EQUIFAX INC
Form 10-Q
July 27, 2017

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

FORM 10-Q

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

For the quarterly period ended June 30, 2017

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

For the transition period from to .

Commission File Number: 001-06605

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

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

1550 Peachtree Street, N.W., Atlanta, Georgia	30309
(Address of principal executive offices)	(Zip Code)

404-885-8000
(Registrant’s telephone number, including area code)

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

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

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

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

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. Yes ¬ No ý

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

On July 13, 2017, there were 120,372,509 shares of the registrant’s common stock outstanding.

EQUIFAX INC.

QUARTERLY REPORT ON FORM 10-Q

QUARTER ENDED June 30, 2017

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FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will,” “may” and similar expressions identify forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future, including statements relating to future operating results, are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company’s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part II, “Item 1A. Risk Factors,” and elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2016, and those described from time to time in our future reports filed with the Securities and Exchange Commission. As a result of such risks and uncertainties, we urge you not to place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30,	
	2017	2016
(In millions, except per share amounts)		
Operating revenue	$856.7	$811.3
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	293.7	285.8
Selling, general and administrative expenses	228.4	231.6
Depreciation and amortization	70.5	68.2
Total operating expenses	592.6	585.6
Operating income	264.1	225.7
Interest expense	(24.6)	(23.6)
Other income (expense), net	3.1	(0.8)
Consolidated income before income taxes	242.6	201.3
Provision for income taxes	(75.0)	(68.3)
Consolidated net income	167.6	133.0
Less: Net income attributable to noncontrolling interests including redeemable noncontrolling interests	(2.2)	(2.1)
Net income attributable to Equifax	$165.4	$130.9
Basic earnings per common share:		
Net income attributable to Equifax	$1.37	$1.10
Weighted-average shares used in computing basic earnings per share	120.3	119.2
Diluted earnings per common share:		
Net income attributable to Equifax	$1.36	$1.08
Weighted-average shares used in computing diluted earnings per share	121.9	121.1
Dividends per common share	$0.39	$0.33

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

	Six Months Ended June 30,	
	2017	2016
(In millions, except per share amounts)		
Operating revenue	$1,689.0	$1,539.6
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	594.6	539.1
Selling, general and administrative expenses	471.7	474.8
Depreciation and amortization	141.8	123.8
Total operating expenses	1,208.1	1,137.7
Operating income	480.9	401.9
Interest expense	(48.8)	(43.7)
Other income (expense), net	6.2	(2.9)
Consolidated income before income taxes	438.3	355.3
Provision for income taxes	(115.3)	(119.9)
Consolidated net income	323.0	235.4
Less: Net income attributable to noncontrolling interests including redeemable noncontrolling interests	(4.3)	(2.4)
Net income attributable to Equifax	$318.7	$233.0
Basic earnings per common share:		
Net income attributable to Equifax	$2.65	$1.96
Weighted-average shares used in computing basic earnings per share	120.1	119.0
Diluted earnings per common share:		
Net income attributable to Equifax	$2.61	$1.93
Weighted-average shares used in computing diluted earnings per share	121.9	120.9
Dividends per common share	$0.78	$0.66

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,					
	2017			2016		
	Equifax Shareholders	Noncontrolling Interests	Total	Equifax Shareholders	Noncontrolling Interests	Total
	(In millions)					
Net income	$165.4	$ 2.2	$167.6	$130.9	$ 2.1	$133.0
Other comprehensive income (loss):						
Foreign currency translation adjustment	6.2	0.8	7.0	(66.5)	(1.0)	(67.5)
Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans, net	2.6	—	2.6	2.3	—	2.3
Change in cumulative loss from cash flow hedging transactions, net	—	—	—	0.4	—	0.4
Comprehensive income	$174.2	$ 3.0	$177.2	$67.1	$ 1.1	$68.2

