LIVEPERSON INC
Form SC 13G
February 03, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Schedule 13G

Under the Securities Exchange Act of 1934

(Amendment No.)

LIVEPERSON, INC.

(Name of Issuer)

Common Stock, $0.001 par value

(Title of Class of Securities)

538146101

(CUSIP Number)

December 31, 2005

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X]

Rule 13d-1(b)

[ ]

Rule 13d-1(c)

[ ]

Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person s initial filing in this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act.

Schedule 13G

CUSIP No. 538146101

1.

NAME OF REPORTING PERSON

Arbor Capital Management, LLC

IRS IDENTIFICATION NO. OF ABOVE PERSON

41-1861772

2.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) [ ]

(b) [X] Joint filing pursuant to Rule 13d-1(k)(1)

3.

SEC USE ONLY

4.

CITIZENSHIP OR PLACE OF ORGANIZATION

Minnesota Limited Liability Company

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5.

SOLE VOTING POWER

2,540,900

6.

SHARED VOTING POWER

0

7.

SOLE DISPOSITIVE POWER

2,540,900

8.

SHARED DISPOSITIVE POWER

0

9.

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,540,900

10.

CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

N/A

11.

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

6.76%

12.

TYPE OF REPORTING PERSON

IA

Schedule 13G

CUSIP No. 538146101

1.

NAME OF REPORTING PERSON

Rick D. Leggott

IRS IDENTIFICATION NO. OF ABOVE PERSON

N/A

2.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) [ ]

(b) [X] Joint filing pursuant to Rule 13d-1(k)(1)

3.

SEC USE ONLY

4.

CITIZENSHIP OR PLACE OF ORGANIZATION

U.S.A.

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5.

SOLE VOTING POWER

2,540,900

6.

SHARED VOTING POWER

0

7.

SOLE DISPOSITIVE POWER

2,540,900

8.

SHARED DISPOSITIVE POWER

0

9.

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,540,900

10.

CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

N/A

11.

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

6.76%

12.

TYPE OF REPORTING PERSON

IN

Schedule 13G

CUSIP No. 538146101

ITEM 1(a).

NAME OF ISSUER

Liveperson, Inc.

ITEM 1(b).

ADDRESS OF ISSUER S PRINCIPAL EXECUTIVE OFFICES

462 Seventh Avenue

21st Floor

New York, NY 10018

ITEM 2(a).

NAME OF PERSON FILING

1) Arbor Capital Management, LLC

2) Rick D. Leggott

Attached as Exhibit 1 is a copy of an agreement between the persons filing (as specified above) that this Schedule 13G is being filed on behalf of each of them.

ITEM 2(b).

ADDRESS OF PRINCIPAL BUSINESS OFFICE OF EACH OF THE PERSONS SPECIFIED IN 2(A) ABOVE:

One Financial Plaza

120 South Sixth Street

Suite 1000

Minneapolis, Minnesota 55402

ITEM 2(c).

CITIZENSHIP

Arbor Capital Management, LLC--Minnesota Limited Liability Company

Rick D. Leggott--U.S.A.

ITEM 2(d).

TITLE OF CLASS OF SECURITIES

Common Stock, $0.001 par value

ITEM 2(e).

CUSIP NUMBER

538146101

ITEM 3.

If this statement is filed pursuant to Sections 13d-1(b) or 13d-2(b) or (c),
check whether the person filing is a:

(a)	[ ]	Broker or dealer registered under Section 15 of the Act (15 U.S.C. 78o);
(b)	[ ]	Bank as defined in Section 3(a)(6) of the Act (15 U.S.C. 78c);
(c)	[ ]	Insurance company as defined in Section 3(a)(19) of the Act (15 U.S.C. 78c);
(d)	[ ]	Investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8);
(e)	[X]*	

		An investment adviser in accordance with Section 13d-1(b)(1)(ii)(E);
(f)	[ ]	An employee benefit plan or endowment fund in accordance with Section 13d-1(b)(1)(ii)(F);
(g)	[X]*	A parent holding company or control person in accordance with Section 13d-1(b)(1)(ii)(G);
(h)	[ ]	A savings association defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
(i)	[ ]	A church plan that is excluded from the definition of an investment company;
(j)	[ ]	Group, in accordance with Section 13d-1(b)(1)(ii)(J).

* Arbor Capital Management, LLC is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. Rick D. Leggott is the CEO and majority shareholder of Arbor Capital Management, LLC. (Mr. Leggott is joining in this filing on Schedule 13G pursuant to Rule 13d-1(k)(1).)

ITEM 4.

OWNERSHIP

Reference is made to Items 5-11 on the cover sheet of this Schedule 13G.

Arbor Capital Management, LLC has been granted discretionary dispositive power over its clients securities and in some instances has voting power over such securities. Any and all discretionary authority which has been delegated to Arbor Capital Management, LLC may be revoked in whole or in part at any time.

Mr. Leggott is joining in this Schedule 13G and reporting beneficial ownership of the same securities beneficially owned by Arbor Capital Management, LLC, as a result of his position with and stock ownership in Arbor Capital Management, LLC. See Item 8.

ITEM 5.

OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS

N/A

ITEM 6.

OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON

Neither Arbor Capital Management, LLC nor Mr. Leggott serves as custodian of the assets of any of Arbor Capital Management s clients; accordingly, in each instance, only the client or client s custodian or trustee bank has the right to receive dividends paid with respect to, and proceeds from the sale of, such securities.

The ultimate power to direct the receipt of dividends paid with respect to, and the proceeds from the sale of, such securities is vested in the clients for which Arbor Capital Management, LLC serves as investment adviser. Any and all discretionary authority which has been delegated to Arbor Capital Management, LLC may be revoked in whole or in part at any time.

Not more than 5% of the class of such securities is owned by any one of such clients subject to the investment advice of Arbor Capital Management, LLC or its affiliates.

ITEM 7.

IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY.

N/A

ITEM 8.

IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP.

Arbor Capital Management, LLC, a Minnesota limited liability company, is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. Mr. Leggott is CEO of Arbor Capital Management, LLC and beneficially owns a controlling percentage of its outstanding voting securities. Mr. Leggott is joining in this Schedule 13G because, as a result of his position with and ownership of securities of Arbor Capital Management, LLC, Mr. Leggott could be deemed to have voting and/or investment power with respect to the shares beneficially owned by Arbor Capital Management, LLC. Neither the filing of this joint Schedule 13G nor any information contained herein shall be construed as an admission by Mr. Leggott of his control or power to influence the control of Arbor Capital Management, LLC.

