements.

**FIDELITY NATIONAL INFORMATION SERVICES, INC.  
AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Equity**  
**Three and nine months ended September 30, 2018**  
**(In millions, except per share amounts)**  
**(Unaudited)**

	Amount									
	FIS Stockholders									
	Number of shares		Additional			Accumulated other		Treasury stock	Noncontrolling interest	Total equity
	Common shares	Treasury shares	Common stock	paid in capital	Retained earnings	comprehensive earnings (loss)				
Balances, June 30, 2018	433	(102)	\$ 4	\$ 10,659	\$ 4,291	\$ (403)	\$ (4,112)	\$ 105	\$ 10,544	
Issuance of restricted stock	—	—	—	—	—	—	—	—	—	
Exercise of stock options	—	1	—	35	—	—	33	—	68	
Treasury shares held for taxes due upon exercise of stock options	—	—	—	—	—	—	—	—	—	
Purchases of treasury stock	—	(4)	—	—	—	—	(465)	—	(465)	
Stock-based compensation	—	—	—	21	—	—	—	—	21	
Cash dividends paid (\$0.32 per share per quarter) and other distributions	—	—	—	—	(106)	—	—	(24)	(130)	
Net earnings	—	—	—	—	154	—	—	9	163	
Other comprehensive earnings, net of tax	—	—	—	—	—	(30)	—	(5)	(35)	
Balances, September 30, 2018	433	(105)	\$ 4	\$ 10,715	\$ 4,339	\$ (433)	\$ (4,544)	\$ 85	\$ 10,166	

	Amount									
	FIS Stockholders									
	Number of shares		Additional			Accumulated other		Treasury stock	Noncontrolling interest	Total equity
	Common shares	Treasury shares	Common stock	paid in capital	Retained earnings	comprehensive earnings (loss)				
Balances, December 31, 2017	432	(99)	\$ 4	\$ 10,534	\$ 4,109	\$ (332)	\$ (3,604)	\$ 109	\$ 10,820	
Issuance of restricted stock	1	—	—	—	—	—	—	—	—	
Exercise of stock options	—	4	—	126	—	—	146	—	272	
Treasury shares held for taxes due upon exercise of stock options	—	—	—	(11)	—	—	(20)	—	(31)	
Purchases of treasury stock	—	(10)	—	—	—	—	(1,066)	—	(1,066)	
Stock-based compensation	—	—	—	66	—	—	—	—	66	
Cash dividends paid (\$0.32 per share per quarter) and other distributions	—	—	—	—	(318)	—	—	(25)	(343)	
Net earnings	—	—	—	—	548	—	—	23	571	
Other comprehensive earnings, net of tax	—	—	—	—	—	(101)	—	(22)	(123)	
Balances, September 30, 2018	433	(105)	\$ 4	\$ 10,715	\$ 4,339	\$ (433)	\$ (4,544)	\$ 85	\$ 10,166	

See accompanying notes to unaudited condensed consolidated financial statements.

**FIDELITY NATIONAL INFORMATION SERVICES, INC.**  
**AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
**(In millions)**  
**(Unaudited)**

	<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 459	\$ 571
<b>Adjustment to reconcile net earnings to net cash provided by operating activities:</b>		
Depreciation and amortization	1,488	1,060
Amortization of debt issue costs	17	13
Acquisition-related financing foreign exchange	(112)	—
Asset impairments	87	95
Loss (gain) on sale of businesses and investments	18	48
Loss on extinguishment of debt	—	1
Stock-based compensation	138	66
Deferred income taxes	(75)	(65)
<b>Net changes in assets and liabilities, net of effects from acquisitions and foreign currency:</b>		
Trade and other receivables	12	151
Contract assets	(14)	(10)
Settlement activity	165	(6)
Prepaid expenses and other assets	(2)	31
Deferred contract costs	(258)	(180)
Deferred revenue	(51)	(122)
Accounts payable, accrued liabilities, and other liabilities	(131)	(365)
Net cash provided by operating activities	<u>1,741</u>	<u>1,288</u>
<b>Cash flows from investing activities:</b>		
Additions to property and equipment	(135)	(115)
Additions to computer software	(409)	(349)
Acquisitions, net of cash acquired	(6,629)	—
Net proceeds from sale of businesses and investments	49	58
Other investing activities, net	(43)	(26)
Net cash provided by (used in) investing activities	<u>(7,167)</u>	<u>(432)</u>
<b>Cash flows from financing activities:</b>		
Borrowings	25,425	8,068
Repayment of borrowings and other financing obligations	(15,997)	(7,725)
Debt issuance costs	(71)	(30)
Proceeds from exercise of stock options	136	273
Treasury stock activity	(422)	(1,038)
Dividends paid	(441)	(316)
Distribution to Brazilian Venture partner	—	(23)
Other financing activities, net	(39)	(3)
Net cash provided by (used in) financing activities	<u>8,591</u>	<u>(794)</u>
Effect of foreign currency exchange rate changes on cash	(38)	(56)
Less net change in cash balances classified as assets held-for-sale	—	(39)
Net increase (decrease) in cash and cash equivalents	<u>3,127</u>	<u>(33)</u>
Cash and cash equivalents, beginning of period	703	665
Cash and cash equivalents, end of period	<u>\$ 3,830</u>	<u>\$ 632</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 208	\$ 199
Cash paid for income taxes	<u>\$ 273</u>	<u>\$ 442</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**FIDELITY NATIONAL INFORMATION SERVICES, INC.  
AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

*Unless stated otherwise or the context otherwise requires, all references to “FIS,” “we,” the “Company” or the “registrant” are to Fidelity National Information Services, Inc., a Georgia corporation, and its subsidiaries.*

**(1) Basis of Presentation**

The unaudited financial information included in this report includes the accounts of FIS and its subsidiaries prepared in accordance with U.S. generally accepted accounting principles and the instructions to Form 10-Q and Article 10 of Regulation S-X. All adjustments considered necessary for a fair presentation have been included. This report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. The preparation of these Condensed Consolidated Financial Statements (Unaudited) in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Condensed Consolidated Financial Statements (Unaudited) and the reported amounts of revenue and expenses during the reported periods. Actual results could differ from those estimates. Certain reclassifications have been made in the 2018 Condensed Consolidated Financial Statements (Unaudited) to conform to the classifications used in 2019. Amounts in tables in the financial statements and accompanying footnotes may not sum due to rounding.

On March 17, 2019, FIS, Wrangler Merger Sub, Inc., a wholly owned subsidiary of FIS (“Merger Sub”), and Worldpay, Inc. (“Worldpay”) entered into an Agreement and Plan of Merger (the “merger agreement”) pursuant to which Merger Sub would merge with and into Worldpay (the “merger”), with Worldpay surviving the merger and becoming a wholly owned subsidiary of FIS (collectively, the “Worldpay acquisition”). On July 31, 2019, FIS completed the acquisition of Worldpay, and Worldpay’s results of operations and financial position are included in the Condensed Consolidated Financial Statements (Unaudited) from and after the date of acquisition.

As a result of the Company’s acquisition of Worldpay, the Company reorganized its reportable segments and recast all prior-period segment information presented to align with the new reportable segments. The new segments are Merchant Solutions, Banking Solutions, and Capital Market Solutions, which are organized based on the markets and clients served aligned with the solutions they provide, as well as the Corporate and Other segment (see Note 13).

**(2) Summary of Significant Accounting Policies**

**(a) Change in Accounting Policy**

The Company adopted Topic 842, *Leases*, with an initial application date of January 1, 2019. As a result, the Company has changed its accounting policy for leases. The accounting policy pursuant to Topic 842 for operating leases is disclosed below. The primary impact of adopting Topic 842 is the establishment of a right-of-use (“ROU”) model that requires a lessee to recognize ROU assets and lease liabilities on the consolidated balance sheet for operating leases.

The Company applied Topic 842 using the effective date method; consequently, financial information was not updated and the disclosures required under the new standard were not provided for dates and periods before January 1, 2019. For transition purposes, the Company elected the “package of practical expedients,” which permits the Company not to reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs. The Company also elected the practical expedient not to separate lease and non-lease components. The Company did not elect the use-of-hindsight practical expedient nor the short-term lease recognition exemption allowed under the new standard.

The adoption of ASC 842 resulted in the recognition of operating lease ROU assets and lease liabilities on the Company’s Condensed Consolidated Balance Sheet (Unaudited) of \$442 million and \$446 million, respectively, on January 1, 2019. The standard did not impact the Company’s results of operations or cash flows.

**FIDELITY NATIONAL INFORMATION SERVICES, INC.  
AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**(b) Operating Leases**

The Company leases certain of its property, primarily real estate, under operating leases. Operating lease ROU assets are included in other noncurrent assets, and operating lease liabilities are included in accounts payable, accrued and other liabilities and other long-term liabilities on the Condensed Consolidated Balance Sheets (Unaudited). ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Operating lease ROU assets also include any prepaid lease payments and exclude lease incentives received. The Company uses an incremental borrowing rate based on information available at commencement date in determining the present value of lease payments. Lease terms may include options to extend, generally ranging from one to five years, or to terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term. Lease agreements may include lease and related non-lease components, which are accounted for as a single lease component. Additionally, for certain equipment leases, the Company applies a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

**(3) Worldpay Acquisition**

On July 31, 2019, FIS completed the acquisition of Worldpay by acquiring 100 percent of Worldpay's equity pursuant to the merger agreement. Through its acquisition of Worldpay, FIS is now a global leader in technology, solutions and services for merchants, as well as banks and capital markets. The Worldpay acquisition brings an integrated technology platform with a comprehensive suite of products and services serving merchants and financial institutions. Through the Worldpay acquisition, FIS has enhanced global payment capabilities, robust risk and fraud solutions and advanced data analytics.

At the closing, Worldpay shareholders received approximately 289 million shares of FIS common stock and \$3.4 billion in cash, using an exchange ratio of 0.9287 FIS shares plus \$11.00 in cash for each share of Worldpay common stock. The acquisition-date fair value of the 289 million shares of the Company's common stock was determined based on the share price of \$133.69 per share, the closing price of the Company's common stock on the New York Stock Exchange on July 30, 2019, since the acquisition closed before the market opened on July 31, 2019. FIS also converted approximately 8 million outstanding Worldpay equity awards into corresponding equity awards with respect to shares of FIS common stock pursuant to an exchange ratio in the merger agreement designed to maintain the intrinsic value of the applicable award immediately prior to conversion. The fair value of the converted equity awards was approximately \$789 million based on a valuation as of the date of closing. The amounts attributable to services already rendered were included as an adjustment to the purchase price and the amounts attributable to future services will be expensed over the remaining vesting period. In connection with the Worldpay acquisition, FIS also repaid approximately \$7.5 billion of Worldpay debt, including \$5.7 billion for Worldpay debt that was not contractually assumed in the acquisition and was included as an adjustment to the purchase price. FIS funded the cash portion of the merger consideration, the pay-off of the indebtedness of Worldpay and the payment of transaction-related expenses through a combination of available cash-on-hand and proceeds from debt issuances, including proceeds from concurrent public offerings on May 21, 2019 of Euro-, Pound Sterling-, and U.S. Dollar-denominated senior unsecured notes and borrowings under the Euro-commercial paper program established on May 29, 2019. See Note 7 for further discussion of these debt issuances.

The total purchase price was as follows (in millions):

Cash consideration	\$	3,423
Value of FIS share consideration		38,635
Pay-off of Worldpay long-term debt not contractually assumed		5,738
Value of outstanding converted equity awards attributed to services already rendered		449
Total purchase price	\$	<u>48,245</u>

The acquisition was accounted for as a business combination under FASB Accounting Standards Codification Topic 805, *Business Combinations* ("Topic 805"). We recorded a preliminary allocation of the purchase price to Worldpay tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of July 31, 2019. The provisional amounts for intangible assets are based on third-party valuations performed. Goodwill was recorded as the residual

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amount by which the purchase price exceeded the provisional fair value of the net assets acquired. Goodwill consists primarily of expected synergies of combining operations, the acquired workforce, and growth opportunities, none of which qualify as separately identifiable intangible assets. Our evaluations of the facts and circumstances available as of July 31, 2019, to assign fair values to assets acquired and liabilities assumed are ongoing, including our assessments of the economic characteristics of the acquired software and other intangibles. These evaluations may result in changes to the provisional amounts recorded.

Pursuant to Topic 805, the financial statements will not be retrospectively adjusted for any provisional amount changes that occur in subsequent periods. Rather, we will recognize any provisional amount adjustments during the reporting period in which the adjustments are determined. We will also be required to record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of any change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. We expect to finalize the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

The preliminary purchase price allocation was as follows (in millions):

Cash acquired	\$	305
Settlement deposits and merchant float (1)		2,447
Trade receivables		1,619
Goodwill		38,428
Intangible assets		13,682
Computer software		1,293
Other noncurrent assets (2)		1,386
Accounts payable, accrued and other liabilities		(1,013)
Settlement payables		(3,167)
Deferred income taxes		(2,822)
Long-term debt, subsequently repaid		(1,805)
Other liabilities and noncontrolling interest (3)		(2,108)
<b>Total purchase price</b>	<b>\$</b>	<b>48,245</b>

(1) Includes \$1,693 million of merchant float.

(2) Includes \$534 million of other restricted cash.

(3) Includes \$890 million of long-term tax receivable agreement liability (see Note 10) and \$710 million contingent value rights liability (see Note 5).

The gross contractual amount of trade receivables acquired was approximately \$1,666 million. The difference between that total and the provisional amount reflected above represents our best estimate at the acquisition date of the contractual cash flows not expected to be collected. This difference was derived using Worldpay's historical bad debts, sales allowances and collection trends.

Intangible assets primarily consist of computer software, customer relationship assets and trademarks with weighted average estimated useful lives of 7 years, 10 years and 5 years, respectively, and provisional fair value amounts assigned of \$1,293 million, \$13,272 million and \$410 million, respectively.

See Note 10 for acquired contingencies resulting from the Worldpay acquisition.

*Unaudited Supplemental Pro Forma Results Giving Effect to the Worldpay Acquisition*

Worldpay's revenues and pre-tax loss of \$734 million and \$162 million, respectively, which include the impact of purchase accounting adjustments, are included in the Condensed Consolidated Statements of Earnings (Unaudited) for the period from July 31, 2019 through September 30, 2019.