	Six Months Ended June 30,					
	2017			2016		
	Equifax Shareholders	Noncontrolling Interests	Total	Equifax Shareholders	Noncontrolling Interests	Total
	(In millions)					
Net income	$318.7	$ 4.3	$323.0	$233.0	$ 2.4	$235.4
Other comprehensive income (loss):						
Foreign currency translation adjustment	118.6	2.2	120.8	31.9	(1.3)	30.6
Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans, net	5.0	—	5.0	4.5	—	4.5
Change in cumulative loss from cash flow hedging transactions, net	(0.2)	—	(0.2)	0.6	—	0.6
Comprehensive income	$442.1	$ 6.5	$448.6	$270.0	$ 1.1	$271.1

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except par values)	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$403.9	$129.3
Trade accounts receivable, net of allowance for doubtful accounts of $9.5 and $7.8 at June 30, 2017 and December 31, 2016, respectively	462.4	433.3
Prepaid expenses	71.4	60.2
Other current assets	63.0	50.1
Total current assets	1,000.7	672.9
Property and equipment:		
Capitalized internal-use software and system costs	355.7	307.0
Data processing equipment and furniture	293.3	273.2
Land, buildings and improvements	210.4	203.8
Total property and equipment	859.4	784.0
Less accumulated depreciation and amortization	(361.3)	(317.1)
Total property and equipment, net	498.1	466.9
Goodwill	4,063.9	3,974.3
Indefinite-lived intangible assets	94.9	94.8
Purchased intangible assets, net	1,272.7	1,323.8
Other assets, net	128.0	131.3
Total assets	$7,058.3	$6,664.0
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$794.2	$585.4
Accounts payable	66.5	81.0
Accrued expenses	127.0	149.3
Accrued salaries and bonuses	94.4	158.8
Deferred revenue	104.7	110.7
Other current liabilities	156.6	174.4
Total current liabilities	1,343.4	1,259.6
Long-term debt	2,038.1	2,086.8
Deferred income tax liabilities, net	325.4	325.4
Long-term pension and other postretirement benefit liabilities	178.3	184.4
Other long-term liabilities	91.7	86.5
Total liabilities	3,976.9	3,942.7
Commitments and Contingencies (see Note 5)		
Equifax shareholders' equity:		
Preferred stock, $0.01 par value: Authorized shares - 10.0; Issued shares - none	—	—
Common stock, $1.25 par value: Authorized shares - 300.0;		
Issued shares - 189.3 at June 30, 2017 and December 31, 2016;	236.6	236.6
Outstanding shares - 120.4 and 119.9 at June 30, 2017 and December 31, 2016, respectively		
Paid-in capital	1,325.1	1,313.3
Retained earnings	4,376.3	4,153.2
Accumulated other comprehensive loss	(405.5)	(528.9)

Treasury stock, at cost, 68.3 shares and 68.8 shares at June 30, 2017 and December 31, 2016, respectively	(2,505.6)	(2,505.6)
Stock held by employee benefit trusts, at cost, 0.6 shares at June 30, 2017 and December 31, 2016	(5.9)	(5.9)
Total Equifax shareholders' equity	3,021.0	2,662.7
Noncontrolling interests including redeemable noncontrolling interests	60.4	58.6
Total equity	3,081.4	2,721.3
Total liabilities and equity	$7,058.3	$6,664.0

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30, 2017	2016
	(In millions)	
Operating activities:		
Consolidated net income	$323.0	$235.4
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	143.5	124.7
Stock-based compensation expense	25.3	22.2
Excess tax benefits from stock-based compensation plans	—	(20.0)
Deferred income taxes	(6.8)	2.6
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable, net	(24.1)	(42.5)
Other assets, current and long-term	(30.3)	7.5
Current and long term liabilities, excluding debt	(101.5)	(31.4)
Cash provided by operating activities	329.1	298.5
Investing activities:		
Capital expenditures	(99.9)	(82.8)
Acquisitions, net of cash acquired	(9.6)	(1,727.8)
Economic hedges	—	(10.8)
Cash received from sale of asset	8.6	—
Cash used in investing activities	(100.9)	(1,821.4)
Financing activities:		
Net short-term borrowings	208.8	207.5
Payments on long-term debt	(50.0)	(210.0)
Borrowings on long-term debt	—	1,574.7
Dividends paid to Equifax shareholders	(93.9)	(78.6)
Dividends paid to noncontrolling interests	(6.6)	(5.6)
Proceeds from exercise of stock options	13.0	15.7
Payment of taxes related to settlement of equity awards	(27.0)	(19.0)
Excess tax benefits from stock-based compensation plans	—	20.0
Other	—	(5.5)
Cash provided by financing activities	44.3	1,499.2
Effect of foreign currency exchange rates on cash and cash equivalents	2.1	27.2
Increase in cash and cash equivalents	274.6	3.5
Cash and cash equivalents, beginning of period	129.3	93.3
Cash and cash equivalents, end of period	$403.9	$96.8