ITEM 9.

NOTICE OF DISSOLUTION OF GROUP.

N/A

ITEM 10.

CERTIFICATION.

By signing below the undersigned (i) certify that, to the best of their knowledge and belief, the securities reported herein were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purposes or effect and (ii) hereby declare and affirm that the filing of this Schedule 13G shall not be construed as an admission that either of the reporting persons is the beneficial owner of the securities reported herein, which beneficial ownership is hereby expressly denied (except for such shares, if any, reported herein as beneficially owned by Arbor Capital Management, LLC, for its own account or by Mr. Leggott for his individual account and not as a result of his position with and ownership of securities of Arbor Capital Management, LLC).

SIGNATURE.

After reasonable inquiry and to the best of our knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Dated as of the 31st day of January, 2006.

/s/ Rick D. Leggott

Rick D. Leggott

Chief Executive Officer

/s/ David D. Deming

David D. Deming

Chief Operations Officer

Exhibit 1

Joint Filing Agreement

In accordance with Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended, each of the undersigned hereby agrees to the joint filing with the other reporting person of a statement on Schedule 13G (including amendments thereto) with respect to the Common Stock of Liveperson, Inc. and that this Agreement be included as an Exhibit to such joint filing.

This Agreement may be executed in any number of counterparts all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned hereby execute this Agreement this 31st day of January, 2006.

/s/ Rick D. Leggott

Rick D. Leggott

Chief Executive Officer

/s/ David D. Deming

David D. Deming

Chief Operations Officer

ment fees and transaction fees we charge to customers for operating ATMs and processing debit and credit cards under outsourcing and cross-border acquiring agreements, foreign currency exchange margin on dynamic currency conversion transactions, and fees received for other value added services such as advertising, prepaid telecommunication recharges, bill payment, and money transfers provided over ATMs. Revenues in this segment are also derived from license fees, professional services and maintenance fees for proprietary application software and sales of related hardware.

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epay Segment — Revenues in the epay Segment, which represented approximately 36% and 40% of our total consolidated revenues for the third quarter and first nine months of 2015, respectively, are primarily derived from commissions or processing fees received from mobile phone operators for the processing and distribution of prepaid mobile airtime and commissions earned from the distribution of other electronic payment products, vouchers, and physical gifts. The proportion of our revenues earned from distribution of prepaid mobile phone time as compared with other electronic products has decreased over time, and non-mobile content now produces approximately 45% of our revenues. Other electronic payment products offered by this segment include prepaid long distance calling card plans, prepaid Internet plans, prepaid debit cards, gift cards, vouchers, transport payments, lottery payments, bill payment, money transfer and digital content such as music, games and software. Agreements with mobile operators and prepaid content providers are important to the success of our business and these agreements permit us to distribute prepaid mobile airtime and other electronic payment products to retailers.

Money Transfer Segment — Revenues in the Money Transfer Segment, which represented approximately 39% and 38% of our total consolidated revenues for the third quarter and first nine months of 2015, respectively, are primarily derived from transaction fees, as well as the margin earned from purchasing foreign currency at wholesale exchange rates and selling the foreign currency to customers at retail exchange rates. We have a sending network in place comprised of agents, customer service representatives, Company-owned stores, primarily in North America and Europe, and our websites riamoneytransfer.com, hifx.co.uk, hifx.com.au, imeremit.com, xe.com and x-rates.com, along with a worldwide network of correspondent agents, consisting primarily of financial institutions in the transfer destination countries. Sending and correspondent agents each earn fees for cash collection and distribution services, which are recognized as direct operating costs at the time of sale.

In April 2014, the Company and Wal-Mart Stores, Inc. launched a new money transfer service called Walmart-2-Walmart Money Transfer Service which allows customers to transfer money to and from Walmart stores in the U.S. Our Ria business executes the transfers with Walmart serving as both the sending agent and payout correspondent. Ria earns a lower margin from these transactions than its traditional money transfers; however, the arrangement has added a significant number of transactions to Ria’s business. The agreement with Walmart establishes Ria as the only party through which Walmart will sell U.S. domestic money transfers branded with Walmart marks. The agreement has an initial term of three years from the launch date which will automatically renew for an initial two year term and subsequent one year terms unless either party provides notice to the contrary. The agreement imposes certain obligations on each party, the most significant being service level requirements by Ria and money transfer compliance requirements by Walmart. Any violation of these requirements by Ria could result in an obligation to indemnify Walmart or termination of the contract by Walmart. However, the agreement allows the parties to resolve disputes by mutual agreement without termination of the agreement.

Corporate Services, Eliminations and Other - In addition to operating in our principal operating segments described above, our “Corporate Services, Eliminations and Other” category includes non-operating activity, certain inter-segment eliminations and the cost of providing corporate and other administrative services to the operating segments, including most share-based compensation expense. These services are not directly identifiable with our reportable operating segments.

OPPORTUNITIES AND CHALLENGES

Our expansion plans and opportunities are currently focused on eight primary areas:

- increasing the number of ATMs in our independent ATM networks;
- increasing transactions processed on our network of owned and operated ATMs and POS devices;
- signing new outsourced ATM and POS terminal management contracts;
- expanding value added services in our EFT Processing Segment, including the sale of dynamic currency conversion services to banks and retailers;
- expanding our epay processing network and portfolio of electronic payment products;
- expanding our money transfer services, cross-currency payment products and bill payment network;
- expanding our cash management solutions and foreign currency risk management services; and
- developing our credit and debit card outsourcing business.