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Pursuant to ASC 805, unaudited supplemental pro forma results of operations for the three and nine months ended September 30, 2019 and 2018, assuming the acquisition had occurred as of January 1, 2018, are presented below (in millions, except per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 3,154	\$ 3,109	\$ 9,380	\$ 9,149
Net earnings (loss) attributable to FIS common stockholders	\$ 220	\$ 14	\$ 370	\$ (225)
Net earnings (loss) per share — basic attributable to FIS common stockholders	\$ 0.36	\$ 0.02	\$ 0.60	\$ (0.36)
Net earnings (loss) per share — diluted attributable to FIS common stockholders	\$ 0.36	\$ 0.02	\$ 0.60	\$ (0.36)

The unaudited pro forma results include certain pro forma adjustments to revenue and net earnings that were directly attributable to the acquisition, assuming the acquisition had occurred on January 1, 2018, including the following:

- additional amortization expense that would have been recognized relating to the acquired intangible assets;
- adjustment to interest expense to reflect the removal of Worldpay debt and the additional borrowings of FIS in conjunction with the acquisition; and
- a reduction in expenses for the three and nine months ended September 30, 2019 of \$149 million and \$210 million, respectively, and an increase in expenses for the three and nine months ended September 30, 2018 of \$8 million and \$267 million, respectively, for acquisition-related transaction costs and other one-time non-recurring costs.

#### **(4) Revenue**

##### *Disaggregation of Revenue*

In the following tables, revenue is disaggregated by primary geographical market, type of revenue, and recurring nature of revenue recognized. The tables also include a reconciliation of the disaggregated revenue with the Company's reportable segments. Prior-period amounts have been reclassified to conform to the new reportable segment presentation as discussed in Note 13.

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For the three months ended September 30, 2019 (in millions):

	Reportable Segments				Total
	Merchant Solutions	Banking Solutions	Capital Market Solutions	Corporate and Other	
<b>Primary Geographical Markets:</b>					
North America	\$ 501	\$ 1,264	\$ 378	\$ —	\$ 2,143
All others	219	227	233	—	679
<b>Total</b>	<b>\$ 720</b>	<b>\$ 1,491</b>	<b>\$ 611</b>	<b>\$ —</b>	<b>\$ 2,822</b>
<b>Type of Revenue:</b>					
Processing and services	\$ 704	\$ 1,138	\$ 292	\$ —	\$ 2,134
License and software related	1	153	223	—	377
Professional services	—	112	95	—	207
Hardware and other	15	88	1	—	104
<b>Total</b>	<b>\$ 720</b>	<b>\$ 1,491</b>	<b>\$ 611</b>	<b>\$ —</b>	<b>\$ 2,822</b>
<b>Recurring Nature of Revenue Recognition:</b>					
Recurring fees	\$ 717	\$ 1,244	\$ 426	\$ —	\$ 2,387
Non-recurring fees	3	247	185	—	435
<b>Total</b>	<b>\$ 720</b>	<b>\$ 1,491</b>	<b>\$ 611</b>	<b>\$ —</b>	<b>\$ 2,822</b>

For the nine months ended September 30, 2019 (in millions):

	Reportable Segments				Total
	Merchant Solutions	Banking Solutions	Capital Market Solutions	Corporate and Other	
<b>Primary Geographical Markets:</b>					
North America	\$ 647	\$ 3,616	\$ 1,112	\$ —	\$ 5,375
All others	249	701	666	—	1,616
<b>Total</b>	<b>\$ 896</b>	<b>\$ 4,317</b>	<b>\$ 1,778</b>	<b>\$ —</b>	<b>\$ 6,991</b>
<b>Type of Revenue:</b>					
Processing and services	\$ 866	\$ 3,314	\$ 864	\$ —	\$ 5,044
License and software related	8	410	635	—	1,053
Professional services	—	328	274	—	602
Hardware and other	22	265	5	—	292
<b>Total</b>	<b>\$ 896</b>	<b>\$ 4,317</b>	<b>\$ 1,778</b>	<b>\$ —</b>	<b>\$ 6,991</b>
<b>Recurring Nature of Revenue Recognition:</b>					
Recurring fees	\$ 885	\$ 3,610	\$ 1,266	\$ —	\$ 5,761
Non-recurring fees	11	707	512	—	1,230
<b>Total</b>	<b>\$ 896</b>	<b>\$ 4,317</b>	<b>\$ 1,778</b>	<b>\$ —</b>	<b>\$ 6,991</b>

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For the three months ended September 30, 2018 (in millions):

	Reportable Segments				
	Merchant Solutions	Banking Solutions	Capital Market Solutions	Corporate and Other	Total
<b>Primary Geographical Markets:</b>					
North America	\$ 34	\$ 1,152	\$ 370	\$ 12	\$ 1,568
All others	16	281	219	—	516
<b>Total</b>	<b>\$ 50</b>	<b>\$ 1,433</b>	<b>\$ 589</b>	<b>\$ 12</b>	<b>\$ 2,084</b>
<b>Type of Revenue:</b>					
Processing and services	\$ 47	\$ 1,124	\$ 274	\$ 12	\$ 1,457
License and software related	—	127	220	—	347
Professional services	—	99	94	—	193
Hardware and other	3	83	1	—	87
<b>Total</b>	<b>\$ 50</b>	<b>\$ 1,433</b>	<b>\$ 589</b>	<b>\$ 12</b>	<b>\$ 2,084</b>
<b>Recurring Nature of Revenue Recognition:</b>					
Recurring fees	\$ 49	\$ 1,221	\$ 409	\$ 12	\$ 1,691
Non-recurring fees	1	212	180	—	393
<b>Total</b>	<b>\$ 50</b>	<b>\$ 1,433</b>	<b>\$ 589</b>	<b>\$ 12</b>	<b>\$ 2,084</b>

For the nine months ended September 30, 2018 (in millions):

	Reportable Segments				
	Merchant Solutions	Banking Solutions	Capital Market Solutions	Corporate and Other	Total
<b>Primary Geographical Markets:</b>					
North America	\$ 157	\$ 3,379	\$ 1,108	\$ 43	\$ 4,687
All others	48	859	662	—	1,569
<b>Total</b>	<b>\$ 205</b>	<b>\$ 4,238</b>	<b>\$ 1,770</b>	<b>\$ 43</b>	<b>\$ 6,256</b>
<b>Type of Revenue:</b>					
Processing and services	\$ 195	\$ 3,399	\$ 857	\$ 43	\$ 4,494
License and software related	2	360	638	—	1,000
Professional services	—	292	272	—	564
Hardware and other	8	187	3	—	198
<b>Total</b>	<b>\$ 205</b>	<b>\$ 4,238</b>	<b>\$ 1,770</b>	<b>\$ 43</b>	<b>\$ 6,256</b>
<b>Recurring Nature of Revenue Recognition:</b>					
Recurring fees	\$ 202	\$ 3,653	\$ 1,263	\$ 43	\$ 5,161
Non-recurring fees	3	585	507	—	1,095
<b>Total</b>	<b>\$ 205</b>	<b>\$ 4,238</b>	<b>\$ 1,770</b>	<b>\$ 43</b>	<b>\$ 6,256</b>

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*Contract Balances*

The Company recognized revenue of \$128 million and \$178 million during the three months and \$636 million and \$629 million during the nine months ended September 30, 2019 and 2018, respectively, that was included in the corresponding deferred revenue balance at the beginning of the periods.

*Transaction Price Allocated to the Remaining Performance Obligations*

As of September 30, 2019, approximately \$20.0 billion of revenue is estimated to be recognized in the future from the Banking Solutions and Capital Market Solutions segments' remaining unfulfilled performance obligations, which are primarily comprised of recurring account- and volume-based processing services. This excludes the amount of anticipated recurring renewals not yet contractually obligated. The Company expects to recognize approximately 35% of the Banking Solutions and Capital Market Solutions segments' remaining performance obligations over the next 12 months, approximately another 25% over the next 13 to 24 months, and the balance thereafter.

As permitted by ASC 606, *Revenue from Contracts with Customers*, the Company has elected to exclude from this disclosure an estimate for the Merchant Solutions segment, which is primarily comprised of contracts with an original duration of one year or less or variable consideration that meet specific criteria. This segment's core performance obligations consist of variable consideration under a stand-ready series of distinct days of service, and revenue from the segment's products and service arrangements are generally billed and recognized as the services are performed. The aggregate fixed consideration portion of customer contracts with an initial contract duration greater than one year is not material.

**(5) Condensed Consolidated Financial Statement Details**

*Cash and Cash Equivalents*

As a result of the assets acquired in the Worldpay acquisition, the Company included restricted cash in the cash and cash equivalents balance reported in the Condensed Consolidated Statements of Cash Flows (Unaudited). The reconciliation between cash and cash equivalents in the Condensed Consolidated Balance Sheets (Unaudited) and the Condensed Consolidated Statements of Cash Flows (Unaudited) is as follows (in millions):

	September 30, 2019	December 31, 2018
Cash and cash equivalents on the Condensed Consolidated Balance Sheets (Unaudited)	\$ 1,305	\$ 703
Merchant float (in Settlement deposits and merchant float)	2,000	—
Other restricted cash (in Other noncurrent assets)	525	—
Total Cash and cash equivalents per the Condensed Consolidated Statements of Cash Flows (Unaudited)	<u>\$ 3,830</u>	<u>\$ 703</u>

*Property and Equipment, Intangible Assets and Computer Software*

The following table shows the Company's Condensed Consolidated Financial Statement (Unaudited) details as of September 30, 2019 and December 31, 2018 (in millions):

	September 30, 2019			December 31, 2018		
	Cost	Accumulated depreciation and amortization	Net	Cost	Accumulated depreciation and amortization	Net
Property and equipment	\$ 2,026	\$ 1,215	\$ 811	\$ 1,645	\$ 1,058	\$ 587
Intangible assets	\$ 19,855	\$ 3,772	\$ 16,083	\$ 6,122	\$ 2,990	\$ 3,132
Computer software	\$ 4,511	\$ 1,486	\$ 3,025	\$ 3,103	\$ 1,308	\$ 1,795

The Company entered into other financing obligations of \$24 million and \$1 million during the three months and \$59 million and \$1 million during the nine months ended September 30, 2019 and 2018, respectively, for certain computer hardware and software. The assets are included in property and equipment and computer software, and the other financing obligations

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are classified as long-term debt on our Condensed Consolidated Balance Sheets (Unaudited). Periodic payments are included in repayment of borrowings and other financing obligations on the Condensed Consolidated Statements of Cash Flows (Unaudited).

As of September 30, 2019, intangible assets, net of amortization, includes \$15,606 million of customer relationships and other amortizable intangible assets, \$435 million of finite-lived trademarks, as well as \$42 million of non-amortizable indefinite-lived trademarks. Amortization expense with respect to these intangible assets was \$481 million and \$162 million for the three months and \$794 million and \$498 million during the nine months ended September 30, 2019 and 2018, respectively.

#### *Goodwill*

Changes in goodwill during the nine months ended September 30, 2019 are summarized below (in millions). Prior-period amounts have been reclassified to conform to the new reportable segment presentation as discussed in Note 13.

	Merchant Solutions	Banking Solutions	Capital Market Solutions	Total
Balance, December 31, 2018	\$ 730	\$ 7,991	\$ 4,824	\$ 13,545
Goodwill attributable to acquisition (1)	34,951	3,477		38,428
Foreign currency adjustments	(35)	(11)	(37)	(83)
Balance, September 30, 2019	<u>\$ 35,646</u>	<u>\$ 11,457</u>	<u>\$ 4,787</u>	<u>\$ 51,890</u>

(1) The amount of goodwill attributable to the acquisition of Worldpay, including its allocation to reportable segments, is preliminary and subject to change.

Effective August 31, 2018, FIS sold substantially all the assets of the Certegy Check Services business unit, resulting in a pre-tax loss of \$54 million, including goodwill distributed through the sale of business of \$43 million.

#### *Asset Impairments*

During the three months ended September 30, 2019, the Company recorded pre-tax asset impairments of \$87 million, primarily related to certain computer software resulting from the Company's net realizable value analysis.

During September 2018, as a result of entering into an agreement to unwind the joint venture ("Brazilian Venture") that the Company operated with Banco Bradesco, the Company recorded pre-tax asset impairments totaling \$95 million, including \$42 million for the Brazilian Venture contract intangible asset, \$25 million for goodwill, and \$28 million for assets being held for sale that were transferred to Banco Bradesco upon closing of the agreement (see Note 11).

#### *Visa Europe and Contingent Value Rights*

As part of the Worldpay acquisition, the Company acquired certain assets and liabilities related to the June 2016 Worldpay Group plc (Legacy Worldpay) disposal of its ownership interest in Visa Europe to Visa, Inc. In connection with the disposal, Legacy Worldpay agreed to pay former Legacy Worldpay owners 90% of the net-of-tax proceeds from the disposal, known as contingent value rights ("CVR"), pending the resolution of certain historical claims and the finalization of the proceeds from disposal. At September 30, 2019, the value of the CVR liability to the former owners was \$700 million recorded in Other long-term liabilities on the Condensed Consolidated Balance Sheets (Unaudited). The related proceeds from the disposal are recorded primarily as restricted cash and as Visa, Inc. Series B preferred shares in Other noncurrent assets on the Condensed Consolidated Balance Sheet (Unaudited). The resolution of the CVR liability is expected to occur no later than June 2028, at which time the Visa, Inc. Series B preferred shares are subject to mandatory conversion into Visa, Inc. Class A Common Stock.

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*Settlement Activity and Merchant Float*

**Banking Solutions**

We manage certain payment services and programs and wealth management processes for our clients that require us to hold and manage client cash balances used to fund their daily settlement activity. Settlement deposits represent funds we hold that were drawn from our clients to facilitate settlement activities. Settlement receivables represent amounts funded by us. Settlement payables consist of settlement deposits from clients, settlement payables to third parties or clients, and outstanding checks related to our settlement activities for which the right of offset does not exist or we do not intend to exercise our right of offset. Our accounting policy for such outstanding checks is to include them in settlement payables on the Condensed Consolidated Balance Sheets (Unaudited) and operating cash flows on the Condensed Consolidated Statements of Cash Flows (Unaudited).

**Merchant Solutions**

Settlement deposits and merchant float, settlement receivables, and settlement payables represent intermediary balances arising from the settlement process which involves the transferring of funds between card issuers, merchants and Sponsoring Members. Funds are processed under two models, a sponsorship model and a direct member model. In the U.S., the Company operates under the sponsorship model, and outside the U.S., the Company operates under the direct membership model.