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended June 30, 2017

(Unaudited)

	Equifax Shareholders								
	Common Stock Shares Outstanding	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Stock Held By Employee Benefits Trusts	Noncontrolling Interests	Total Equity
	(In millions, except per share amounts)								
Balance, December 31, 2016	119.9	$236.6	$1,313.3	$4,153.2	$ (528.9)	$(2,505.6)	$ (5.9)	$ 58.6	$2,721.3
Net income	—	—	—	318.7	—	—	—	4.3	323.0
Other comprehensive income	—	—	—	—	123.4	—	—	2.2	125.6
Shares issued under stock and benefit plans, net of minimum tax withholdings	0.5	—	(13.7)	—	—		—	—	(13.7)
Treasury stock purchased under share repurchase program*	—	—	—	—	—	—	—	—	—
Cash dividends ($0.78 per share)	—	—	—	(94.3)	—	—	—	—	(94.3)
Dividends paid to employee benefits trusts	—	—	0.4	—	—	—	—	—	0.4
Stock-based compensation expense	—	—	25.3	—	—	—	—	—	25.3
Redeemable noncontrolling interest adjustment	—	—	—	(1.3)	—	—	—	1.3	—
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(6.6)	(6.6)
Other	—	—	(0.2)	—	—	—	—	0.6	0.4
Balance, June 30, 2017	120.4	$236.6	$1,325.1	$4,376.3	$ (405.5)	$(2,505.6)	$ (5.9)	$ 60.4	$3,081.4

* At June 30, 2017, $667.2 million was available for future purchases of common stock under our share repurchase authorization.

Accumulated Other Comprehensive Loss consists of the following components:

	June 30, 2017	December 31, 2016

	(In millions)	
Foreign currency translation	$(143.4)	$(262.0)
Unrecognized actuarial losses and prior service cost related to our pension and other postretirement benefit plans, net of accumulated tax of $147.5 and $150.6 at June 30, 2017 and December 31, 2016, respectively	(260.9)	(265.9)
Cash flow hedging transactions, net of accumulated tax of $0.8 and $0.9 at June 30, 2017 and December 31, 2016, respectively	(1.2)	(1.0)
Accumulated other comprehensive loss	$(405.5)	$(528.9)

See Notes to Consolidated Financial Statements.

EQUIFAX INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Operations. We collect, organize and manage various types of financial, demographic, employment and marketing information. Our services enable businesses to make credit and service decisions, manage their portfolio risk, automate or outsource certain human resources, employment tax and payroll-related business processes, and develop marketing strategies concerning consumers and commercial enterprises. We serve customers across a wide range of industries, including the financial services, mortgage, retail, telecommunications, utilities, automotive, brokerage, healthcare and insurance industries, as well as government agencies. We also enable consumers to manage and protect their financial health through a portfolio of products offered directly to consumers. We also provide information, technology and services to support debt collections and recovery management. As of June 30, 2017, we operated in the following countries: Argentina, Australia, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, India, Ireland, Mexico, New Zealand, Paraguay, Peru, Portugal, Spain, the United Kingdom, or U.K., Uruguay, and the United States of America, or U.S. We also offer Equifax branded credit services in India and Russia through joint ventures, we have investments in consumer and/or commercial credit information companies through joint ventures in Cambodia, Malaysia and Singapore, and have an investment in a consumer and commercial credit information company in Brazil.