EFT Processing Segment — The continued expansion and development of our EFT Processing Segment business will depend on various factors including, but not necessarily limited to, the following:

- the impact of competition by banks and other ATM operators and service providers in our current target markets;
- the demand for our ATM outsourcing services in our current target markets;

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- our ability to develop products or services, including value added services, to drive increases in transactions and revenues;
- the expansion of our various business lines in markets where we operate and in new markets;
- our entry into additional card acceptance and ATM management agreements with banks;
- our ability to obtain required licenses in markets we intend to enter or expand services;
- our ability to enter into and renew ATM network cash supply agreements with financial institutions;
- the availability of financing for expansion;
- our ability to efficiently install ATMs contracted under newly awarded outsourcing agreements;
- our ability to renew existing contracts at profitable rates;
- our ability to maintain pricing at current levels or mitigate price reductions in certain markets;
- the impact of reductions in ATM interchange fees;
- our ability to expand and sign additional customers for the cross-border merchant processing and acquiring business; and
- the continued development and implementation of our software products and their ability to interact with other leading products.

We consistently evaluate and add prospects to our list of potential ATM outsourcing customers. However, we cannot predict any increase or decrease in the number of ATMs we manage under outsourcing agreements because this depends largely on the willingness of banks to enter into outsourcing contracts with us. Due to the thorough internal reviews and extensive negotiations conducted by existing and prospective banking customers in choosing outsource vendors, the process of entering into or renewing outsourcing agreements can take several months. The process is further complicated by legal and regulatory considerations in local countries. These agreements tend to cover large numbers of ATMs, so significant increases and decreases in our pool of managed ATMs could result from the acquisition or termination of one or more of these management contracts. Therefore, the timing of both current and new contract revenues is uncertain and unpredictable.

Software products are an integral part of our product lines, and our investment in research, development, delivery and customer support reflects our ongoing commitment to an expanded customer base.
epay Segment — The continued expansion and development of our epay Segment business will depend on various factors, including, but not necessarily limited to, the following:

- our ability to maintain and renew existing agreements, and to negotiate new agreements in additional markets with mobile phone operators, digital content providers, agent financial institutions and retailers;
- our ability to use existing expertise and relationships with mobile operators, digital content providers and retailers to our advantage;
- the continued use of third-party providers such as ourselves to supply electronic processing solutions for existing and additional digital content;
- the development of mobile phone networks in the markets in which we do business and the increase in the number of mobile phone users;
- the overall pace of growth in the prepaid mobile phone and digital content market, including consumer shifts between prepaid and postpaid services;
- our market share of the retail distribution capacity;
- the development of new technologies that may compete with POS distribution of prepaid mobile airtime and other products;
- the level of commission that is paid to the various intermediaries in the electronic payment distribution chain;
- our ability to fully recover monies collected by retailers;
- our ability to add new and differentiated products in addition to those offered by mobile operators;
- our ability to develop and effectively market additional value added services;

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- our ability to take advantage of cross-selling opportunities with our EFT Processing and Money Transfer Segments, including providing money transfer services through our distribution network; and
- the availability of financing for further expansion.

In all of the markets in which we operate, we are experiencing significant competition which will impact the rate at which we may be able to grow organically. Competition among prepaid mobile airtime and digital content distributors results in the increase of commissions paid to retailers and increases in retailer attrition rates. To grow, we must capture market share from other prepaid mobile airtime and digital content distributors, offer a superior product offering and demonstrate the value of a global network. In certain markets in which we operate, we believe that many of the factors that may contribute to rapid growth (growth in electronic payment products, expansion of our network of retailers and access to all mobile operators' products) remain present.

Money Transfer Segment — The continued expansion and development of our Money Transfer Segment business will depend on various factors, including, but not necessarily limited to, the following:

- the continued growth in worker migration and employment opportunities;
- the mitigation of economic and political factors that have had an adverse impact on money transfer volumes, such as changes in the economic sectors in which immigrants work and the developments in immigration policies in the U.S.;
- the continuation of the trend of increased use of electronic money transfer and bill payment services among high-income individuals, immigrant workers and the unbanked population in our markets;
- our ability to maintain our agent and correspondent networks;
- our ability to offer our products and services or develop new products and services at competitive prices to drive increases in transactions;
- the development of new technologies that may compete with our money transfer network;
- the expansion of our services in markets where we operate and in new markets;
- our ability to strengthen our brands;
- our ability to fund working capital requirements;
- our ability to recover from agents funds collected from customers and our ability to recover advances made to correspondents;
- our ability to maintain compliance with the regulatory requirements of the jurisdictions in which we operate or plan to operate;
- our ability to take advantage of cross-selling opportunities with our epay Segment, including providing prepaid services through Ria’s stores and agents worldwide;
- our ability to leverage our banking and merchant/retailer relationships to expand money transfer corridors to Europe, Asia and Africa, including high growth corridors to Central and Eastern European countries;
- the availability of financing for further expansion;
- the ability to maintain banking relationships necessary for us to service our customers;
- our ability to successfully expand our agent network in Europe using our payment institution licenses under the Payment Services Directive and in the United States; and
- our ability to provide additional value-added products under the XE brand.

For all segments, our continued expansion may involve additional acquisitions that could divert our resources and management time and require integration of new assets with our existing networks and services. Our ability to effectively manage our growth has required us to expand our operating systems and employee base, particularly at the management level, which has added incremental operating costs. Any inability to continue to effectively manage expansion could have a material adverse effect on our business, growth, financial condition and results of operations. Inadequate technology and resources would impair our ability to maintain current processing technology and efficiencies, as well as deliver new and innovative services to compete in the marketplace.

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SEGMENT SUMMARY RESULTS OF OPERATIONS

Revenues and operating income by segment for the three and nine months ended September 30, 2015 and 2014 are summarized in the tables below:

	Revenues for the Three Months Ended September 30,		Year-over-Year Change		Revenues for the Nine Months Ended September 30,		Year-over-Year Change	
(dollar amounts in thousands)	2015	2014	Increase (Decrease) Amount	Increase (Decrease) Percent	2015	2014	Increase (Decrease) Amount	Increase (Decrease) Percent
EFT Processing	$118,895	$107,503	$11,392	11 %	$286,650	$271,580	$15,070	6 %
epay	174,547	195,086	(20,539)	(11)%	517,296	562,129	(44,833)	(8)%
Money Transfer	188,232	151,250	36,982	24 %	498,689	369,568	129,121	35 %
Total	481,674	453,839	27,835	6 %	1,302,635	1,203,277	99,358	8 %
Corporate services, eliminations and other	(301)	(417)	116	(28)%	(952)	(1,078)	126	(12)%
Total	$481,373	$453,422	$27,951	6 %	$1,301,683	$1,202,199	$99,484	8 %