Under the sponsorship model, in order for the Company to provide electronic payment processing services, Visa, MasterCard and other payment networks require sponsorship by a member clearing bank. The Company has an agreement with various banks and financial institutions (the "Sponsoring Member") to provide sponsorship services to the Company. Under the sponsorship agreements the Company is registered as a Visa Third-Party Agent and a MasterCard Service Provider. The sponsorship services allow us to route transactions under the Sponsoring Members' membership to clear card transactions through MasterCard, Visa and other networks. Under this model, the standards of the payment networks restrict us from performing funds settlement and as such require that these funds be in the possession of the Sponsoring Member until the merchant is funded. Accordingly, settlement receivables and settlement payables resulting from the submission of settlement files to the network or cash received from the network in advance of funding the network are the responsibility of the Sponsoring Member and are not recorded on the Company's Condensed Consolidated Balance Sheets (Unaudited).

Settlement receivables and settlement payables are also recorded in the U.S. as a result of intermediary balances due to/from the Sponsoring Member. The Company receives funds from certain networks which are owed to the Sponsoring Member for settlement. In other cases the Company transfers funds to the Sponsoring Member for settlement in advance of receiving funds from the network. These timing differences result in settlement receivables and settlement payables. The amounts are generally collected or paid the following business day. Additionally, U.S. settlement receivables and settlement payables arise related to interchange expenses, merchant reserves and exception items.

Under the direct membership model, the Company is a direct member in Visa, MasterCard and other payment networks as third party sponsorship to the networks is not required. This results in the Company performing settlement between the networks and the merchant and requires adherence to the standards of the payment networks in which the Company is a direct member. Settlement deposits and merchant float, settlement receivables and settlement payables result when the Company submits the merchant file to the network or when funds are received by the Company in advance of paying the funds to the merchant. The amounts are generally collected or paid the following business day.

Under the direct membership model, merchant float represents cash balances the Company holds on behalf of merchants when the incoming amount from the card networks precedes when the funding to merchants falls due. Merchant float funds held in segregated accounts in a fiduciary capacity are considered restricted cash.

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**(6) Deferred Contract Costs**

Origination and fulfillment costs from contracts with customers capitalized as of September 30, 2019 and December 31, 2018 consisted of the following (in millions):

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Contract costs on implementations in progress	\$ 86	\$ 93
Incremental contract origination costs on completed implementations, net	332	219
Contract fulfillment costs on completed implementations, net	170	163
Total deferred contract costs, net	<u>\$ 588</u>	<u>\$ 475</u>

Amortization of deferred contract costs on completed implementations was \$48 million and \$30 million during the three months and \$136 million and \$89 million during the nine months ended September 30, 2019 and 2018, respectively, and there were no significant impairment losses in relation to the costs capitalized for the periods presented.

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**(7) Debt**

Long-term debt as of September 30, 2019 and December 31, 2018, consisted of the following (in millions):

	September 30, 2019	December 31, 2018
Senior Notes due October 2020, interest payable semi-annually at 3.625% ("2020 Notes")	\$ 1,150	\$ 1,150
Senior Euro Notes due January 2021, interest payable annually at 0.400% ("2021 Euro Notes")	546	572
Senior Euro Floating Rate Notes due May 2021, interest payable quarterly ("Floating Rate Notes") (1)	546	—
Senior Euro Notes due May 2021, interest payable annually at 0.125% ("May 2021 Euro Notes")	546	—
Senior Notes due August 2021, interest payable semi-annually at 2.250% ("2021 Notes")	750	750
Senior GBP Notes due June 2022, interest payable annually at 1.700% ("2022 GBP Notes")	369	382
Senior Notes due October 2022, interest payable semi-annually at 4.500% ("2022 Notes")	300	300
Senior Notes due April 2023, interest payable semi-annually at 3.500% ("2023 Notes")	700	700
Senior Euro Notes due May 2023, interest payable annually at 0.750% ("2023 Euro Notes")	1,365	—
Senior Notes due June 2024, interest payable semi-annually at 3.875% ("2024 Notes")	400	400
Senior Euro Notes due July 2024, interest payable annually at 1.100% ("2024 Euro Notes")	546	572
Senior GBP Notes due May 2025, interest payable annually at 2.602% ("2025 GBP Notes")	769	—
Senior Notes due October 2025, interest payable semi-annually at 5.000% ("2025 Notes")	900	900
Senior Notes due August 2026, interest payable semi-annually at 3.000% ("2026 Notes")	1,250	1,250
Senior Euro Notes due May 2027, interest payable annually at 1.500% ("2027 Euro Notes")	1,365	—
Senior Notes due May 2028, interest payable semi-annually at 4.250% ("2028 Notes")	400	400
Senior Notes due May 2029, interest payable semi-annually at 3.750% ("2029 Notes")	1,000	—
Senior Euro Notes due May 2030, interest payable annually at 2.000% ("2030 Euro Notes")	1,092	—
Senior GBP Notes due May 2031, interest payable annually at 3.360% ("2031 GBP Notes")	769	—
Senior Euro Notes due May 2039, interest payable annually at 2.950% ("2039 Euro Notes")	546	—
Senior Notes due August 2046, interest payable semi-annually at 4.500% ("2046 Notes")	500	500
Senior Notes due May 2048, interest payable semi-annually at 4.750% ("2048 Notes")	600	600
Revolving Credit Facility (2)	560	208
Other	55	34
	<u>17,024</u>	<u>8,718</u>
Current portion of long-term debt	(79)	(48)
Long-term debt, excluding current portion	<u>\$ 16,945</u>	<u>\$ 8,670</u>

(1) As of September 30, 2019, the weighted-average interest rate of the Floating Rate Notes was 0.00%.

(2) Interest on the Revolving Credit Facility is generally payable at LIBOR plus an applicable margin of up to 1.625% plus an unused commitment fee of up to 0.225%, each based upon the Company's corporate credit ratings. As of September 30, 2019, the weighted average interest rate on the Revolving Credit Facility, excluding fees, was 3.08%.

Short-term borrowings as of September 30, 2019 and December 31, 2018, consisted of the following (in millions):

	September 30, 2019	December 31, 2018
Euro-commercial paper notes ("ECP Notes") (1)	\$ 2,856	\$ —
U.S. commercial paper notes ("USCP Notes") (2)	150	250
Other	163	17
Total short-term borrowings	<u>\$ 3,169</u>	<u>\$ 267</u>

(1) As of September 30, 2019, the weighted-average interest rate of the ECP Notes was (0.17)%, resulting in a reduction to Interest expense, net.

(2) As of September 30, 2019, the weighted-average interest rate of the USCP Notes was 2.28%.

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On May 21, 2019, FIS completed the issuance and sale of Euro- and Pound Sterling-denominated senior notes, consisting of €500 million in aggregate principal amount of Floating Rate Senior Notes due 2021 (the “Floating Rate Notes”), €500 million in aggregate principal amount of 0.125% Senior Notes due 2021 (the “May 2021 Euro Notes”), €1.25 billion in aggregate principal amount of 0.750% Senior Notes due 2023 (the “2023 Euro Notes”), €1.25 billion in aggregate principal amount of 1.500% Senior Notes due 2027 (the “2027 Euro Notes”), €1 billion in aggregate principal amount of 2.000% Senior Notes due 2030 (the “2030 Euro Notes”), €500 million in aggregate principal amount of 2.950% Senior Notes due 2039 (the “2039 Euro Notes”), £625 million of 2.602% Senior Notes due 2025 (the “2025 GBP Notes”), and £625 million of 3.360% Senior Notes due 2031 (the “2031 GBP Notes”). Also on May 21, 2019, FIS completed the issuance and sale of U.S. Dollar-denominated senior notes, consisting of \$1.0 billion in aggregate principal amount of 3.750% Senior Notes due 2029 (the “2029 Notes”). The proceeds of the debt issuances were subsequently used to pay the cash portion of the purchase price and certain of the costs and expenses of the Worldpay transaction and to repay the outstanding Worldpay bank debt and notes.

On May 29, 2019, FIS established a Euro-commercial paper (“ECP”) program for the issuance and sale of senior, unsecured commercial paper notes, up to a maximum aggregate amount outstanding at any time of \$4.7 billion (or its equivalent in other currencies). The ECP Notes will have maturities of up to 183 days from the date of issue. The ECP program was used to pay for certain of the costs and expenses of the Worldpay transaction. The ECP program is also used for general corporate purposes.

During March 2019, concurrent with the execution of the Worldpay merger agreement (see Note 3), FIS secured \$9.5 billion of bridge financing commitments to ensure our ability to fund the cash requirements related to the Worldpay transaction. The bridge financing commitments were terminated in full in May 2019 following the (a) amendment of the Restated Credit Agreement to modify certain provisions and covenants of the Revolving Credit Facility and (b) the issuance of the senior notes discussed above.

On December 21, 2018, FIS entered into an interest rate swap that effectively converted the 2024 Euro Notes from a fixed-rate to a floating rate debt obligation. This derivative instrument was designated as a fair value hedge of the debt obligation. The fair value of the interest rate swap was \$18 million at September 30, 2019, reflected as an increase in the hedged debt balance.

On September 21, 2018, FIS established a U.S. commercial paper (“USCP”) program for the issuance and sale of senior, unsecured commercial paper notes, up to a maximum aggregate amount outstanding at any time of \$4.0 billion. On May 29, 2019, FIS increased the capacity on the USCP program from \$4 billion to \$5.5 billion. The USCP Notes have maturities of up to 397 days from the date of issue.

On September 21, 2018, FIS entered into a Seventh Amendment and Restatement Agreement (“Credit Facility Agreement”), which amended and restated FIS’ existing credit agreement (as amended, the “Restated Credit Agreement”). The Credit Facility Agreement increased the revolving credit commitments outstanding under the Revolving Credit Facility (“Revolving Credit Facility”) existing under the Restated Credit Agreement from \$3.0 billion to \$4.0 billion and extended the term of the Restated Credit Agreement to September 21, 2023. On May 29, 2019, FIS entered into an amendment to the Restated Credit Agreement to increase the revolving credit commitments outstanding under the Revolving Credit Facility from \$4.0 billion to \$5.5 billion. Borrowing under the Revolving Credit Facility will generally be used for general corporate purposes, including backstopping any notes that FIS may issue under the USCP and ECP programs described above. As of September 30, 2019, the outstanding principal balance of the Revolving Credit Facility was \$560 million, with \$4,937 million of borrowing capacity remaining thereunder (net of \$3 million in outstanding letters of credit issued under the Revolving Credit Facility).

The obligations of FIS under the Revolving Credit Facility, USCP and ECP programs, and all of its outstanding senior notes rank equal in priority and are unsecured. The Revolving Credit Facility and the senior notes are subject to customary covenants, including, among others, customary events of default, and for the Revolving Credit Facility, a provision allowing for financing related to the acquisition of Worldpay and limitations on the payment of dividends by FIS.

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The following summarizes the aggregate maturities of our long-term debt, including other financing obligations for certain hardware and software, based on stated contractual maturities, excluding the fair value of the interest rate swap and net unamortized non-cash bond premiums and discounts of \$31 million, as of September 30, 2019 (in millions):

	<b>Total</b>
2019 remaining period	\$ 26
2020	1,222
2021	2,453
2022	691
2023	2,633
Thereafter	10,138
<b>Total principal payments</b>	<b>17,163</b>
Debt issuance costs, net of accumulated amortization	(108)
<b>Total long-term debt</b>	<b>\$ 17,055</b>

There are no mandatory principal payments on the Revolving Credit Facility and any balance outstanding on the Revolving Credit Facility will be due and payable at its scheduled maturity date, which occurs at September 21, 2023.

FIS may redeem the 2020 Notes, 2021 Euro Notes, May 2021 Euro Notes, 2021 Notes, 2022 GBP Notes, 2022 Notes, 2023 Notes, 2023 Euro Notes, 2024 Notes, 2024 Euro Notes, 2025 GBP Notes, 2025 Notes, 2026 Notes, 2027 Euro Notes, 2028 Notes, 2029 Notes, 2030 Euro Notes, 2031 GBP Notes, 2039 Euro Notes, 2046 Notes and 2048 Notes at its option in whole or in part, at any time and from time to time, at a redemption price equal to the greater of 100% of the principal amount to be redeemed and a make-whole amount calculated as described in the related indenture in each case plus accrued and unpaid interest to, but excluding, the date of redemption, provided no make-whole amount will be paid for redemptions of the 2020 Notes, the 2021 Euro Notes, the May 2021 Euro Notes, the 2021 Notes, the 2022 GBP Notes and the 2023 Euro Notes during the one month prior to their maturity, the 2022 Notes during the two months prior to their maturity, the 2023 Notes, the 2024 Notes, the 2024 Euro Notes, the 2025 GBP Notes, the 2025 Notes, the 2026 Notes, the 2027 Euro Notes, the 2028 Notes, the 2029 Notes, the 2030 Euro Notes, the 2031 GBP Notes and the 2039 Euro Notes during the three months prior to their maturity, and the 2046 Notes and 2048 Notes during the six months prior to their maturity.

Debt issuance costs of \$108 million, net of accumulated amortization, remain capitalized as of September 30, 2019, related to all of the above outstanding debt.

We monitor the financial stability of our counterparties on an ongoing basis. The lender commitments under the undrawn portions of the Revolving Credit Facility are comprised of a diversified set of financial institutions, both domestic and international. The failure of any single lender to perform its obligations under the Revolving Credit Facility would not adversely impact our ability to fund operations.

The fair value of the Company's long-term debt is estimated to be approximately \$1,146 million higher than the carrying value excluding the fair value of the interest rate swap and unamortized discounts as of September 30, 2019. This estimate is based on quoted prices of our senior notes and trades of our other debt in close proximity to September 30, 2019, which are considered Level 2-type measurements. This estimate is subjective in nature and involves uncertainties and significant judgment in the interpretation of current market data. Therefore, the values presented are not necessarily indicative of amounts the Company could realize or settle currently.

## **(8) Financial Instruments**

### *Forward Contracts*

During the second quarter of 2019, the Company entered into foreign currency forward exchange contracts to reduce the volatility in the Company's cash flows due to foreign exchange rate fluctuations during the period leading up to the Company's Euro- and Pound Sterling-denominated debt issuances related to the Worldpay transaction (see Note 7 for further discussion of these debt issuances). These forward contracts were settled on July 31, 2019, resulting in a net pre-tax gain of \$1 million

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during the three months and a net pre-tax loss of \$14 million during the nine months ended September 30, 2019. As of September 30, 2019, and December 31, 2018, the Company had no significant forward contracts outstanding.