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

Basis of Presentation. The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, the instructions to Form 10-Q and applicable sections of SEC Regulation S-X. To understand our complete financial position and results, as defined by GAAP, this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2016 (“2016 Form 10-K”).

Our unaudited Consolidated Financial Statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the periods presented and are of a normal recurring nature.

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

	Three Months	Six Months Ended June

	Ended June 30,		30,	
	2017	2016	2017	2016
	(In millions)			
Weighted-average shares outstanding (basic)	120.3	119.2	120.1	119.0
Effect of dilutive securities:				
Stock options and restricted stock units	1.6	1.9	1.8	1.9
Weighted-average shares outstanding (diluted)	121.9	121.1	121.9	120.9

For the three and six months ended June 30, 2017 and 2016, stock options that were anti-dilutive were not material.

Financial Instruments. Our financial instruments consist of cash and cash equivalents, accounts and notes receivable, accounts payable and short- and long-term debt. The carrying amounts of these items, other than long-term debt, approximate their fair market values due to the short-term nature of these instruments. The fair value of our fixed-rate debt is determined using Level 2 inputs such as quoted market prices for similar publicly traded instruments, and for non-publicly traded instruments through valuation techniques involving observable inputs based on the specific characteristics of the debt instrument. As of June 30, 2017 and December 31, 2016, the fair value of our long-term debt, including the current portion, was $2.4 billion compared to its carrying value of $2.3 billion and $2.4 billion, respectively.

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

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

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

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

		Fair Value Measurements at Reporting Date Using:		
Description	Fair Value of Assets (Liabilities) at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In millions)			
Deferred Compensation Plan Assets[1]	$32.0	$32.0	$ —	$ —
Deferred Compensation Plan Liability[1]	(32.0)	—	(32.0)	—
Total	$—	$32.0	$ (32.0)	$ —

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis. As disclosed in Note 2, we completed various acquisitions during the year ended December 31, 2016. The values of net assets acquired and the resulting goodwill were recorded at fair value using Level 3 inputs. The majority of the related current assets acquired and liabilities assumed were recorded at their carrying values as of the date of acquisition, as their carrying values approximated their fair values due to their short-term nature. The fair values of goodwill and definite-lived intangible assets acquired in this acquisition were internally estimated primarily based on the income approach. The income approach estimates fair value based on the present value of the cash flows that the assets are expected to generate in the future. We developed internal estimates for the expected cash flows and discount rates in the present value calculations. The fair value of the equity method investment assets acquired were internally estimated based on the market approach. Under the market approach, we estimated fair value based on market multiples of comparable companies.

Other Current Assets. Other current assets on our Consolidated Balance Sheets primarily represent amounts in specifically designated accounts that hold the funds that are due to customers from our debt collection and recovery management services. As of June 30, 2017, these assets were approximately $21.6 million, with a corresponding balance in other current liabilities. These amounts are restricted as to their current use, and will be released according to the specific customer agreements. Other current assets also include certain current tax accounts.

Variable Interest Entities. We hold interests in certain entities, including credit data, information solutions and debt collections and recovery management ventures that are considered variable interest entities, or VIEs. These variable interests relate to ownership interests that require financial support for these entities. Our investments related to these VIEs totaled $13.8 million at June 30, 2017, representing our maximum exposure to loss, with the exception of the guarantees referenced in Note 5. We are not the primary beneficiary and are not required to consolidate any of these VIEs, with the exception of a debt collections and recovery management venture, for which we meet the consolidation criteria under Accounting Standards Codification ("ASC") 810, Consolidation. In regards to that consolidated VIE, we have a 75% equity ownership interest and control of the activities that most significantly impact the VIE's economic performance. The assets and liabilities of the VIE for which we are the primary beneficiary were not significant to the Company’s Consolidated Financial Statements, and no gain or loss was recognized because of its consolidation.