	Operating Income (Expense) for the Three Months Ended September 30,		Year-over-Year Change		Operating Income (Expense) for the Nine Months Ended September 30,		Year-over-Year Change	
(dollar amounts in thousands)	2015	2014	Increase (Decrease) Amount	Increase (Decrease) Percent	2015	2014	Increase (Decrease) Amount	Increase (Decrease) Percent
EFT Processing	$40,316	$34,210	$6,106	18 %	$73,724	$68,562	$5,162	8 %
epay	14,607	12,451	2,156	17 %	46,360	41,533	4,827	12 %
Money Transfer	23,750	12,583	11,167	89 %	55,308	27,336	27,972	102 %
Total	78,673	59,244	19,429	33 %	175,392	137,431	37,961	28 %
Corporate services, eliminations and other	(8,399)	(8,512)	113	(1)%	(25,775)	(28,189)	2,414	(9)%
Total	$70,274	$50,732	$19,542	39 %	$149,617	$109,242	$40,375	37 %

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Impact of changes in foreign currency exchange rates

Our revenues and local expenses are recorded in the functional currencies of our operating entities and translated into U.S. dollars for financial reporting purposes; therefore, amounts we earn outside the U.S. are negatively impacted by the stronger U.S. dollar and positively impacted by the weaker U.S. dollar. On average, the U.S. dollar was considerably stronger in the third quarter and first nine months of 2015 than the same periods of 2014 compared to currencies of most markets in which we operate. Considering the results by country and the associated functional currency, we estimate that our reported consolidated operating income for the third quarter and first nine months of 2015 was 16% and 15% less, respectively, due to the changes in foreign currency exchange rates when compared to the same periods of 2014.

To provide further perspective on the impact of foreign currency exchange rates, the following table shows the changes in values relative to the U.S. dollar of the currencies of the countries in which we have our most significant operations:

Currency (dollars per foreign currency)	Average Translation Rate Three Months Ended September 30, 2015	2014	Decrease Percent	Average Translation Rate Nine Months Ended September 30, 2015	2014	Decrease Percent
Australian dollar	$0.7251	$0.9244	(22)%	$0.7628	$0.9179	(17)%
Brazilian real	$0.2840	$0.4398	(35)%	$0.3201	$0.4374	(27)%
British pound	$1.5487	$1.6690	(7)%	$1.5321	$1.6691	(8)%
euro	$1.1127	$1.3246	(16)%	$1.1153	$1.3554	(18)%
Hungarian forint	$0.0036	$0.0043	(16)%	$0.0036	$0.0044	(18)%
Indian rupee	$0.0154	$0.0165	(7)%	$0.0158	$0.0165	(4)%
New Zealand dollar	$0.6508	$0.8420	(23)%	$0.7113	$0.8463	(16)%
Polish zloty	$0.2657	$0.3174	(16)%	$0.2685	$0.3249	(17)%

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COMPARISON OF OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

EFT PROCESSING SEGMENT

The following table presents the results of operations for the three and nine months ended September 30, 2015 and 2014 for our EFT Processing Segment:

(dollar amounts in thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Year-over-Year Change Increase (Decrease) Amount	Year-over-Year Change Increase (Decrease) Percent	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Year-over-Year Change Increase (Decrease) Amount	Year-over-Year Change Increase (Decrease) Percent
Total revenues	$118,895	$107,503	$11,392	11 %	$286,650	$271,580	$15,070	6 %
Operating expenses:								
Direct operating costs	51,550	46,612	4,938	11 %	135,754	125,773	9,981	8 %
Salaries and benefits	11,862	12,155	(293)	(2)%	34,466	35,127	(661)	(2)%
Selling, general and administrative	7,052	6,516	536	8 %	19,432	19,167	265	1 %
Depreciation and amortization	8,115	8,010	105	1 %	23,274	22,951	323	1 %
Total operating expenses	78,579	73,293	5,286	7 %	212,926	203,018	9,908	5 %
Operating income	$40,316	$34,210	$6,106	18 %	$73,724	$68,562	$5,162	8 %
Transactions processed (millions)	348	321	27	8 %	980	942	38	4 %
ATMs as of September 30,	21,128	19,808	1,320	7 %	21,128	19,808	1,320	7 %
Average ATMs	21,781	19,579	2,202	11 %	21,348	18,995	2,353	12 %

Revenues

Our revenues for the third quarter and first nine months of 2015 increased when compared to the same periods of 2014 primarily due to an increase in the number of ATMs under management being partially offset by the impact of the U.S. dollar strengthening against key foreign currencies. The increase in ATMs and POS devices under management also contributed to an increase in dynamic currency conversion ("DCC") revenues which were partly offset by a decrease in rates charged for certain debit and credit card outsourcing services as a result of our actions to amend and extend a contract with a large European customer during the first quarter of 2015. The revenue increases were magnified in the third quarter as demand for ATM and DCC services are highest in this period because it is the height of the tourism season.

Our EFT Processing business in Greece has been affected by the recent sovereign debt crisis in that country. First, due to capital controls on Greek banks, we were not able to obtain the full amount of cash from them needed to fill our ATMs which resulted in fewer transactions processed due to empty ATMs. However, we had arranged alternative sources of cash to supplement those supplied by Greek banks which largely mitigated ATM cash supply problems. Second, due to the uncertainty in Greece, tourist traffic was lower than usual which reduced the number of ATM withdrawals and DCC transactions processed. Further, some tourists who were concerned about their ability to withdraw cash from ATMs in Greece brought additional cash with them on their travels which resulted in fewer withdrawals from our ATMs, including DCC transactions. These circumstances are likely to continue to impact our operations in the near term, reducing the number of transactions processed and revenues recognized from what would otherwise be expected. Current developments appear to keep Greece as a member of the European Union and the Eurozone which allays the immediate risk of any currency conversion of our cash in Greece; however, the longer term risk of Greece exiting the European Union is still uncertain and any related currency conversion risk remains.