#### *Cash Flow Hedges*

During the second quarter of 2019, the Company entered into treasury lock and forward-starting interest rate swap contracts with total notional amounts of €1.5 billion, £500 million, and \$500 million to reduce the volatility in the Company's cash flows due to changes in the benchmark interest rates during the period leading up to the Company's fixed-rate debt issuances related to the Worldpay transaction (see Note 7 for further discussion of these debt issuances). The Company designated these derivatives as cash flow hedges for accounting purposes. During May 2019, in conjunction with the debt issuances, the Company terminated these contracts for an aggregate cash settlement payment of \$17 million, which was recorded as a component of Other comprehensive earnings on the Condensed Consolidated Statement of Comprehensive Earnings (Unaudited). The amounts in Other comprehensive earnings are reclassified as an adjustment to interest expense on the Condensed Consolidated Statement of Earnings (Unaudited) over the respective periods during which the related hedged interest payments are recognized in income, which range from four to 12 years. Settlement cash flows related to these contracts were recorded as Other financing activities, net on the Condensed Consolidated Statement of Cash Flows (Unaudited). As of September 30, 2019, and December 31, 2018, the Company had no outstanding cash flow hedge contracts.

#### *Fair Value Hedge*

During the fourth quarter of 2018, the Company entered into an interest rate swap with a €500 million notional value converting the interest rate exposure on the Company's 2024 Euro Notes from fixed to variable. The Company designated this interest rate swap as a fair value hedge for accounting purposes. The fair value of the interest rate swap was a \$18 million asset at September 30, 2019, reflected as an increase in the hedged debt balance (see Note 7).

#### *Net Investment Hedges*

During the third quarter of 2019, in conjunction with the closing of the Worldpay acquisition, the Company designated certain debt issuances related to the Worldpay acquisition as net investment hedges of its investment in Euro- and Pound Sterling-denominated operations. As of September 30, 2019, an aggregate €7,616 million was designated as a net investment hedge of the Company's investment in Euro-denominated operations related to the Floating Rate Notes, May 2021 Euro Notes, 2023 Euro Notes, 2027 Euro Notes, 2030 Euro Notes, 2039 Euro Notes, and ECP Notes, and an aggregate £264 million was designated as a net investment hedge of the Company's Pound Sterling-denominated operations related to the 2031 GBP Notes.

During the fourth quarter of 2018, the Company entered into cross-currency interest rate swaps with an aggregate notional amount of \$716 million, which were designated as net investment hedges of its investment in Euro- and Pound Sterling-denominated operations. The fair value of the cross-currency interest rate swaps was a net \$35 million asset at September 30, 2019.

During the third quarter of 2017, the Company designated its 2021 Euro Notes (€500 million) and 2024 Euro Notes (€500 million) and 2022 GBP Notes (£300 million) as net investment hedges of its investment in Euro- and Pound Sterling-denominated operations, respectively.

The purpose of the Company's net investment hedges is to reduce the volatility of FIS' net investment value in its Euro- and Pound Sterling-denominated operations due to changes in foreign currency exchange rates.

The Company recorded net investment hedge aggregate gain (loss), net of tax, for the change in fair value as Foreign currency translation adjustments within Other comprehensive earnings on the Condensed Consolidated Statements of Comprehensive Earnings (Unaudited) of \$185 million and \$10 million, during the three months and \$198 million and \$38 million during the nine months ended September 30, 2019 and 2018, respectively. No ineffectiveness was recorded on the net investment hedges.

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**(9) Operating Leases**

The classification of the Company's operating lease ROU assets and liabilities in the Condensed Consolidated Balance Sheet (Unaudited) as of September 30, 2019 was as follows (in millions):

	Classification	September 30, 2019
Operating lease ROU assets	Other noncurrent assets	\$ 521
Operating lease liabilities	Accounts payable, accrued and other liabilities	\$ 129
	Other long-term liabilities	425
Total operating lease liabilities		\$ 554

Operating lease cost was \$39 million and variable lease cost was \$10 million for the three months and \$103 million and \$25 million for the nine months ended September 30, 2019, respectively. Cash paid for amounts included in the measurement of operating lease liabilities included in operating cash flows was \$99 million for the nine months ended September 30, 2019. Operating lease ROU assets obtained in exchange for operating lease liabilities was \$51 million for the nine months ended September 30, 2019. The weighted average remaining operating lease term was 5.9 years and the weighted average operating lease discount rate was 3.7% as of September 30, 2019.

Maturities of operating lease liabilities, as of September 30, 2019 were as follows (in millions):

2019 remaining period	\$ 34
2020	147
2021	121
2022	86
2023	64
Thereafter	181
Total lease payments	633
Less: Imputed interest	(79)
Total operating lease liabilities	\$ 554

Aggregate future minimum operating lease payments for each of the years in the five years ending December 31, 2023, and thereafter, as of December 31, 2018 consisted of the following (in millions):

2019	\$ 121
2020	104
2021	80
2022	51
2023	38
Thereafter	86
Total	\$ 480

**(10) Commitments and Contingencies***Reliance Trust Claims*

Reliance Trust Company ("Reliance"), the Company's subsidiary, is named as a defendant in a class action arising out of its provision of services as the discretionary trustee for a 401(k) Plan (the "Plan") for one of its customers. Plaintiffs in the action seek damages and attorneys' fees, as well as equitable relief, on behalf of Plan participants for alleged breaches of fiduciary duty under the Employee Retirement Income Security Act of 1974 against Reliance and the Plan's sponsor and

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record-keeper. Reliance is vigorously defending the action and believes it has meritorious defenses. Pre-trial discovery has now been completed. Reliance contends that no breaches of fiduciary duty or prohibited transactions occurred and that the Plan suffered no damages. Plaintiffs allege damages of approximately \$115 million against all defendants. While we are unable at this time to estimate more precisely the potential loss or range of loss because of unresolved questions of fact and law, we believe that the ultimate resolution of the matter will not have a material impact on our financial condition. We do not believe a liability for this action is probable and, therefore, have not recorded a liability for this action.

*Brazilian Tax Authorities Claims*

In 2004, Proservvi Empreendimentos e Servicos, Ltda., the predecessor to Fidelity National Servicos de Tratamento de Documentos e Informatica Ltda. (“Servicos”), a subsidiary of Fidelity National Participacoes Ltda., our former item processing and remittance services operation in Brazil, acquired certain assets and employees and leased certain facilities from the Transpev Group (“Transpev”) in Brazil. Transpev’s remaining assets were later acquired by Prosegur, an unrelated third party. When Transpev discontinued its operations after the asset sale to Prosegur, it had unpaid federal taxes and social contributions owing to the Brazilian tax authorities. The Brazilian tax authorities brought a claim against Transpev and beginning in 2012 brought claims against Prosegur and Servicos on the grounds that Prosegur and Servicos were successors in interest to Transpev. To date, the Brazilian tax authorities filed 13 claims against Servicos asserting potential tax liabilities of approximately \$14 million. There are potentially 25 additional claims against Transpev/Prosegur for which Servicos is named as a co-defendant or may be named, but for which Servicos has not yet been served. These additional claims amount to approximately \$50 million making the total potential exposure for all 38 claims approximately \$64 million. We do not believe a liability for these 38 total claims is probable and, therefore, have not recorded a liability for any of these claims.

*Acquired Contingencies - Worldpay*

The Company assumed in the Worldpay acquisition a Tax Receivable Agreement (“TRA”) under which the Company agreed to make payments to Fifth Third Bank (“Fifth Third”) of 85% of the federal, state, local and foreign income tax benefits realized by the Company as a result of certain tax deductions. Unless amended, payments under the TRA will be based on the cash savings realized by the Company by comparing the actual income tax liability of the Company to the amount of such taxes the Company would have been required to pay had there been no deductions related to the tax attributes. Under the agreement between the Company and Fifth Third, in certain specified circumstances, the Company may be required to make payments in excess of such cash savings. Obligations recorded in our financial statements pursuant to the TRA are based on estimates of future deductions and future tax rates. On an annual basis, the Company evaluates the assumptions underlying the TRA obligations. The Condensed Consolidated Balance Sheet (Unaudited) as of September 30, 2019 included a liability of \$919 million relating to the TRA.

The timing and/or amount of aggregate payments due under the TRA may vary based on a number of factors, including the amount and timing of the taxable income the Company generates in the future and the tax rate then applicable, the use of loss carryovers and amortizable basis. Payments under the TRA, if necessary, are required to be made no later than January 5th of the second year immediately following the taxable year in which the obligation occurred.

Fifth Third brought a declaratory judgment action alleging that the change of control of Worldpay after its acquisition by the Company triggered provisions in the TRA that would remove the contingency that adequate taxable income be earned to realize tax savings. The Company does not believe that there is merit to this claim, but regardless, even if Fifth Third prevails on this claim, it should not increase the recorded liabilities related to the TRA as disclosed above, which are based on the assumption that adequate taxable income will be earned.

The following table summarizes our estimated commitments under the TRA as of September 30, 2019 (in millions):

Type of Obligation	Total	Payments Due in			
		2019 Remaining Period	1-3 Years	3-5 Years	More than 5 Years
Obligations under TRA	\$ 919	\$ —	\$ 124	\$ 103	\$ 692

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### *Indemnifications and Warranties*

The Company generally indemnifies its clients, subject to certain limitations and exceptions, against damages and costs resulting from claims of patent, copyright, or trademark infringement associated solely with its customers' use of the Company's software applications or services. Historically, the Company has not made any material payments under such indemnifications but continues to monitor the conditions that are subject to the indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses when they are estimable. In addition, the Company warrants to customers that its software operates substantially in accordance with the software specifications. Historically, no material costs have been incurred related to software warranties and no accruals for warranty costs have been made.

## **(11) Related Party Transactions**

### *Cardinal Holdings*

FIS holds a 38% ownership stake in Cardinal Holdings, L.P. ("Cardinal") as of September 30, 2019 and December 31, 2018. The ownership stake in Cardinal is recorded as an equity method investment included within Other noncurrent assets on the Condensed Consolidated Balance Sheets (Unaudited). The carrying value of this equity method investment as of September 30, 2019 and December 31, 2018 was \$130 million and \$151 million, respectively.

On July 31, 2017, upon closing on the sale of the Capco consulting business and risk and compliance consulting business, FIS and Cardinal entered into a short-term Transition Services Agreement ("TSA"), whereby FIS provided various agreed upon services to Cardinal in 2018. FIS provides ongoing management consulting services and other services to Cardinal. Amounts transacted through these agreements were not significant to the 2019 and 2018 periods presented.

### *Brazilian Venture*

The Company owned a 51% controlling interest in the Brazilian Venture that it operated with Banco Bradesco through December 31, 2018 and provided comprehensive, fully-outsourced transaction processing, call center, cardholder support and collection services to multiple card issuing clients in Brazil, including Banco Bradesco. FIS closed a transaction with Banco Bradesco on December 31, 2018 to unwind the Brazilian Venture pursuant to an agreement entered into September 28, 2018. In the third quarter of 2018, FIS incurred impairment charges of \$95 million related to the disposal, including impairments of its contract intangible asset, goodwill, and its assets held for sale, which were written-down to fair value less cost to sell (see Note 5). The impairment charges were included in the Corporate and Other segment results. As a result of the disposal, Banco Bradesco was a related party through December 31, 2018. The Company recorded related party revenue from Banco Bradesco of \$77 million and \$244 million during the three and nine months ended September 30, 2018.

The board of directors for the Brazilian Venture declared a dividend during the three months ended September 30, 2018, resulting in a payment to Banco Bradesco of \$23 million.

## **(12) Net Earnings per Share**

The basic weighted average shares and common stock equivalents for the three and nine months ended September 30, 2019 and 2018 were computed using the treasury stock method.

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The following table summarizes net earnings and net earnings per share attributable to FIS common stockholders for the three and nine months ended September 30, 2019 and 2018 (in millions, except per share amounts):

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net earnings attributable to FIS common stockholders	\$ 154	\$ 154	\$ 456	\$ 548
Weighted average shares outstanding — basic	516	328	388	329
Plus: Common stock equivalent shares	8	3	8	4
Weighted average shares outstanding — diluted	524	331	396	333
Net earnings per share — basic attributable to FIS common stockholders	\$ 0.30	\$ 0.47	\$ 1.18	\$ 1.67
Net earnings per share — diluted attributable to FIS common stockholders	\$ 0.29	\$ 0.47	\$ 1.15	\$ 1.65

Options to purchase approximately 0 million and 1 million shares of our common stock for the three months and 1 million and 1 million for the nine months ended September 30, 2019 and 2018, respectively, were not included in the computation of diluted earnings per share because they were anti-dilutive.

On July 20, 2017 our Board of Directors approved a plan authorizing repurchases of up to \$4.0 billion of our outstanding common stock in the open market at prevailing market prices or in privately negotiated transactions through December 31, 2020. This share repurchase authorization replaced any existing share repurchase authorization.

### **(13) Segment Information**

As a result of the Company's acquisition of Worldpay, the Company reorganized its reportable segments and recast all prior-period segment information presented to align with the new reportable segments. The new segments are Merchant Solutions, Banking Solutions, and Capital Market Solutions, which are organized based on the markets and clients served aligned with the solutions they provide, as well as the Corporate and Other segment. The reorganization primarily consisted of adding a new Merchant Solutions segment, renaming the former Integrated Financial Solutions segment to Banking Solutions and the former Global Financial Solutions segment to Capital Market Solutions, and moving certain of the Company's existing business lines to align with these new segments. Below is a summary of each segment.

#### *Merchant Solutions ("Merchant")*

The Merchant segment is focused on serving global merchants as well as merchants of all sizes enabling them to accept electronic payments, including credit, debit and prepaid payments originated at a physical point-of-sale as well as in card-not-present environments such as eCommerce and mobile. Merchant services include all aspects of payment processing, including authorization and settlement, customer service, chargeback and retrieval processing, reporting for electronic payment transactions and network fee and interchange management. Merchant also includes value-added services, such as security and fraud prevention solutions, advanced data analytics and information management solutions, foreign currency management and numerous funding options. Our Merchant clients are highly-diversified, including non-discretionary everyday spend categories, such as grocery and pharmacy, and include 13 of the U.S. top 25 national retailers by revenue in 2018, as well as global enterprises and small to medium sized businesses. The Merchant segment utilizes broad and varied distribution channels, including direct sales forces and multiple referral partner relationships that provide us with a growing and diverse client base.

#### *Banking Solutions ("Banking")*

The Banking segment is focused on serving global clients for transaction and account processing; payment solutions; digital channel solutions; lending and wealth and retirement solutions; risk, fraud management and compliance solutions; and services capitalizing on the continuing trend to outsource these solutions. Clients in this segment include global financial institutions, U.S. regional and community banks, credit unions and commercial lenders, as well as government institutions, and other commercial organizations. Banking serves clients in more than 130 countries around the world. Our applications include core processing software, which clients use to maintain the primary records of their customer accounts, and complementary

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applications and services that interact directly with the core processing applications. We provide our clients integrated solutions characterized by multi-year processing contracts that generate highly recurring revenue. The predictable nature of cash flows generated from the Banking segment provides opportunities for further investments in innovation, integration, information and security, and compliance in a cost-effective manner. The results in this segment included the Reliance Trust Company of Delaware business through its divestiture on December 31, 2018 and the Company's Brazilian Venture business through its divestiture as part of the joint venture unwinding transaction on December 31, 2018.