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

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

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

Cost Method Investment. We monitor the status of our cost method investment in order to determine if conditions exist or events and circumstances indicate that it may be impaired in that its carrying amount may exceed the fair value of the investment. Significant factors that are considered that could be indicative of an impairment include: changes in business strategy, market conditions, underperformance relative to historical or expected future operating results; and negative industry or economic trends. If potential indicators of impairment exist, we estimate the fair value of the investment using a combination of a discounted cash flow analysis and an evaluation of EBITDA multiples for comparable companies. If the carrying value of the investment exceeds the estimated fair value, an impairment loss is recorded based on the amount by which the investment's carrying amount exceeds its fair value. As of June 30, 2017, our investment in Brazil, recorded at 44 million Reais ($13.4 million), approximated the fair value.

Other Current Liabilities. Other current liabilities on our Consolidated Balance Sheets consist of corresponding amounts of other current assets, related to amounts in specifically designated accounts that hold the funds that are due to customers from our debt collection and recovery management services. As of June 30, 2017, these funds were approximately $21.6 million. These amounts are restricted as to their current use, and will be released according to the specific customer agreements. Other current liabilities also include various accrued liabilities such as interest expense, accrued employee benefits, accrued taxes, accrued payroll, and accrued legal expenses.

Change in Accounting Principle. In March 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-09 "Compensation - Stock Compensation (Topic 718)". This standard requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid-in capital pools. The guidance also allows for the employer to repurchase more of an employee’s shares for tax withholding purposes without triggering liability accounting. The new guidance requires the related payments to taxing authorities to be retrospectively presented as a cash outflow from financing activities. As a result, we reclassified $19.0 million of cash outflows from operating activities in the first six months of 2016 to a cash outflow from financing activities. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The adoption of this guidance resulted in the recognition of $4.8 million, or $0.04 per diluted common share, and $19.7 million and $0.16 per diluted common share, of tax benefits in our Consolidated Statement of Income for the three and six months ended June 30, 2017, respectively. We also prospectively applied the provisions of the new guidance related to the presentation of windfall tax benefits as cash flows from operating activities which resulted in classifying $4.8 million and $19.7 million of cash flows from financing activities to operating activities for the second quarter and first six months ended June 30, 2017. We have elected to continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized each period.

Recent Accounting Pronouncements. Stock Compensation. In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718) Scope of Modification Accounting". The amendments in ASU 2017-09 require entities to apply modification accounting in Topic 718 only when changes to the terms or conditions of a share-based payment award result in changes to fair value, vesting conditions or the classification of the award as equity or liability. The adoption of ASU 2017-09 will become effective for annual periods beginning after December 15, 2017. Based on historical modifications we do not believe the adoption of this guidance will have a material impact on our financial position, results of operations or cash flows.

Pension Costs. In March 2017, the FASB issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)". This new guidance changes how employers that sponsor defined benefit pension plans and other postretirement plans present the net periodic benefit cost in the income statement. An employer is required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendment also allows only the service cost component to be eligible for capitalization, when applicable. This new guidance will be effective for the Company for the first reporting period beginning after December 15, 2017, with early adoption permitted in the first quarter of 2017. The amendment will be applied retrospectively for the presentation requirements and prospectively for the capitalization of the service cost component requirements. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or cash flows.

Goodwill. In January 2017, the FASB issued ASU 2017-04 "Simplifying the Test for Goodwill Impairment (Topic 350)". This standard eliminates Step 2 from the current goodwill impairment test, instead requiring an entity to recognize a goodwill impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit’s fair value. This guidance is effective for interim and annual goodwill impairment tests in fiscal years beginning after December 15, 2019 with early adoption permitted. This guidance must be applied on a prospective basis. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or cash flows.

Definition of a business. In January 2017, the FASB issued ASU 2017-01 "Clarifying the Definition of a Business(Topic 805)". This standard provides criteria to determine when an asset acquired or group of assets acquired is not a business. When substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This reduces the number of transactions that need to be further evaluated. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017 with early adoption permitted. We are currently evaluating the impact of the adoption of this guidance on our financial position, results of operations and cash flows.