Average monthly revenues per ATM were $1,820 for the third quarter and $1,492 for the first nine months of 2015 compared to $1,830 for the third quarter and $1,589 for the first nine months of 2014. The decreases were primarily due to the strengthening of the U.S. dollar against key foreign currencies, partly offset by revenue growth from an increase in ATMs under management and DCC transactions processed. Revenues per transaction were $0.34 for the third quarter and $0.29 for the first nine months of 2015 compared to $0.33 for the third quarter and $0.29 for the first nine months of 2014. Revenue growth from DCC, which earns higher revenues per transaction than other ATM or card based services, was largely offset by the impact of the U.S. dollar strengthening against key foreign currencies.

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Direct operating costs

Direct operating costs consist primarily of site rental fees, cash delivery costs, cash supply costs, maintenance, insurance, telecommunications, data center operations-related personnel, as well as the processing centers' facility-related costs and other processing center-related expenses and commissions paid to retail merchants, banks and card processors involved with POS DCC transactions. Direct operating costs increased for the third quarter and first nine months of 2015 compared to the same periods of 2014, primarily due to an increase in the number of ATMs under management, partly offset by the impact of the U.S. dollar strengthening against key foreign currencies.

Gross profit

Gross profit, which is calculated as revenues less direct operating costs, was $67.3 million for the third quarter and $150.9 million for the first nine months of 2015 compared to $60.9 million for the third quarter and $145.8 million for the first nine months of 2014. The increases in gross profit were primarily due to the growth in revenues from the increases in ATMs under management and DCC transactions processed, partly offset by the impact of the U.S dollar strengthening against key foreign currencies and decreases in rates charged for certain debit and credit card outsourcing services. Gross profit as a percentage of revenues ("gross margin") was 56.6% for the third quarter and 52.6% for the first nine months of 2015 compared to 56.6% for the third quarter and 53.7% for the first nine months of 2014. The decrease in gross margin for the first nine months of 2015 was primarily due to the decrease in rates charged for certain debit and credit card outsourcing services.

Salaries and benefits

The slight decreases in salaries and benefits for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due to the impact of the U.S. dollar strengthening against key foreign currencies being largely offset by additional headcount to support an increase in the number of ATMs and POS devices under management. As a percentage of revenues, these costs decreased to 10.0% for the third quarter and 12.0% for the first nine months of 2015 from 11.3% for third quarter and 12.9% for the first nine months of 2014. These decreases were primarily due to the growth in revenues earned from DCC and other value added service transactions on our ATMs under management, which require minimal incremental support costs.

Selling, general and administrative

Selling, general and administrative expenses increased slightly for the third quarter and first nine months of 2015 compared to the same periods of 2014 primarily due to the increased support costs as a result of the increase in the number of ATMs under management, partly offset by the impact of the U.S. dollar strengthening against key foreign currencies. The increase for the third quarter of 2015 was also affected by an increase in bad debt expense. As a percentage of revenues, these expenses decreased to 5.9% for the third quarter and 6.8% for the first nine months of 2015 from 6.1% for the third quarter and 7.1% for the first nine months of 2014. These decreases were primarily due to the growth in revenues earned from DCC and other value added service transactions on our ATMs and POS devices under management, which require minimal incremental support costs.

Depreciation and amortization

The minor increases in depreciation and amortization expense for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due to an increase in depreciation on our ATMs under management and software assets, largely offset by the impact of the U.S. dollar strengthening against key foreign currencies. As a percentage of revenues, depreciation and amortization expense decreased to 6.8% for the third quarter and 8.1% for the first nine months of 2015 from 7.5% for the third quarter and 8.5% for the first nine months of 2014, primarily due to revenue growth outpacing the growth in our ATMs under management and the increase in software capitalization.

Operating income

The increase in operating income for the third quarter of 2015 compared to the same period of 2014 was primarily due to the increase in the number of ATMs under management and growth in revenues earned from DCC and other value added service transactions, partly offset by the impact of the U.S. dollar strengthening against key foreign currencies. The increase in operating income for the first nine months of 2015 compared to the same period of 2014 was more significantly impacted by the decrease in rates charged for certain debit and credit card management services than the third quarter of 2015.

Operating income as a percentage of revenues (“operating margin”) increased to 33.9% for the third quarter and 25.7% for the first nine months of 2015 from 31.8% for the third quarter and 25.2% for the first nine months of 2014. The increases in operating margin were primarily due to the increase in the number of ATMs under management and growth in revenues earned from DCC and other value added service transactions. Theses increases were partly offset by the decrease in rates charged for certain debit and credit card management services which impacted the first nine months more than the third quarter of 2015. Operating income per transaction increased to $0.12 for the third quarter and $0.08 for the first nine months of 2015 from $0.11 for the third quarter and $0.07 for the first nine months of 2014.

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EPAY SEGMENT

The following table presents the results of operations for the three and nine months ended September 30, 2015 and 2014 for our epay Segment:

(dollar amounts in thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Year-over-Year Change Increase (Decrease) Amount	Year-over-Year Change Increase (Decrease) Percent	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Year-over-Year Change Increase (Decrease) Amount	Year-over-Year Change Increase (Decrease) Percent
Total revenues	$174,547	$195,086	$(20,539)	(11)%	$517,296	$562,129	$(44,833)	(8)%
Operating expenses:								
Direct operating costs	133,124	153,121	(19,997)	(13)%	396,860	434,984	(38,124)	(9)%
Salaries and benefits	12,745	14,356	(1,611)	(11)%	37,172	41,856	(4,684)	(11)%
Selling, general and administrative	11,411	11,160	251	2%	28,439	31,433	(2,994)	(10)%
Depreciation and amortization	2,660	3,998	(1,338)	(33)%	8,465	12,323	(3,858)	(31)%
Total operating expenses	159,940	182,635	(22,695)	(12)%	470,936	520,596	(49,660)	(10)%
Operating income	$14,607	$12,451	$2,156	17%	$46,360	$41,533	$4,827	12%
Transactions processed (millions)	337	320	17	5%	993	900	93	10%

Revenues

The decreases in revenues for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due to the impact of the U.S. dollar strengthening against key foreign currencies, a decrease in prepaid mobile transactions processed in Brazil and the U.K. and lower rates charged for certain transactions in the U.S. Partially offsetting the decreases in revenues for the third quarter and first nine months of 2015 was an increase in the number of non-mobile transactions processed in Germany and certain emerging markets and an increase in voucher redemptions in our cadooz subsidiary following strong year-end holiday sales. Additionally, third quarter 2015 results included an unexpected high volume of non-mobile transactions related to promotional activities of a content partner which is uncertain to recur.