#### *Capital Market Solutions ("Capital Markets")*

The Capital Markets segment is focused on serving global financial services clients with a broad array of buy- and sell-side solutions. Clients in this segment operate in more than 50 countries around the world and include asset managers, buy-and sell-side securities, brokerage and trading firms, insurers, private equity firms, and other commercial organizations. Our buy- and sell-side solutions include a variety of mission critical applications for record keeping, data and analytics, trading, financing and risk management. Capital Markets' clients purchase our solutions and services in various ways including licensing and managing technology "in-house," using consulting and third-party service providers, as well as fully outsourced end-to-end solutions. We have long-established relationships with many of these financial and commercial institutions that generate significant recurring revenue. We have and continue to make investments in modern platforms; advanced technologies, such as cloud, open APIs, machine learning and artificial intelligence; and regulatory technology to support our Capital Markets clients.

#### *Corporate and Other*

The Corporate and Other segment consists of corporate overhead expense, certain leveraged functions and miscellaneous expenses that are not included in the operating segments. The overhead and leveraged costs relate to marketing, corporate finance and accounting, human resources, legal, and amortization of acquisition-related intangibles and other costs, such as acquisition and integration expenses, that are not considered when management evaluates revenue-generating segment performance. The Corporate and Other segment also included the Certegy Check Services business unit in North America until it was divested on August 31, 2018.

During the three and nine months ended September 30, 2019, the Company recorded acquisition and integration costs primarily related to the Worldpay transaction, and certain other costs including those associated with data center consolidation activities of \$25 million and \$50 million, respectively. During the three and nine months ended September 30, 2018, the Company recorded acquisition, integration and certain other costs primarily related to the SunGard acquisition of \$16 million and \$122 million, respectively.

#### *Adjusted EBITDA*

This measure is reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. For this reason, Adjusted EBITDA, as it relates to our segments, is presented in conformity with FASB ASC Topic 280, *Segment Reporting*. Adjusted EBITDA is defined as EBITDA (defined as net earnings (loss) before net interest expense, income tax provision (benefit) and depreciation and amortization) plus certain non-operating items. The non-operating items affecting the segment profit measure generally include acquisition accounting adjustments and acquisition, integration and certain other costs. For consolidated reporting purposes, these costs and adjustments are recorded in the Corporate and Other segment for the periods discussed below. Adjusted EBITDA for the respective segments excludes the foregoing costs and adjustments.

Summarized financial information for the Company's segments is shown in the following tables. The Company does not evaluate performance or allocate resources based on segment asset data; therefore, such information is not presented.

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As of and for the three months ended September 30, 2019 (in millions):

	Merchant Solutions	Banking Solutions	Capital Market Solutions	Corporate and Other	Total
Revenue	\$ 720	\$ 1,491	\$ 611	\$ —	\$ 2,822
Operating expenses	393	982	388	919	2,682
Depreciation and amortization (including purchase accounting amortization)	44	132	57	519	752
EBITDA	371	641	280	(400)	892
Acquisition, integration and other costs	—	—	—	213	213
Asset impairments	—	—	—	87	87
Adjusted EBITDA	<u>\$ 371</u>	<u>\$ 641</u>	<u>\$ 280</u>	<u>\$ (100)</u>	<u>\$ 1,192</u>
EBITDA					\$ 892
Interest expense, net					95
Depreciation and amortization					206
Purchase accounting amortization					546
Other income (expense) unallocated					159
Provision (benefit) for income taxes					48
Net earnings attributable to noncontrolling interest					2
Net earnings attributable to FIS common stockholders					<u>\$ 154</u>
Capital expenditures (1)	<u>\$ 47</u>	<u>\$ 157</u>	<u>\$ 59</u>	<u>\$ 20</u>	<u>\$ 283</u>

(1) Capital expenditures for the three months ended September 30, 2019 include \$24 million in other financing obligations for certain hardware and software.

As of and for the three months ended September 30, 2018 (in millions):

	Merchant Solutions	Banking Solutions	Capital Market Solutions	Corporate and Other	Total
Revenue	\$ 50	\$ 1,433	\$ 589	\$ 12	\$ 2,084
Operating expenses	43	980	354	365	1,742
Depreciation and amortization (including purchase accounting amortization)	3	124	39	188	354
EBITDA	10	577	274	(165)	696
Acquisition deferred revenue adjustment	—	—	—	1	1
Acquisition, integration and other costs	—	—	—	16	16
Asset impairments	—	—	—	95	95
Adjusted EBITDA	<u>\$ 10</u>	<u>\$ 577</u>	<u>\$ 274</u>	<u>\$ (53)</u>	<u>\$ 808</u>
EBITDA					\$ 696
Interest expense, net					80
Depreciation and amortization					173
Purchase accounting amortization					181
Other income (expense) unallocated					(62)
Provision (benefit) for income taxes					37
Net earnings attributable to noncontrolling interest					9
Net earnings attributable to FIS common stockholders					<u>\$ 154</u>
Capital expenditures	<u>\$ 3</u>	<u>\$ 99</u>	<u>\$ 46</u>	<u>\$ 1</u>	<u>\$ 149</u>

(1) Capital expenditures for the three months ended September 30, 2018 include \$1 million in other financing obligations for certain hardware and software.

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As of and for the nine months ended September 30, 2019 (in millions):

	Merchant Solutions	Banking Solutions	Capital Market Solutions	Corporate and Other	Total
Revenue	\$ 896	\$ 4,317	\$ 1,778	\$ —	\$ 6,991
Operating expenses	536	2,938	1,149	1,522	6,145
Depreciation and amortization (including purchase accounting amortization)	50	393	161	884	1,488
EBITDA	410	1,772	790	(638)	2,334
Acquisition, integration and other costs	—	—	—	293	293
Asset impairments	—	—	—	87	87
Adjusted EBITDA	<u>\$ 410</u>	<u>\$ 1,772</u>	<u>\$ 790</u>	<u>\$ (258)</u>	<u>\$ 2,714</u>
EBITDA					\$ 2,334
Interest expense, net					242
Depreciation and amortization					594
Purchase accounting amortization					894
Other income (expense) unallocated					(26)
Provision (benefit) for income taxes					119
Net earnings attributable to noncontrolling interest					3
Net earnings attributable to FIS common stockholders					<u>\$ 456</u>
Capital expenditures (1)	<u>\$ 52</u>	<u>\$ 360</u>	<u>\$ 167</u>	<u>\$ 24</u>	<u>\$ 603</u>

(1) Capital expenditures for the nine months ended September 30, 2019 include \$59 million in other financing obligations for certain hardware and software.

As of and for the nine months ended September 30, 2018 (in millions):

	Merchant Solutions	Banking Solutions	Capital Market Solutions	Corporate and Other	Total
Revenue	\$ 205	\$ 4,238	\$ 1,770	\$ 43	\$ 6,256
Operating expenses	173	2,956	1,126	1,012	5,267
Depreciation and amortization (including purchase accounting amortization)	8	364	117	571	1,060
EBITDA	40	1,646	761	(398)	2,049
Acquisition deferred revenue adjustment	—	—	—	4	4
Acquisition, integration and other costs	—	—	—	122	122
Asset impairments	—	—	—	95	95
Adjusted EBITDA	<u>\$ 40</u>	<u>\$ 1,646</u>	<u>\$ 761</u>	<u>\$ (177)</u>	<u>\$ 2,270</u>
EBITDA					\$ 2,049
Interest expense, net					225
Depreciation and amortization					511
Purchase accounting amortization					549
Other income (expense) unallocated					(71)
Provision (benefit) for income taxes					122
Net earnings attributable to noncontrolling interest					23
Net earnings attributable to FIS common stockholders					<u>\$ 548</u>
Capital expenditures	<u>\$ 8</u>	<u>\$ 311</u>	<u>\$ 142</u>	<u>\$ 4</u>	<u>\$ 465</u>

(1) Capital expenditures for the nine months ended September 30, 2018 include \$1 million in other financing obligations for certain hardware and software.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless stated otherwise or the context otherwise requires, all references to "FIS," "we," the "Company" or the "registrant" are to Fidelity National Information Services, Inc., a Georgia corporation, and its subsidiaries.

The following discussion should be read in conjunction with **Item 1: Condensed Consolidated Financial Statements (Unaudited)** and the Notes thereto included elsewhere in this report. The statements contained in this Form 10-Q or in our other documents or in oral presentations or other statements made by our management that are not purely historical are forward-looking statements within the meaning of the U.S. federal securities laws. Statements that are not historical facts, including statements about anticipated financial outcomes, including any earnings guidance of the Company, business and market conditions, outlook, foreign currency exchange rates, expected dividends and share repurchases, the Company's sales pipeline and anticipated profitability and growth, as well as other statements about our expectations, beliefs, intentions, or strategies regarding the future are forward-looking statements. These statements relate to future events and our future results and involve a number of risks and uncertainties. Forward-looking statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. Any statements that refer to beliefs, expectations, projections or other characterizations of future events or circumstances and other statements that are not historical facts are forward-looking statements. In many cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," or "continue," or the negative of these terms and other comparable terminology.

Actual results, performance or achievement could differ materially from those contained in these forward-looking statements. The risks and uncertainties that forward-looking statements are subject to include the following, without limitation:

- the risk that the Worldpay transaction will not provide the expected benefits, or that we will not be able to achieve the cost or revenue synergies anticipated;
- the risk that the integration of FIS and Worldpay will be more difficult, time-consuming or expensive than anticipated;
- the risk of customer loss or other business disruption in connection with the Worldpay transaction, or of the loss of key employees;
- the fact that unforeseen liabilities of FIS or Worldpay may exist;
- the risk that acquired businesses will not be integrated successfully, or that the integration will be more costly or more time-consuming and complex than anticipated;
- the risk that cost savings and other synergies anticipated to be realized from acquisitions may not be fully realized or may take longer to realize than expected;
- the risks of doing business internationally;
- changes in general economic, business and political conditions, including the possibility of intensified international hostilities, acts of terrorism, changes in either or both the United States and international lending, capital and financial markets and currency fluctuations;
- the effect of legislative initiatives or proposals, statutory changes, governmental or other applicable regulations and/or changes in industry requirements, including privacy and cybersecurity laws and regulations;
- the risks of reduction in revenue from the elimination of existing and potential customers due to consolidation in, or new laws or regulations affecting, the banking, retail and financial services industries or due to financial failures or other setbacks suffered by firms in those industries;
- changes in the growth rates of the markets for our solutions;
- failures to adapt our solutions to changes in technology or in the marketplace;
- internal or external security breaches of our systems, including those relating to unauthorized access, theft, corruption or loss of personal information and computer viruses and other malware affecting our software or platforms, and the reactions of customers, card associations, government regulators and others to any such events;
- the risk that implementation of software (including software updates) for customers or at customer locations or employee error in monitoring our software and platforms may result in the corruption or loss of data or customer information, interruption of business operations, outages, exposure to liability claims or loss of customers;
- the reaction of current and potential customers to communications from us or regulators regarding information security, risk management, internal audit or other matters;
- competitive pressures on pricing related to the decreasing number of community banks in the U.S., the development of new disruptive technologies competing with one or more of our solutions, increasing presence of international competitors in the U.S. market and the entry into the market by global banks and global companies with respect to certain competitive solutions, each of which may have the impact of unbundling individual solutions from a comprehensive suite of solutions we provide to many of our customers;

- the failure to innovate in order to keep up with new emerging technologies, which could impact our solutions and our ability to attract new, or retain existing, customers;
- the failure to meet financial goals to grow the business in Brazil after the unwinding of the Brazilian Venture;
- the risks of reduction in revenue from the loss of existing and/or potential customers in Brazil after the unwinding of the Brazilian Venture;
- an operational or natural disaster at one of our major operations centers;
- failure to comply with applicable requirements of payment networks or card schemes or changes in those requirements;
- fraud by merchants or bad actors; and
- other risks detailed in this document under Part II Item 1A. Risk Factors, and in the Risk Factors and other sections of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, in our Quarterly Reports on Form 10-Q and in our other filings with the Securities and Exchange Commission.

Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition, results of operations and prospects. Accordingly, readers should not place undue reliance on these forward-looking statements. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Except as required by applicable law or regulation, we do not undertake (and expressly disclaim) any obligation and do not intend to publicly update or review any of these forward-looking statements, whether as a result of new information, future events or otherwise. You should carefully consider the possibility that actual results may differ materially from our forward-looking statements.

## Overview

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our 55,000 people are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of the Standard & Poor's 500® Index.

We have grown organically, as well as through acquisitions, which have contributed critical applications and services that complement or enhance our existing offerings, diversifying our revenue by customer, geography and service offering. We evaluate possible acquisitions that might contribute to our growth or performance on an ongoing basis.

On July 31, 2019, FIS completed the previously announced acquisition of Worldpay. See Note 3 to the Notes to Condensed Consolidated Financial Statements (Unaudited) for additional discussion. Through its acquisition of Worldpay, FIS is now a global leader in financial technology, solutions and services for merchants, as well as banks and capital markets. The Worldpay acquisition brings an integrated technology platform with a comprehensive suite of products and services serving merchants and financial institutions. In 2018, Worldpay processed over 40 billion transactions, supporting more than 300 payment types across 146 countries and 126 currencies. Through the Worldpay transaction, FIS has enhanced global payment capabilities, robust risk and fraud solutions and advanced data analytics.

As a result of the Company's acquisition of Worldpay, the Company reorganized its reportable segments and recast all prior-period segment information presented to align with the new reportable segments. The new segments are Merchant Solutions ("Merchant"), Banking Solutions ("Banking"), and Capital Market Solutions ("Capital Markets"), which are organized based on the markets and clients served aligned with the solutions they provide, as well as the Corporate and Other segment. A description of these segments is included in Note 13 to the Notes to Condensed Consolidated Financial Statements (Unaudited). Revenue by segment and the adjusted EBITDA of our segments are discussed below in Segment Results of Operations.

## Business Trends and Conditions

Our revenue is primarily derived from a combination of recurring technology and processing services, payment transaction fees, professional services and software license fees. The majority of our revenue has historically been recurring, and has been provided under multi-year contracts that contribute relative stability to our revenue stream. These services, in general, are considered critical to our clients' operations. A considerable portion of our recurring revenue is derived from transaction processing fees that fluctuate with the level of accounts and card transactions, among other variable measures, associated with consumer, commercial and capital markets activity. Professional services revenue is typically non-recurring, and sales of software licenses are less predictable.