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

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

Based on our current assessment, we anticipate adopting the standard using the modified retrospective method in the first quarter of fiscal 2018. The new standard will impact our contracts that have a known quantity over a defined term with price increases or decreases over the contract life. Under the current standard, the revenue related to these contracts are limited by billings in a period. Under the new standard the total contract value will be recognized ratably over the defined term or by using a transactional standalone selling price resulting in the creation of a contract asset or contract liability as transactions are delivered. We have preliminarily determined that we do not expect the revenue recognition aspects of the new standard to materially affect our consolidated net earnings, financial position, or cash flow based on the application of the guidance to our contracts with customers. We will continue to review and evaluate our contracts under the new revenue recognition model to ascertain whether additional contract types or future contracts will be affected by the new standard and our preliminary assessments could be subject to change. Additionally, we continue to review the impact of contract costs and the presentation of the additional disclosures required by the new standard.

2. ACQUISITIONS AND INVESTMENTS

2016 Acquisitions and Investments. On February 24, 2016, the Company completed the acquisition of 100% of the ordinary voting shares of Veda for cash consideration of approximately $1.7 billion (2.4 billion Australian dollars) and debt assumed of approximately $189.5 million (261.9 million Australian dollars). The acquisition provides a strong platform for Equifax to offer data and analytic services and further broaden the Company's geographic footprint. Veda stockholders received 2.825 Australian dollars in cash for each share of Veda common stock they owned. The Company financed the transaction with $1.7 billion of debt, consisting of commercial paper, an $800 million 364-day revolving credit facility (the "364-day Revolver"), and an $800 million three-year delayed draw term loan facility (the "Term Loan"). Refer to Note 4 for further discussion on debt. Additionally, on August 23, 2016, the Company completed the acquisition of 100% of the assets and certain liabilities of unemployment tax and claims management specialists Barnett & Associates ("Barnett"), as well as the verifications business, Computersoft, LLC ("Computersoft").

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

Six months ended
June 30,

	2016	
	As Reported	Pro Forma
	(In millions, except per share data)	
Operating revenues	$1,539.6	$1,577.7
Net income attributable to Equifax	233.0	232.3
Net income per share (basic)	1.96	1.95
Net income per share (diluted)	1.93	1.92

The unaudited pro forma financial information presented in the table above has been adjusted to give effect to adjustments that are (1) directly related to the business combination; (2) factually supportable; and (3) expected to have a

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continuing impact. These adjustments include, but are not limited to, the application of our accounting policies and depreciation and amortization related to fair value adjustments and intangible assets.

3. GOODWILL AND INTANGIBLE ASSETS

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

Changes in the amount of goodwill for the six months ended June 30, 2017, are as follows:

	U.S. Information Solutions	International	Workforce Solutions	Global Consumer Solutions	Total
	(In millions)				
Balance, December 31, 2016	$1,071.3	$ 1,814.6	$ 952.1	$ 136.3	$3,974.3
Acquisitions	—	1.4	—	—	1.4
Adjustments to initial purchase price allocation	—	0.9	—	—	0.9
Foreign currency translation	—	84.2	—	3.1	87.3
Balance, June 30, 2017	$1,071.3	$ 1,901.1	$ 952.1	$ 139.4	$4,063.9

Indefinite-Lived Intangible Assets. Indefinite-lived intangible assets consist of indefinite-lived reacquired rights representing the value of rights which we had granted to various affiliate credit reporting agencies that were reacquired in the U.S. and Canada. At the time we acquired these agreements, they were considered perpetual in nature under the accounting guidance in place at that time and, therefore, the useful lives are considered indefinite. Indefinite-lived intangible assets are not amortized. We are required to test indefinite-lived intangible assets for impairment annually and whenever events or circumstances indicate that there may be an impairment of the asset value. We perform our annual indefinite-lived intangible asset impairment test as of September 30. The estimated fair value of our indefinite-lived intangible assets exceeded the carrying value as of September 30, 2016. As a result, no impairment was recorded. Our indefinite-lived intangible asset carrying amounts did not change materially during the six months ended June 30, 2017.