We currently expect most of our future revenue growth in the epay segment to be derived from: (i) additional electronic payment products sold over the base of POS terminals, (ii) value added services, (iii) developing markets or markets in which there is organic growth in the electronic top-up sector overall, and (iv) acquisitions, if available and commercially appropriate.

Revenues per transaction decreased to $0.52 for both the third quarter and first nine months of 2015 from $0.61 for the third quarter and $0.62 for the first nine months of 2014, primarily due to the impact of the U.S. dollar strengthening against key foreign currencies and growth in the number of prepaid mobile transactions processed in India, where revenues per transaction are considerably lower than average. The decrease in revenues per transaction was partly offset by the increase in the number of non-mobile transactions processed, for which we generally earn higher revenues per transaction than mobile transactions.

Direct operating costs

Direct operating costs in our epay Segment include the commissions we pay to retail merchants for the distribution and sale of prepaid mobile airtime and other prepaid products, expenses required to operate POS terminals and the cost of vouchers sold and physical gifts fulfilled. The decreases in direct operating costs for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due to the net impact of the U.S. dollar strengthening against key foreign currencies and the decrease in prepaid mobile transactions processed in the U.K. and Brazil. The decreases were partly offset by the increases in vouchers redeemed in our cadooz subsidiary and non-mobile transactions processed in Germany and certain emerging markets, along with the increase in non-mobile transactions related to promotional activities described above.

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Gross profit

Gross profit was $41.4 million for the third quarter and $120.4 million for the first nine months of 2015 compared to $42.0 million for the third quarter and $127.1 million for the first nine months of 2014. The decreases in gross profit were primarily due to the net impact of the U.S. dollar strengthening against key foreign currencies and the decreases in revenues in Brazil and the U.K. The decreases were partly offset by growth in non-mobile transactions processed in Germany and certain emerging markets, along with the increase in non-mobile transactions related to promotional activities and the increase in vouchers redeemed in our cadooz subsidiary.

Gross margin was 23.7% for the third quarter and 23.3% for the first nine months of 2015 compared to 21.5% and 22.6% for the same periods of 2014, respectively. The increase in the third quarter was primarily due to the increase in non-mobile transactions processed. Gross margin for the first nine months of 2015 was also impacted by a decrease in revenues in Brazil and lower gross margins realized on voucher redemptions.

Salaries and benefits

The decreases in salaries and benefits for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due the U.S. dollar strengthening against key foreign currencies, partly offset by an increase in bonus expense related to the improved results and headcount added to support growth in Germany.

As a percentage of revenues, salaries and benefits decreased to 7.3% for the third quarter and 7.2% for the first nine months of 2015 compared to 7.4% for each of the same periods of 2014, primarily due to transaction growth exceeding headcount growth.

Selling, general and administrative

The decrease in selling, general and administrative expenses for the first nine months of 2015 compared to the same period of 2014 was primarily due to the net impact of the U.S. dollar strengthening against key foreign currencies. The third quarter of 2015 was also impacted by the write-down of certain deferred costs which were no longer recoverable under the respective contracts.

As a percentage of revenues, selling, general and administrative expenses increased to 6.5% for the third quarter of 2015 from 5.7% for the same period of 2014, and decreased to 5.5% for the first nine months of 2015 compared to 5.6% for the same period of 2014. The increase for the third quarter of 2015 was primarily due to the deferred cost write-downs discussed above. The decrease for the first nine months of 2015 compared to same period of 2014 was mainly due to transaction growth with little increase in support costs.

Depreciation and amortization

Depreciation and amortization expense primarily represents depreciation of POS terminals we place in retail stores and the amortization of acquired intangible assets. Depreciation and amortization expense decreased for the third quarter and first nine months of 2015 compared to the same periods of 2014 primarily due to the net impact of the U.S. dollar strengthening against key foreign currencies and certain assets becoming fully depreciated without yet being replaced. As a percentage of revenues, depreciation and amortization expense decreased to 1.5% for the third quarter and 1.6% for the first nine months of 2015 from 2.0% for the third quarter and 2.2% for the first nine months of 2014 mainly as a result of the fully depreciated assets not being replaced.

Operating income

The increases in operating income for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due to the growth in transactions processed exceeding the growth in support costs, partly offset by the net impact of the U.S. dollar strengthening against key foreign currencies and deferred cost write-downs in the third quarter of 2015.

Operating margin increased to 8.4% for the third quarter and 9.0% for the first nine months of 2015 from 6.4% and 7.4% for the same periods of 2014, respectively, primarily due to the growth in transactions processed while keeping costs stable. Operating income per transaction remained at $0.04 for the third quarters and $0.05 for the first nine months of 2015 and 2014.

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MONEY TRANSFER SEGMENT

The following table presents the results of operations for the three and nine months ended September 30, 2015 and 2014 for the Money Transfer Segment:

(dollar amounts in thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Year-over-Year Change Increase (Decrease) Amount	Year-over-Year Change Increase (Decrease) Percent	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Year-over-Year Change Increase Amount	Year-over-Year Change Increase Percent
Total revenues	$188,232	$151,250	$36,982	24 %	$498,689	$369,568	$129,121	35 %
Operating expenses:								
Direct operating costs	97,928	75,455	22,473	30 %	260,008	183,985	76,023	41 %
Salaries and benefits	36,187	32,219	3,968	12 %	100,581	83,472	17,109	20 %
Selling, general and administrative	23,356	23,747	(391)	(2)%	63,089	57,438	5,651	10 %
Depreciation and amortization	7,011	7,246	(235)	(3)%	19,703	17,337	2,366	14 %
Total operating expenses	164,482	138,667	25,815	19 %	443,381	342,232	101,149	30 %
Operating income	$23,750	$12,583	$11,167	89 %	$55,308	$27,336	$27,972	102 %
Transactions processed (millions)	19.0	13.6	5.4	40 %	49.4	33.9	15.5	46 %

Revenues

The increases in revenues for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due to increases in the number of money transfers processed, driven by growth in our U.S and foreign agent and correspondent payout networks, the April 2014 launch of the domestic Walmart money transfer product and the impacts of our June 2014 acquisition of HiFX, our June 2015 acquisition of IME (M) Sdn Bhd ("IME"), our Malaysian money transfer operation, and our July 2015 acquisition of XE Corporation. Additionally, the third quarter 2015 results include the benefit of increased foreign currency exchange margins related to a market dislocation on a currency pair in one of our markets. The increases were partly offset by the U.S. dollar strengthening against key foreign currencies.