We continue to assist financial institutions in migrating to outsourced integrated technology solutions to improve their profitability and address increasing and ongoing regulatory requirements. As a provider of outsourcing solutions, we benefit from multi-year recurring revenue streams, which help moderate the effects of broader year-to-year economic and market changes that otherwise might have a larger impact on our results of operations. We believe our integrated solutions and outsourced services are well positioned to address this outsourcing trend across the markets we serve.

Over the last three years, we have moved approximately 50% of our server compute to our FIS cloud located in our strategic data centers, and our goal is to increase that percentage to 65% by the end of 2019 and approximately 80% by the end of 2021. This allows us to further enhance security for our clients' data and increases the flexibility and speed with which we can provide services and solutions to our clients, eventually at lesser cost. Concurrently, we have continued to consolidate our data centers, closing 10 additional data centers in 2018. Our consolidation has generated a savings for the Company as of year-end 2018 exceeding \$100 million in run rate annual expense reduction since the program's inception in mid-2016. We plan to close and consolidate approximately 20 more data centers by 2021, which should result in additional run rate annual expense reduction of approximately \$150 million.

We continue to invest in modernization, innovation and integrated solutions and services in order to meet the demands of the markets we serve and compete with global banks, international providers, and disruptive technology innovators. We invest both organically and through investment opportunities in companies building complementary technologies in the financial services space. Our internal efforts in research and development activities have related primarily to the modernization of our proprietary core systems, design and development of next generation digital and innovative solutions and development of processing systems and related software applications and risk management platforms. We have increased our investments in these areas in each of the last three years. We expect to continue our practice of investing an appropriate level of resources to maintain, enhance and extend the functionality of our proprietary systems and existing software applications, to develop new and innovative software applications and systems to address emerging technology trends in response to the needs of our clients and to enhance the capabilities of our outsourcing infrastructure.

Consumer preference continues to shift from traditional branch banking services to digital banking solutions, and our clients seek to provide a single integrated banking experience through their branch, mobile, internet and voice banking channels. We have been providing our large regional banking customers in the U.S. with Digital One, an integrated digital banking platform, and are now adding functionality and offering Digital One to our community bank clients to provide a consistent, omnichannel experience for consumers of banking services across self-service channels like mobile banking and online banking, as well as supporting channels for bank staff operating in bank branches and contact centers. The uniform customer experience will extend to support a broad range of financial services including opening new accounts, servicing of existing accounts, providing money movement services, and personal financial management, as well as other consumer, small business and commercial banking capabilities. Digital One will be integrated into and will extend the core banking platforms offered by FIS and will also be offered to customers of non-FIS core banking systems.

We continue to see demand for innovative solutions in the payments market that will deliver faster, more convenient payment solutions in mobile channels, internet applications and cards. Our acquisition of Worldpay will help position us to capitalize on this demand.

We anticipate consolidation within the banking industry will continue, primarily in the form of merger and acquisition activity among financial institutions, which we believe as a whole is detrimental to the financial technology industry. However, consolidation resulting from specific merger and acquisition transactions may be beneficial to our business. When consolidations of financial institutions occur, merger partners often operate systems obtained from competing service providers. The newly formed entity generally makes a determination to migrate its core and payments systems to a single platform. When a financial institution processing client is involved in a consolidation, we may benefit by their expanding the use of our services if such services are chosen to survive the consolidation and support the newly combined entity. Conversely, we may lose revenue if we are providing services to both entities, or if a client of ours is involved in a consolidation and our services are not chosen to survive the consolidation and support the newly combined entity. It is also possible that larger financial institutions resulting from consolidation may have greater leverage in negotiating terms or could decide to perform in-house some or all of the services that we currently provide or could provide. We seek to mitigate the risks of consolidations by offering other competitive services to take advantage of specific opportunities at the surviving company.

In certain of the international markets in which we do business, we continue to experience growth on a constant currency basis. Demand for our solutions may also continue to be driven in developing countries by government-led financial inclusion policies aiming to reduce the unbanked population and by growth in the middle classes in these markets driving the need for more sophisticated banking solutions. The majority of our international revenue is generated by clients in the United Kingdom, Germany, Brazil, Australia, India and Canada. For the full year of 2019, we anticipate an approximate \$78 million adverse

impact to revenue due to foreign currency translation, although the actual amount of impact is uncertain due to the many factors that affect exchange rates.

As a result of the Worldpay acquisition, FIS is now a global leader in the payments industry, with differentiated solutions throughout the payments market, including capabilities in global eCommerce, U.S. integrated payments, and enterprise payments and data security solutions in business-to-business (“B2B”) payments. These solutions bring together advanced payments technologies at each stage of the transaction life cycle.

The payment processing industry is adopting new technologies, developing new products and services, evolving new business models and being affected by new market entrants and an evolving regulatory environment. As merchants and financial institutions respond to these changes by seeking services to help them enhance their own offerings to consumers, including the ability to accept card-not-present (“CNP”) payments in eCommerce and mobile environments as well as contactless cards and mobile wallets at the point-of-sale, FIS believes that payment processors will seek to develop additional capabilities in order to serve clients’ evolving needs. In order to facilitate this expansion, we believe that payment processors will need to enhance their technology platforms so they can deliver these capabilities and differentiate their offerings from other providers.

We believe that these market changes present both an opportunity and a risk for us, and we cannot predict which emerging technologies or solutions will be successful. However, FIS believes that payment processors, like FIS, that have scalable, integrated business models, provide solutions across the payment processing value chain and utilize broad distribution capabilities will be best positioned to enable emerging alternative electronic payment technologies. Further, FIS believes that its depth of capabilities and breadth of distribution will enhance its position as emerging payment technologies are adopted by merchants and other businesses. FIS’ ability to partner with non-financial institution enterprises, such as mobile payment providers, internet, retail and social media companies, could create attractive growth opportunities as these new entrants seek to become more active participants in the development of alternative electronic payment technologies and to facilitate the convergence of retail, online, mobile and social commerce applications.

On December 31, 2018, FIS closed the transaction we previously announced to unwind the Brazilian Venture with Banco Bradesco. Under this agreement, the Brazilian Venture spun-off certain assets of the business that also provide services to non-Bradesco clients to a new wholly-owned FIS subsidiary. This subsidiary entered into a long-term commercial agreement to provide current and new services to Banco Bradesco effective January 1, 2019 that include software licensing, maintenance, application management, card portfolio migration, business process outsourcing, fraud management and professional services. As a result of the transaction, Banco Bradesco owns 100% of the entity that previously housed the Brazilian Venture and its remaining assets that relate to card processing for Banco Bradesco, which Banco Bradesco will perform internally. The transaction is expected to result in an annualized reduction in FIS’ reported revenue of approximately \$225 million. In addition, it resulted in impairment charges of \$95 million in the third quarter of 2018.

Globally, attacks on information technology systems continue to grow in frequency, complexity and sophistication. This is a trend we expect to continue. Such attacks have become a point of focus for individuals, businesses and governmental entities. The objectives of these attacks include, among other things, gaining unauthorized access to systems to facilitate financial fraud, disrupt operations, cause denial of service events, corrupt data, and steal non-public information. These circumstances present both a threat and an opportunity for FIS. As part of our business, we electronically receive, process, store and transmit a wide range of confidential information, including sensitive customer information and personal consumer data. We also operate payment, cash access and prepaid card systems.

FIS remains focused on making strategic investments in information security to protect our clients and our information systems. This includes both capital expenditures and operating expense on hardware, software, personnel and consulting services. We also participate in industry and governmental initiatives to improve information security for our clients. Through the expertise we have gained with this ongoing focus and involvement, we have developed fraud, security, risk management and compliance solutions to target this growth opportunity in the financial services industry.

### **Critical Accounting Policies**

There have been no significant changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

## Transactions with Related Parties

See Note 11 of the Notes to Condensed Consolidated Financial Statements (Unaudited) for a detailed description of transactions with related parties.

## Consolidated Results of Operations (Unaudited) (in millions, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 2,822	\$ 2,084	\$ 6,991	\$ 6,256
Cost of revenue	1,838	1,364	4,623	4,192
Gross profit	984	720	2,368	2,064
Selling, general and administrative expenses	757	283	1,435	980
Asset impairments	87	95	87	95
Operating income	140	342	846	989
Other income (expense):				
Interest expense, net	(95)	(80)	(242)	(225)
Other income (expense), net	164	(58)	(8)	(60)
Total other income (expense), net	69	(138)	(250)	(285)
Earnings before income taxes and equity method investment earnings (loss)	209	204	596	704
Provision (benefit) for income taxes	48	37	119	122
Equity method investment earnings (loss)	(5)	(4)	(18)	(11)
Net earnings	156	163	459	571
Net (earnings) loss attributable to noncontrolling interest	(2)	(9)	(3)	(23)
Net earnings attributable to FIS common stockholders	\$ 154	\$ 154	\$ 456	\$ 548
Net earnings per share — basic attributable to FIS common stockholders	\$ 0.30	\$ 0.47	\$ 1.18	\$ 1.67
Weighted average shares outstanding — basic	516	328	388	329
Net earnings per share — diluted attributable to FIS common stockholders	\$ 0.29	\$ 0.47	\$ 1.15	\$ 1.65
Weighted average shares outstanding — diluted	524	331	396	333

## Comparisons of three-month and nine-month periods ended September 30, 2019 and 2018

### Revenue

Revenue increased \$738 million, or 35.4%, during the three-month period, primarily due to (1) incremental revenues from the Worldpay acquisition; (2) growth in Banking driven by license and professional services; and (3) growth in Capital Markets driven by processing and services. These increases were offset by (1) the unwinding of the Brazilian Venture; (2) the reduction in revenue from the sale of the Certegy Check Services business unit in North America during the third quarter of 2018; (3) the reduction in revenue from the sale of Reliance Trust Company of Delaware during the fourth quarter of 2018; and (4) unfavorable foreign currency impact of \$19 million primarily driven by a stronger U.S. Dollar versus the British Pound Sterling and Euro.

Revenue increased \$735 million, or 11.7%, during the nine-month period, primarily due to (1) incremental revenues from the Worldpay acquisition; these increases were partially offset by (1) the unwinding of the Brazilian Venture; (2) the reduction in revenue from the sale of the Certegy Check Services business unit in North America during the third quarter of 2018; (3) the reduction in revenue from the sale of Reliance Trust Company of Delaware during the fourth quarter of 2018; and (4)

unfavorable foreign currency impact of \$63 million primarily driven by a stronger U.S. Dollar versus the British Pound Sterling, Euro and Brazilian Real.

See “Segment Results of Operations (Unaudited)” below for more detailed explanation.

### ***Cost of Revenue and Gross Profit***

Cost of revenue increased \$474 million or 34.8% for the three-month period of 2019 as compared to 2018 resulting in a gross profit increase of \$264 million or 36.7%. Gross profit as a percentage of revenue was 34.9% and 34.5% during the three-month periods ended September 30, 2019 and 2018, respectively. The increase in gross profit during the 2019 period as compared to 2018 primarily resulted from the revenue variances noted above. The increase in gross profit percentage during the 2019 period as compared to 2018 primarily resulted from higher margin revenue from the Worldpay acquisition, partially offset by higher acquired intangible asset amortization expense.

Cost of revenue increased \$431 million or 10.3% for the nine-month period of 2019 as compared to 2018 resulting in a gross profit increase of \$304 million or 14.7%. Gross profit as a percentage of revenue was 33.9% and 33.0% during the nine-month periods ended September 30, 2019 and 2018, respectively. The increase in gross profit during the 2019 period as compared to 2018 primarily resulted from the revenue variances noted above. The increase in gross profit percentage during the 2019 period as compared to 2018 primarily resulted from higher margin revenue from the Worldpay acquisition, partially offset by higher acquired intangible asset amortization expense.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses increased \$474 million or 167.5% for the three-month period of 2019 as compared to 2018. The year-over-year increase was primarily driven by (1) incremental Worldpay corporate and infrastructure expenses and (2) higher acquisition, integration and other costs. These increases were partially offset by (1) the sale of Reliance Trust Company of Delaware during the fourth quarter of 2018 and (2) the sale of the Certegy Check Services business unit in North America during the third quarter of 2018.

Selling, general and administrative expenses increased \$455 million or 46.4% for the nine-month period of 2019 as compared to 2018. The year-over-year increase was primarily driven by (1) incremental Worldpay corporate and infrastructure expenses; (2) higher acquisition, integration and other costs; and (3) increased health care and other benefit plan expenses. These increases were partially offset by (1) the sale of Reliance Trust Company of Delaware during the fourth quarter of 2018 and (2) the sale of the Certegy Check Services business unit in North America during the third quarter of 2018.

### ***Asset Impairments***

During the three months ended September 30, 2019, the Company recorded pre-tax asset impairments totaling \$87 million, primarily related to certain computer software resulting from the Company's net realizable value analysis.

During September 2018, as a result of entering into an agreement to unwind the Brazilian Venture that the Company operated with Banco Bradesco, the Company recorded pre-tax asset impairments totaling \$95 million, including \$42 million for the Brazilian Venture contract intangible asset, \$25 million for goodwill, and \$28 million for the assets being held for sale that were transferred to Banco Bradesco upon closing of the agreement (see Note 11 of the Notes to Condensed Consolidated Financial Statements (Unaudited)).

### ***Operating Income***

Operating income decreased \$202 million or 59.1%, for the three-month period and \$143 million or 14.5% for the nine-month period of 2019 as compared to 2018, respectively. Operating income as a percentage of revenue (“operating margin”) was 5.0% and 16.4% for the three-month periods and 12.1% and 15.8% for the nine-month periods ended September 30, 2019 and 2018, respectively. The changes in operating income for the three-month and nine-month periods of 2019 as compared to 2018 and the change in operating margin during the 2019 periods as compared to 2018 resulted from the revenue and cost variances noted above.

### ***Total Other Income (Expense), Net***

Interest expense is typically the primary component of total other income (expense); however, during the three-month and nine-month periods ended September 30, 2019, other income (expense) was also a significant component.

The increase of \$15 million in interest expense, net during the three-month period ended September 30, 2019 as compared to the 2018 period is primarily due to higher outstanding debt, partially offset by lower weighted-average interest rate on the outstanding debt and an increase in interest income on the proceeds from the Worldpay acquisition-related debt issuances prior to closing. The increase of \$17 million in interest expense, net during the nine-month period ended September 30, 2019 as compared to the 2018 period is primarily due to higher outstanding debt, partially offset by lower weighted-average interest rate on the outstanding debt and increased interest income on the proceeds from the Worldpay acquisition-related debt issuances prior to closing.