Purchased Intangible Assets. Purchased intangible assets represent the estimated acquisition date fair value of acquired intangible assets used in our business. Purchased data files represent the estimated acquisition date fair value of consumer credit files acquired primarily through the purchase of independent credit reporting agencies in the U.S. and Canada and the Veda acquisition. We expense the cost of modifying and updating credit files in the period such costs are incurred. Our reacquired rights represent the value of rights which we had granted to Computer Sciences Corporation that were reacquired in connection with the acquisition of certain assets of CSC Credit Services (“CSC Credit Services Acquisition”) in the fourth quarter of 2012. These reacquired rights are being amortized over the remaining term of the affiliation agreement on a straight-line basis until August 1, 2018. We amortize all of our purchased intangible assets on a straight-line basis. For additional information about the useful lives related to our purchased intangible assets, see Note 1 of the Notes to Consolidated Financial Statements in our 2016 Form 10-K.

Purchased intangible assets at June 30, 2017 and December 31, 2016 consisted of the following:

	June 30, 2017			December 31, 2016		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Definite-lived intangible assets:	(In millions)					
Purchased data files	$1,018.3	$ (296.2)	$722.1	$1,012.7	$ (276.0)	$736.7
Acquired software and technology	135.1	(49.9)	85.2	131.5	(36.1)	95.4
Customer relationships	725.7	(299.7)	426.0	712.7	(273.0)	439.7
Reacquired rights	73.3	(59.1)	14.2	73.3	(52.5)	20.8
Proprietary database	21.5	(7.6)	13.9	21.5	(6.7)	14.8
Non-compete agreements	17.7	(15.0)	2.7	26.8	(22.2)	4.6
Trade names and other intangible assets	27.8	(19.2)	8.6	54.1	(42.3)	11.8
Total definite-lived intangible assets	$2,019.4	$ (746.7)	$1,272.7	$2,032.6	$ (708.8)	$1,323.8

Amortization expense related to purchased intangible assets was $41.8 million and $47.1 million during the three months ended June 30, 2017 and 2016, respectively. Amortization expense related to purchased intangible assets was $86.8 million and $82.8 million during the six months ended June 30, 2017 and 2016, respectively.

Estimated future amortization expense related to definite-lived purchased intangible assets at June 30, 2017 is as follows:

Years ending December 31,	Amount
	(In millions)
2017	$85.8
2018	144.1
2019	123.4
2020	117.7
2021	100.8
Thereafter	700.9
	$1,272.7

4. DEBT

Debt outstanding at June 30, 2017 and December 31, 2016 was as follows:

	June 30, 2017	December 31, 2016
	(In millions)	
Commercial paper	$516.2	$310.3
Notes, 6.30%, due July 2017	272.5	272.5
Term Loan, due Nov 2018	400.0	450.0
Notes, 2.30%, due June 2021	500.0	500.0
Notes, 3.30%, due Dec 2022	500.0	500.0
Notes, 3.25%, due June 2026	275.0	275.0
Debentures, 6.90%, due July 2028	125.0	125.0
Notes, 7.00%, due July 2037	250.0	250.0
Other	5.5	2.6
Total debt	2,844.2	2,685.4
Less short-term debt and current maturities	(794.2)	(585.4)
Less unamortized discounts and debt issuance costs	(11.9)	(13.2)
Total long-term debt, net	$2,038.1	$2,086.8

Senior Credit Facilities. We are party to a $900.0 million five-year unsecured revolving credit facility (the "Revolver") and the previously described Term Loan, (the Revolver and the Term Loan collectively, the "Senior Credit Facilities"), with a group of financial institutions. The Revolver also has an accordion feature that allows us to request an increase in the total commitment to $1.2 billion. Borrowings may be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchase programs. The Revolver and the Term Loan are scheduled to expire in November 2020 and November 2018, respectively, with an option to request a maximum of two one