Revenues per transaction decreased to $9.91 for the third quarter and $10.09 for the first nine months of 2015 from $11.12 for the third quarter and $10.90 for the first nine months of 2014, primarily due to the impact of the U.S. dollar strengthening against key foreign currencies and the launch of our Walmart money transfer product during the second quarter of 2014, which earns lower revenues per transaction than other money transfer services. Partly offsetting these decreases in revenues per transaction was the impact of the HiFX transactions which earn higher revenues per transaction than other money transfer services.

Direct operating costs

Direct operating costs in the Money Transfer Segment primarily represent commissions paid to agents who originate money transfers on our behalf and correspondent agents who disburse funds to the customers’ destination beneficiaries, together with less significant costs, such as bank depository fees. The increases in direct operating costs for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due to growth in the number of money transfer transactions processed in both the U.S. and non-U.S. locations. Partly offsetting the increases in direct operating costs was the impact of the U.S. dollar strengthening against key foreign currencies.

Gross profit

Gross profit was $90.3 million for the third quarter and $238.7 million for the first nine months of 2015 compared to $75.8 million for the third quarter and $185.6 million for the first nine months of 2014. The increases in gross profit were primarily due to growth in the number of money transfer transactions processed in both the U.S. and foreign markets and the impact of our acquisitions of HiFX, IME and XE. Partly offsetting the increases in gross profit was the impact of the U.S. dollar strengthening against key foreign currencies.

Gross margin decreased to 48.0% for the third quarter and 47.9% for the first nine months of 2015 from 50.1% for third quarter and 50.2% for the first nine months of 2014, primarily due to the growth of our Walmart money transfer product in the U.S., which earns a lower gross profit per transaction than other money transfer services, partly offset by the impact of our acquisition of HiFX, which has higher margin transactions.

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Salaries and benefits

The increases in salaries and benefits for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due to the impact of our acquisitions of HiFX, IME and XE, an increase in headcount as a result of the launch of our Walmart money transfer product and expansion of our operations in foreign markets. As a percentage of revenues, salaries and benefits improved to 19.2% for the third quarter and 20.2% for the first nine months of 2015 from 21.3% for the third quarter and 22.6% for the first nine months of 2014, primarily due to the increase in the number of money transfers processed, which did not require a similar increase in support costs.

Selling, general, and administrative

The increase in selling, general and administrative expenses for the first nine months of 2015 compared to the same period of 2014 was primarily due to the impact of our acquisitions of HiFX, IME and XE and expenses incurred to support the expansion of our money transfer products in both the U.S. and foreign markets. Partly offsetting the increases in selling, general and administrative expenses were the impact of the U.S. dollar strengthening against key foreign currencies, a decrease in bad debt expense and the write-down of certain customer acquisition costs in the first and third quarters of 2014. The third quarter 2014 bad debt charges and write-down of customer acquisition costs resulted in a decrease in selling, general and administrative costs in the third quarter of 2015 compared to the same period in 2014.

As a percentage of revenues, selling, general and administrative expenses decreased to 12.4% for the third quarter and 12.7% for the first nine months of 2015 from 15.7% and 15.5% for the same periods of 2014, respectively, primarily due to an increase in the number of money transfers processed, which did not require a similar increase in support costs.

Depreciation and amortization

Depreciation and amortization primarily represents amortization of acquired intangible assets and depreciation of money transfer terminals, computers and software, leasehold improvements and office equipment. The increase in depreciation and amortization for the first nine months of 2015 compared to the same period of 2014 was primarily due to the amortization of intangible assets related to the acquisitions of HiFX, IME and XE and investments made to support the growth in the business. Partly offsetting these increases was the the impact of the U.S. dollar strengthening against key foreign currencies. Additionally, certain intangible assets became fully amortized in the first quarter of 2015, which resulted in a slight decrease in depreciation and amortization expense for the third quarter of 2015 compared to the same period of 2014.

As a percentage of revenues, depreciation and amortization decreased to 3.7% for the third quarter and 4.0% for the first nine months of 2015 from 4.8% and 4.7% for the same periods of 2014, respectively. These decreases were primarily due to certain intangible assets becoming fully amortized in the first quarter of 2015 and the effect of revenues earned from our Walmart money transfer product, which required less capital investment than other money transfer products.

Operating income

The increases in operating income for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due to the increase in the number of money transfers processed, the impact of our acquisitions of HiFX, IME and XE, the write-down of certain customer acquisition costs during the first and third quarters of 2014 and lower bad debt expense, partly offset by an increase in salaries and benefits and other costs to support the growth in the business. Also partly offsetting the increase in operating income was the impact of the U.S. dollar strengthening against key foreign currencies.

As a percentage of revenues, operating margin increased to 12.6% for the third quarter and 11.1% for the first nine months of 2015 from 8.3% and 7.4% for same periods of 2014, respectively, primarily due to the increase in the number of money transfers processed, the acquisitions of HiFX, IME and XE, lower bad debt expense and the write-down of certain customer acquisition costs in the first and third quarters of 2014.

Operating income per transaction increased to $1.25 for the third quarter and $1.12 for the first nine months of 2015 from $0.93 and $0.81 for the same periods of 2014, respectively, primarily due to the increase in the number of money transfers processed, which did not require a similar increase in support costs, along with the impact of the higher margin HiFX transactions, lower bad debt expense and the first and third quarter 2014 write-downs of customer acquisition costs, partly offset by the impact of the U.S. dollar strengthening against key foreign currencies.