Other income (expense), net increased \$222 million and \$52 million during the three-month and nine-month periods ended September 30, 2019 as compared to the 2018 periods, respectively. Other income (expense), net for the three and nine months ended September 30, 2019 includes the non-cash foreign currency impact of non-hedged Euro- and Pound Sterling-denominated notes issued to finance the Worldpay acquisition, during the period from the date of issue of the notes to the date of the acquisition. Other income (expense), net for the three and nine months ended September 30, 2018 includes a pre-tax loss of \$54 million on the sale of the Certegy Check Services business unit in North America.

#### ***Provision (Benefit) for Income Taxes***

Income tax expense totaled \$48 million and \$37 million during the three-month periods and \$119 million and \$122 million during the nine-month periods ended September 30, 2019 and 2018, resulting in effective tax rates of 23.0% and 18.1% for the three-month periods and 20.0% and 17.3% for the nine-month periods, respectively. The 2019 effective tax rates includes less stock compensation benefit than in 2018.

#### ***Equity Method Investment Earnings (Loss)***

FIS holds a 38% ownership stake in Cardinal, as further described in Note 11 of the Notes to Condensed Consolidated Financial Statements (Unaudited). As a result, we recorded equity method investment losses of \$5 million and \$4 million during the three-month periods and \$18 million and \$11 million during the nine-month periods ended September 30, 2019 and 2018, respectively.

#### ***Net (Earnings) Loss Attributable to Noncontrolling Interest***

Net (earnings) loss attributable to noncontrolling interest predominantly related to the joint venture in Brazil that was unwound on December 31, 2018 and totaled \$(2) million and \$(9) million for the three months and \$(3) million and \$(23) million during the nine months ended September 30, 2019 and 2018, respectively.

#### ***Net Earnings Attributable to FIS Common Stockholders***

Net earnings attributable to FIS common stockholders totaled \$154 million and \$154 million resulting in earnings per diluted share of \$0.29 and \$0.47 for the three-month periods ended September 30, 2019 and 2018, respectively, and \$456 million and \$548 million resulting in earnings per diluted share of \$1.15 and \$1.65 for the nine-month periods ended September 30, 2019 and 2018, respectively. These results reflect the variances described above.

#### ***Segment Results of Operations (Unaudited)***

Adjusted EBITDA is defined as EBITDA (defined as net earnings (loss) before net interest expense, income tax provision (benefit) and depreciation and amortization) plus certain non-operating items. This measure is reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. For this reason, Adjusted EBITDA, as it relates to our segments, is presented in conformity with FASB ASC Topic 280, *Segment Reporting*. The non-operating items affecting the segment profit measure generally include acquisition accounting adjustments and acquisition, integration and certain other costs. For consolidated reporting purposes, these costs and adjustments are recorded in the Corporate and Other segment for the periods discussed below. Adjusted EBITDA for the respective segments excludes the foregoing costs and adjustments. Financial information, including details of our adjustments to EBITDA, for each of our segments is set forth in Note 13 to the Condensed Consolidated Financial Statements (Unaudited) included in Part I of this Quarterly Report.

As a result of the Company's acquisition of Worldpay, the Company reorganized its reportable segments and recast all prior-period segment information presented to align with the new reportable segments. The new segments are Merchant Solutions, Banking Solutions, and Capital Market Solutions, which are organized based on the markets and clients served

aligned with the solutions they provide, as well as the Corporate and Other segment. A description of these segments is included in Note 13 to the Notes to Condensed Consolidated Financial Statements (Unaudited). Revenue by segment and the adjusted EBITDA of our segments are discussed below in Segment Results of Operations.

### Merchant Solutions

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(In millions)		(In millions)	
Revenue	\$ 720	\$ 50	\$ 896	\$ 205
Adjusted EBITDA	\$ 371	\$ 10	\$ 410	\$ 40

#### Three months ended September 30:

Revenue increased \$670 million, due to incremental revenues from the Worldpay acquisition totaling \$680 million, partially offset by unfavorable foreign currency impact of \$9 million primarily driven by a stronger U.S. Dollar versus the British Pound Sterling.

Adjusted EBITDA increased \$361 million, and adjusted EBITDA margin increased to 51.5% primarily resulting from higher margin revenue from the Worldpay acquisition.

#### Nine months ended September 30:

Revenue increased \$691 million, due to incremental revenues from the Worldpay acquisition totaling \$680 million and heritage FIS merchant solutions growth of \$24 million, partially offset by unfavorable foreign currency impact of \$11 million primarily driven by a stronger U.S. Dollar versus the British Pound Sterling.

Adjusted EBITDA increased \$370 million, and adjusted EBITDA margin increased to 45.8% primarily resulting from higher margin revenue from the Worldpay acquisition.

### Banking Solutions

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(In millions)		(In millions)	
Revenue	\$ 1,491	\$ 1,433	\$ 4,317	\$ 4,238
Adjusted EBITDA	\$ 641	\$ 577	\$ 1,772	\$ 1,646

#### Three months ended September 30:

Revenue increased \$58 million, or 4.0%, due to (1) incremental revenues from the Worldpay acquisition contributing 4.6%; (2) license and professional services growth contributing 2.9%, driven in part by the wealth and retirement business; and (3) the remaining revenue contributed 1.1% to growth due in part to strong network, digital payments and back office volumes as well as growth in card production. These increases were partially offset by (1) the reduction in revenue from the unwinding of the Brazilian Venture contributing (3.6%) and (2) the sale of Reliance Trust Company of Delaware business contributing (0.5%). Banking Solutions had an unfavorable foreign currency impact contributing (0.3%), or approximately \$5 million, to growth primarily driven by a stronger U.S. Dollar versus the British Pound Sterling and Euro.

Adjusted EBITDA increased \$64 million, or 11.1%, primarily resulting from the revenue variances noted above. Adjusted EBITDA margin increased 270 basis points to 43.0% primarily resulting from positive revenue mix, the addition of the higher margin Worldpay revenue, and the unwinding of lower margin Bradesco revenue.

### Nine months ended September 30:

Revenue increased \$79 million, or 1.9%, due to (1) incremental revenues from the Worldpay acquisition contributing 1.6%; (2) professional services growth contributing 1.0%; (3) license sales contributed 0.5% to growth, driven in part by the wealth and retirement business; and (4) the remaining revenue contributed 2.7% due in part to strong network, digital payments and back office volumes as well as growth in the card production business. These items were partially offset by (1) the unwinding of the Brazilian Venture, offset in part by the new commercial agreement with Banco Bradesco and growth in Latin America payments, contributing (2.7%) and (2) the reduction in revenue from the sale of Reliance Trust Company of Delaware business contributing (0.6%). Banking Solutions had an unfavorable foreign currency impact contributing (0.8%), or approximately \$33 million, to growth primarily driven by a stronger U.S. Dollar versus the Brazilian Real, British Pound Sterling and Euro.

Adjusted EBITDA increased \$126 million, or 7.7%, primarily resulting from the revenue variances noted above. Adjusted EBITDA margin increased 220 basis points to 41.0% primarily resulting from positive revenue mix, the addition of higher margin Worldpay revenue, and the unwinding of lower margin Bradesco revenue.

### Capital Market Solutions

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	(In millions)		(In millions)	
Revenue	\$ 611	\$ 589	\$ 1,778	\$ 1,770
Adjusted EBITDA	\$ 280	\$ 274	\$ 790	\$ 761

### Three months ended September 30:

Revenue increased \$22.0 million, or 3.7%, primarily due to (1) growth in processing and services revenue contributing 3.1% driven in part by the insurance and transfer agency businesses; (2) license and software growth contributing 1.2% driven in part by strong demand in the corporate liquidity business and risk and compliance solutions; and (3) professional services growth contributing 0.3%. These items were partially offset by unfavorable foreign currency impact contributing (0.8%) or approximately \$5 million, primarily driven by a stronger U.S. Dollar versus the British Pound Sterling.

Adjusted EBITDA increased \$6 million, or 2.2%, due to the revenue impacts mentioned above. Adjusted EBITDA margin decreased 70 basis points to 45.8%, due to increased incentive compensation, partially offset by continued cost management.

### Nine months ended September 30:

Revenue increased \$8 million, or 0.5%, primarily due to (1) growth in processing and services revenue contributing 0.7%; (2) license and software growth contributing 0.6%; and (3) professional services growth contributing 0.3%. These items were partially offset by unfavorable foreign currency impact contributing (1.1%) or approximately \$19 million, primarily driven by a stronger U.S. Dollar versus the British Pound Sterling.

Adjusted EBITDA increased \$29 million, or 3.8%, and adjusted EBITDA margin increased 140 basis points to 44.4% due to continued cost management.

### Corporate and Other

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	(In millions)		(In millions)	
Revenue	\$ —	\$ 12	\$ —	\$ 43
Adjusted EBITDA	\$ (100)	\$ (53)	\$ (258)	\$ (177)

The Corporate and Other segment results consist of selling, general and administrative expenses and depreciation and intangible asset amortization not otherwise allocated to the reportable segments. Corporate and Other also includes operations from the Certegy Check Services business unit in North America until it was divested on August 31, 2018.

### **Three months ended September 30:**

Revenue decreased \$12 million, or 100.0%, due to the sale of the Certegy Check Services business unit in North America during the third quarter of 2018.

Adjusted EBITDA decreased \$47 million, or 88.7%, primarily due to incremental Worldpay corporate and infrastructure expenses.

### **Nine months ended September 30:**

Revenue decreased \$43 million, or 100.0%, due to the sale of the Certegy Check Services business unit in North America during the third quarter of 2018.

Adjusted EBITDA decreased \$81 million, or 45.8%, primarily due to incremental Worldpay corporate and infrastructure expenses and increased corporate health care and other benefit plan expenses.

## **Liquidity and Capital Resources**

### ***Cash Requirements***

Our ongoing cash requirements include operating expenses, income taxes, tax receivable obligations, mandatory debt service payments, capital expenditures, stockholder dividends, working capital and timing differences in settlement-related assets and liabilities, and may include discretionary debt repayments, share repurchases and business acquisitions. Our principal sources of funds are cash generated by operations and borrowings, including the capacity under our Revolving Credit Facility, the U.S. commercial paper program and the Euro-commercial paper program described in Note 7 of the Notes to Condensed Consolidated Financial Statements (Unaudited).

As of September 30, 2019, we had cash and cash equivalents of \$1.3 billion and debt of \$20.2 billion, including the current portion, net of capitalized debt issuance costs. Of the \$1.3 billion cash and cash equivalents, approximately \$475 million is held by our foreign entities. The majority of our domestic cash and cash equivalents at September 30, 2019, represents net deposits-in-transit at the balance sheet dates and relates to daily settlement activity.

We expect that cash and cash equivalents plus cash flows from operations over the next 12 months will be sufficient to fund our operating cash requirements, capital expenditures and mandatory debt service.

We currently expect to continue to pay quarterly dividends. However, the amount, declaration and payment of future dividends is at the discretion of our Board of Directors and depends on, among other things, our investment opportunities, results of operations, financial condition, cash requirements, future prospects, and other factors that may be considered relevant by our Board of Directors, including legal and contractual restrictions. Additionally, the payment of cash dividends may be limited by covenants in certain debt agreements. A regular quarterly dividend of \$0.35 per common share is payable on December 27, 2019 to shareholders of record as of the close of business on December 13, 2019.

On July 20, 2017, our Board of Directors approved a plan authorizing repurchases of up to \$4.0 billion of our outstanding common stock in the open market at prevailing market prices or in privately negotiated transactions through December 31, 2020. This share repurchase authorization replaced any existing share repurchase authorization. Approximately \$2.3 billion of plan capacity remained available for repurchases as of September 30, 2019. Management suspended share repurchases as a result of the Worldpay transaction.

### ***Cash Flows from Operations***

Cash flows from operations were \$1,741 million and \$1,288 million during the nine-month periods ended September 30, 2019 and 2018, respectively. Our net cash provided by operating activities consists primarily of net earnings, adjusted to add back depreciation and amortization. Cash flows from operations were \$453 million higher in the 2019 period primarily due to increased cash flow due to the Worldpay acquisition and timing of working capital, partially offset by transaction-related expenses.

### **Capital Expenditures and Other Investing Activities**

Our principal capital expenditures are for computer software (purchased and internally developed) and additions to property and equipment. We invested approximately \$544 million and \$464 million in capital expenditures (excluding other financing obligations for certain hardware and software) during the nine-month periods ended September 30, 2019 and 2018, respectively.

We used \$6,629 million of cash (net of cash acquired, including restricted cash) during the nine months ended September 30, 2019 for the Worldpay acquisitions. See Note 3 of the Notes to Condensed Consolidated Financial Statements (Unaudited).

### **Financing**

For more information regarding the Company's debt and financing activity see Note 7 of the Notes to Condensed Consolidated Financial Statements (Unaudited).

### **Contractual Obligations**

There were no material changes in our contractual obligations during the first nine months of 2019 in comparison to the table included in our Annual Report on Form 10-K as filed on February 21, 2019, except as disclosed in Notes 7, 9 and 10 of the Notes to Condensed Consolidated Financial Statements (Unaudited).

### **Off-Balance Sheet Arrangements**

FIS does not have any off-balance sheet arrangements.

### **Recent Accounting Pronouncements**

#### **Recently Adopted Accounting Guidance**

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; ASU No. 2018-11, *Targeted Improvements*; ASU No. 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*; and ASU No. 2019-1, *Leases (Topic 842): Codification Improvements* (collectively, the "new standard"). The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. Under the new standard, lessor accounting is largely unchanged.

The new standard is effective for public business entities on January 1, 2019, with early adoption permitted. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date (the "effective date method") or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. FIS adopted the new standard effective January 1, 2019 using the effective date method. Consequently, financial information was not updated and the disclosures required under the new standard were not provided for dates and periods before January 1, 2019.

The new standard provides several optional practical expedients in transition and for an entity's ongoing accounting. We elected the "package of practical expedients," which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We also elected the practical expedient not to separate lease and non-lease components. We did not elect the use-of-hindsight practical expedient nor the short-term lease recognition exemption.

The adoption of the new standard resulted in the recognition of operating lease ROU assets and lease liabilities on the Company's Condensed Consolidated Balance Sheet of \$442 million and \$446 million, respectively, on January 1, 2019. The standard did not impact our results of operations or cash flows. The Company's accounting for finance leases, which are immaterial, remained substantially unchanged.

On February 14, 2018 the FASB issued ASU No. 2018-02 ("ASU 2018-02"), *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income*. ASU 2018-02 allows companies to elect whether to reclassify from accumulated other comprehensive income to retained earnings the tax effects of items within accumulated other comprehensive income, referred to as stranded tax effects, resulting from the Tax Cuts and Jobs Act. FIS adopted ASU 2018-02 on January 1, 2019, and did not elect to reclassify the income tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. As a result, the adoption of this ASU did not have an impact on the Company's Consolidated Financial Statements.

#### **Recent Accounting Guidance Not Yet Adopted**

On June 16, 2016, the FASB issued ASU No. 2016-13 ("ASU 2016-13"), *Financial Instruments - Credit Losses (Topic 326): Measurements on Credit Losses of Financial Instruments*. This ASU was subsequently amended by ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses* (collectively, "Topic 326"). The primary objectives of Topic 326 are to implement new methodology for calculating credit losses on financial instruments (e.g., trade receivables) based on expected credit losses and to broaden the types of information companies must use when calculating the estimated losses. Under current guidance, the credit losses are calculated based on multiple credit impairment objectives and recognition is delayed until the loss is probable to occur. Under the new guidance, financial assets measured at amortized cost basis must be shown as the net amount expected to be collected. The credit loss allowance is a contra-valuation account. Available-for-sale securities should continue to be recognized in a similar manner to current GAAP; however, the allowance should be presented as an allowance instead of a write-down of the basis of the asset. For public business entities, the amendments are effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for any organization in any interim or annual period beginning after December 15, 2018. We do not plan to early adopt and expect that the new guidance will not have a material impact on our financial statement presentation, financial position, or results of operations.

On August 29, 2018, the FASB issued ASU No. 2018-15 ("ASU 2018-15"), *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU clarifies that implementation costs incurred by customers in cloud computing arrangements should be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customer in a software licensing arrangement under the internal-use software guidance. The provisions in ASU 2018-15 should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. For public business entities, ASU 2018-15 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted. We are currently assessing the impact the adoption of ASU 2018-15 will have on our financial position and results of operations.

### **Item 3. Quantitative and Qualitative Disclosure About Market Risks**

#### **Market Risk**

We are exposed to market risks primarily from changes in interest rates and foreign currency exchange rates. We periodically use certain derivative financial instruments, including interest rate swaps and foreign currency forward contracts, to manage interest rate and foreign currency risk. We do not use derivatives for trading purposes, to generate income or to engage in speculative activity.

#### **Interest Rate Risk**

In addition to existing cash balances and cash provided by operating activities, we use fixed-rate and variable-rate debt to finance our operations. We are exposed to interest rate risk on these debt obligations and related interest rate swaps.

The senior notes (as described in Note 7 of the Notes to Condensed Consolidated Financial Statements (Unaudited)) represent the majority of our fixed-rate long-term debt obligations as of September 30, 2019. The carrying value, excluding the fair value of the interest rate swap described below and unamortized discounts, of the senior notes was \$16.4 billion as of September 30, 2019. The fair value of the senior notes was approximately \$17.6 billion as of September 30, 2019. The potential reduction in fair value of the senior notes from a hypothetical 10 percent increase in market interest rates would not be material to the overall fair value of the debt.

Our floating rate risk principally relates to borrowings under our U.S. commercial paper program, Euro-commercial paper program, Revolving Credit Facility, Floating Rate Notes (as defined in Note 7 of the Notes to Condensed Consolidated Financial Statements (Unaudited)) and an interest rate swap on our fixed-rate long-term debt. At September 30, 2019, our

weighted-average cost of debt was 2.4% with a weighted-average maturity of 6.3 years; 77% of our debt was fixed-rate and the remaining 23% of our debt was floating-rate. A 100 basis point increase in the weighted-average interest rate on our floating rate debt would have increased our annual interest expense by \$47 million. We performed the foregoing sensitivity analysis based solely on the principal amount of our floating rate debt as of September 30, 2019. This sensitivity analysis does not take into account any changes that occurred in the prior 12 months or that may take place in the next 12 months in the amount of our outstanding debt. Further, this sensitivity analysis assumes the change in interest rates is applicable for an entire year. For comparison purposes, based on principal amounts of floating rate debt outstanding as of September 30, 2018, and calculated in the same manner as set forth above, an increase of 100 basis points in the weighted-average interest rate would have increased our annual interest expense by approximately \$6 million.

As of September 30, 2019, the following interest rate swap converting the interest rate exposure on our Senior Euro Notes due July 2024 from fixed to variable is outstanding (in millions):

Effective Date	Maturity Date	Notional	Bank pays fixed rate of	FIS pays variable rate of	
December 21, 2018	July 15, 2024	€ 500	1.100%	3-month Euribor + 0.878%	(1)

(1) 0.514% in effect as of September 30, 2019.

We designated the interest rate swap as a fair value hedge for accounting purposes as described in Note 8 of the Notes to Condensed Consolidated Financial Statements (Unaudited). A 100 basis point increase in the 3-month Euribor rate would increase our annual interest expense on this swap by approximately \$5 million.

### Foreign Currency Risk

We are exposed to foreign currency risks that arise from normal business operations. These risks include the translation of local currency balances of foreign subsidiaries, transaction gains and losses associated with intercompany loans with foreign subsidiaries and transactions denominated in currencies other than a location's functional currency. We manage the exposure to these risks through a combination of normal operating activities and the use of foreign currency forward contracts and non-derivative and derivative investment hedges. Contracts are denominated in currencies of major industrial countries.

Our exposure to foreign currency exchange risks generally arises from our non-U.S. operations, to the extent they are conducted in local currency. Changes in foreign currency exchange rates affect translations of revenue denominated in currencies other than the U.S. Dollar. We generated approximately \$535 million and \$376 million during the three months and \$1,162 million and \$1,133 million during the nine months ended September 30, 2019 and 2018, respectively, in revenue denominated in currencies other than the U.S. Dollar. The major currencies to which our revenues are exposed are the British Pound Sterling, the Euro, Brazilian Real and the Indian Rupee. A 10% move in average exchange rates for these currencies (assuming a simultaneous and immediate 10% change in all of such rates for the relevant period) would have resulted in the following increase or decrease in our reported revenue for the three and nine months ended September 30, 2019 and 2018 (in millions):

Currency	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Pound Sterling	\$ 27	\$ 8	\$ 44	\$ 25
Euro	8	8	22	22
Real	4	9	12	27
Rupee	3	3	9	10
Total increase or decrease	<u>\$ 42</u>	<u>\$ 28</u>	<u>\$ 87</u>	<u>\$ 84</u>

While our results of operations have been impacted by the effects of currency fluctuations, our international operations' revenue and expenses are generally denominated in local currency, which reduces our economic exposure to foreign exchange risk in those jurisdictions.

Revenue included \$19 million and \$63 million of unfavorable foreign currency impact during the three and nine months ended September 30, 2019 resulting from changes in the U.S. Dollar during the 2019 period as compared to 2018. Net earnings attributable to FIS common stockholders included \$0 million and \$4 million of unfavorable foreign currency impact during the

three and nine months ended September 30, 2019, respectively, resulting from changes in the U.S. Dollar during the 2019 period as compared to 2018. For the full year of 2019, we anticipate an approximate \$78 million adverse impact to revenue due to foreign currency translation, although the actual amount of impact is uncertain due to the many factors that affect exchange rates.

Our foreign exchange risk management policy permits the use of derivative instruments, such as forward contracts and options, to reduce volatility in our results of operations and/or cash flows resulting from foreign exchange rate fluctuations. We do not enter into foreign currency derivative instruments for trading purposes or to engage in speculative activity. We do periodically enter into foreign currency forward exchange contracts to hedge foreign currency exposure to intercompany loans and other balance sheet items. During the second quarter of 2019, we entered into foreign currency forward exchange contracts to reduce the volatility in the Company's cash flows due to foreign exchange rate fluctuations during the period leading up to the Company's Euro- and Pound Sterling-denominated debt issuances related to the Worldpay acquisition, as discussed in Note 8 of the Notes to Condensed Consolidated Financial Statements (Unaudited). The Company also utilizes foreign currency denominated debt and cross-currency interest rate swaps designated as net investment hedges in order to reduce the volatility of the net investment value of certain of its Euro and Pound Sterling functional subsidiaries (see Note 8 of the Notes to Condensed Consolidated Financial Statements (Unaudited)).

#### **Item 4. Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and (b) accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

We completed the Worldpay acquisition on July 31, 2019 (see Note 3 of the Notes to Condensed Consolidated Financial Statements (Unaudited)). The scope of management's assessment of the effectiveness of the Company's disclosure controls and procedures did not include the internal controls over financial reporting of Worldpay. This exclusion is in accordance with the SEC Staff's general guidance that an assessment of a recently acquired business may be omitted from the scope of management's assessment for one year following the acquisition. Worldpay represented approximately 26% of our gross revenue for the quarter ended September 30, 2019. Total assets of the acquired business as of September 30, 2019 represented approximately 73% of total consolidated assets, consisting principally of goodwill and other intangible assets.

As a result of the closing of the Worldpay acquisition, we have incorporated internal controls over significant processes specific to the acquisition that we believe are appropriate and necessary in consideration of the level of related integration. As the post-closing integration continues, we will continue to review the internal controls and processes of Worldpay and may take further steps to integrate such controls and processes with those of the Company.

There were no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than described above.

## Part II: OTHER INFORMATION

### Item 1A. Risk Factors

See Item 1A. *Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2018 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2019 and June 30, 2019 for a detailed discussion of risk factors affecting the Company. There have been no material changes in the Risk Factors described therein except as detailed below:

***The Referendum on the United Kingdom's Membership in the European Union could cause disruption to and create uncertainty surrounding our business.***

Significant portions of our Merchant Solutions business are located in, and service clients in, the United Kingdom. We also have other business and operations in the United Kingdom and the European Union. The referendum on the United Kingdom's membership in the European Union, which we refer to as Brexit, approving the exit of the United Kingdom from the European Union could cause disruption to and create uncertainty surrounding our business, including affecting relationships with existing and future clients, suppliers and employees, which could have a material adverse effect on the business, financial results and operations. The effects of Brexit will depend on the agreements, if any, the United Kingdom makes with the European Union to retain access to European Union markets at the time Brexit takes effect. Recently, the United Kingdom government agreed to a revised withdrawal agreement with the other members of the European Union. However, the United Kingdom parliament rejected the government's expedited timetable for passing legislation in relation to the withdrawal agreement and, accordingly, the Brexit deadline has been extended to January 31, 2020. There can be no assurance that the withdrawal agreement will pass the United Kingdom parliament and, therefore, the United Kingdom may leave the European Union on January 31, 2020 without a withdrawal agreement in place (a "no deal" scenario). Additionally, the United Kingdom is scheduled to hold a general election on December 12, 2019, the outcome of which is uncertain and may lead to the election of a parliament that could vote in favor of a no deal scenario. Actions to implement Brexit may also create global economic uncertainty, which may cause clients to closely monitor their costs and reduce their spending on our solutions and services.

Although the potential impact of Brexit on our business cannot be fully assessed until the detailed terms of the United Kingdom's withdrawal from the European Union are finalized and the United Kingdom negotiates, concludes and implements successor trading arrangements with other countries, it is likely that this withdrawal process will continue to result in a sustained period of economic and political uncertainty and complexity.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal, including financial laws and regulations, tax and free trade agreements, intellectual property rights, supply chain logistics, environmental, health and safety laws and regulations, competition laws, immigration laws and employment laws, could decrease foreign direct investment in the United Kingdom, increase costs, depress economic activity and restrict our access to capital. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier-free access between the United Kingdom and other European Union member states or among the European economic area overall could be diminished or eliminated. Any of these factors could have a direct or indirect impact on our business in the United Kingdom and the broader European Union, on our suppliers and customers in the United Kingdom and the broader European Union and on our business outside the United Kingdom and the broader European Union, which could have a material adverse effect on our business, business opportunities, financial condition, cash flows and operating results.

**Item 6. Exhibits**

(a) Exhibits:

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	SEC File Number	Exhibit	Filing Date	
31.1	<a href="#">Certification of Gary A. Norcross, President and Chief Executive Officer of Fidelity National Information Services, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					*
31.2	<a href="#">Certification of James W. Woodall, Corporate Executive Vice President and Chief Financial Officer of Fidelity National Information Services, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					*
32.1	<a href="#">Certification of Gary A. Norcross, President and Chief Executive Officer of Fidelity National Information Services, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					*
32.2	<a href="#">Certification of James W. Woodall, Corporate Executive Vice President and Chief Financial Officer of Fidelity National Information Services, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					*
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					*

\* Filed or furnished herewith

**SIGNATURES**

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

FIDELITY NATIONAL INFORMATION SERVICES, INC.

Date: November 5, 2019

By: /s/ JAMES W. WOODALL

James W. Woodall

Corporate Executive Vice President and Chief Financial Officer  
(Principal Financial Officer )

FIDELITY NATIONAL INFORMATION SERVICES, INC.

Date: November 5, 2019

By: /s/ CHRISTOPHER THOMPSON

Christopher Thompson

Chief Accounting Officer (Principal Accounting Officer)

## CERTIFICATIONS

I, Gary A Norcross, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fidelity National Information Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

By: /s/ GARY A. NORCROSS

Gary A. Norcross

President and Chief Executive Officer

## CERTIFICATIONS

I, James W. Woodall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fidelity National Information Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

By: /s/ JAMES W. WOODALL

James W. Woodall

Corporate Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF PERIODIC FINANCIAL REPORTS PURSUANT TO 18 U.S.C. §1350**

The undersigned hereby certifies that he is the duly appointed and acting Chief Executive Officer of Fidelity National Information Services, Inc., a Georgia corporation (the "Company"), and hereby further certifies as follows.

1. The periodic report containing financial statements to which this certificate is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
2. The information contained in the periodic report to which this certificate is an exhibit fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

Date: November 5, 2019

By: /s/ GARY A. NORCROSS

\_\_\_\_\_  
Gary A. Norcross

President and Chief Executive Officer

**CERTIFICATION OF PERIODIC FINANCIAL REPORTS PURSUANT TO 18 U.S.C. §1350**

The undersigned hereby certifies that he is the duly appointed and acting Chief Financial Officer of Fidelity National Information Services, Inc., a Georgia corporation (the "Company"), and hereby further certifies as follows.

1. The periodic report containing financial statements to which this certificate is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
2. The information contained in the periodic report to which this certificate is an exhibit fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

Date: November 5, 2019

By: /s/ JAMES W. WOODALL

James W. Woodall

Corporate Executive Vice President and Chief Financial Officer

(Principal Financial Officer)