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CORPORATE SERVICES

The following table presents the operating expenses for the three and nine months ended September 30, 2015 and 2014 for Corporate Services:

(dollar amounts in thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Year-over-Year Change Increase (Decrease) Amount	Year-over-Year Change Increase (Decrease) Percent	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Year-over-Year Change Increase (Decrease) Amount	Year-over-Year Change Increase (Decrease) Percent
Salaries and benefits	$6,276	$5,857	$419	7 %	$19,939	$18,074	$1,865	10 %
Selling, general and administrative	1,916	2,588	(672)	(26)%	5,492	9,907	(4,415)	(45)%
Depreciation and amortization	207	67	140	209 %	344	208	136	65 %
Total operating expenses	$8,399	$8,512	$(113)	(1)%	$25,775	$28,189	$(2,414)	(9)%

Corporate operating expenses

Overall, operating expenses for Corporate Services decreased for the third quarter and first nine months of 2015 compared to the same periods of 2014. The increases in salaries and benefits were primarily due to increased headcount, employee raises and an increase in bonus expense related to the Company's improved performance. The decrease in selling, general and administrative expense for the first nine months was primarily due to the settlement during the second quarter of 2014 of a dispute related to a prior period potential acquisition and charges recorded in the third quarter of 2014 related to unclaimed property.

OTHER EXPENSE, NET

(dollar amounts in thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Year-over-Year Change Increase (Decrease) Amount	Year-over-Year Change Increase (Decrease) Percent	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Year-over-Year Change Increase (Decrease) Amount	Year-over-Year Change Increase(Decrease) Percent
Interest income	539	797	(258)	(32)%	1,642	1,956	(314)	(16)%
Interest expense	(6,690)	(3,046)	(3,644)	120 %	(18,482)	(7,476)	(11,006)	147 %
Loss from unconsolidated affiliates	—	(33)	33	n/m	—	(64)	64	n/m
Foreign currency exchange loss, net	(16,010)	(711)	(15,299)	n/m	(34,066)	(5,067)	(28,999)	n/m
Other (losses) gains	(73)	—	(73)	n/m	315	—	315	n/m
Other expense, net	$(22,234)	$(2,993)	$(19,241)	n/m	$(50,591)	$(10,651)	$(39,940)	n/m

n/m — Not meaningful

Interest income

The decreases in interest income for the third quarter and first nine months of 2015 compared to the same periods of 2014 were primarily due to a decrease in interest earned on funds held in Brazil and Australia and the impact of the U.S. dollar strengthening against key foreign currencies.

Interest expense

The increases in interest expense for the third quarter and first nine months of 2015 compared to the same periods of 2014 were largely the result of the issuance of the Convertible Notes in the fourth quarter of 2014.

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Foreign currency exchange loss, net

Assets and liabilities denominated in currencies other than the local currency of each of our subsidiaries give rise to foreign currency exchange gains and losses. Foreign currency exchange gains and losses that result from re-measurement of these assets and liabilities are recorded in determining net income. The majority of our foreign currency exchange gains or losses are due to the re-measurement of intercompany loans which are not considered a long-term investment in nature and are in a currency other than the functional currency of one of the parties to the loan. For example, we make intercompany loans based in euros from our corporate division, which is comprised of U.S. dollar functional currency entities, to certain European entities that use the euro as the functional currency. As the U.S. dollar strengthens against the euro, foreign currency exchange losses are recognized by our corporate entities because the number of euros to be received in settlement of the loans decreases in U.S. dollar terms. Conversely, in this example, in periods where the U.S. dollar weakens, our corporate entities will record foreign currency exchange gains.

We recorded net foreign currency exchange losses of $16.0 million and $0.7 million for the third quarters of 2015 and 2014, respectively, and $34.1 million and $5.1 million for the first nine months of 2015 and 2014, respectively. These realized and unrealized net foreign currency exchange losses reflect the fluctuation in the value of the U.S. dollar against the currencies of the countries in which we operated during the respective periods.

Other (losses) gains

The third quarter 2015 loss related to the liquidation of a small subsidiary. The gain for the first nine months of 2015 includes the result of the sale of a minor line of business by one of our subsidiaries.

INCOME TAX EXPENSE

The Company's effective income tax rates were 34.8% and 26.9% for the third quarter of 2015 and 2014, respectively, and 34.4% and 27.7% for the first nine months of 2015 and 2014, respectively. The effective income tax rates for the third quarter and first nine months of 2015 were significantly influenced by foreign currency exchange losses. Excluding this item from pre-tax income, as well as the related tax effect, the effective income tax rates were 25.8% and 25.3% for the third quarter and first nine months of 2015, respectively.

The Company's effective income tax rates for the third quarter and first nine months of 2015, as adjusted for foreign currency exchange losses, were lower than the applicable statutory income tax rate of 35% primarily because of the Company's U.S. income tax positions. The Company does not have a history of significant taxable income in the U.S.; therefore, the Company has recorded a valuation allowance against its U.S. federal tax net operating loss carryforwards. Accordingly, in instances when the Company's U.S. legal entities generate pre-tax U.S. GAAP income, no income tax expense is recognized to the extent there are net operating loss carryforwards to offset pre-tax U.S. GAAP income. The decreases in the effective tax rates for the third quarter and the first nine months of 2015, as adjusted for foreign currency exchange losses, compared to the same periods of 2014 were largely due to an increase in the portion of earnings generated in the U.S.

NET INCOME OR LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS

Noncontrolling interests represents the elimination of net income or loss attributable to the minority shareholders' portion of the following consolidated subsidiaries that are not wholly owned:

Subsidiary	Percent Owned	Segment - Country
Movilcarga	95%	epay - Spain
Euronet China	75%	EFT - China
Euronet Pakistan	70%	EFT - Pakistan
Universal Solutions Partners	51%	EFT - UAE

NET INCOME ATTRIBUTABLE TO EURONET

Net income attributable to Euronet was $31.3 million for the third quarter and $65.3 million for the first nine months of 2015 compared to $35.0 million for the third quarter and $71.6 million for the first nine months of 2014. As more fully discussed above, the $6.3 million decrease in net income for the first nine months of 2015 compared to the same period of 2014 was primarily due to an increase in net foreign currency exchange loss of $29.0 million, an increase in interest expense of $11.0 million and an increase in income tax expense of $6.8 million. These decreases to net income were partly offset by an increase in operating income of $40.4 million and a decrease in other non-operating costs of $0.1 million.

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LIQUIDITY AND CAPITAL RESOURCES

Working capital

As of September 30, 2015 and December 31, 2014, we had working capital, which is calculated as the difference between total current assets and total current liabilities, of $236.3 million and $257.0 million, respectively. Our ratio of current assets to current liabilities at September 30, 2015 and December 31, 2014 was 1.28 and 1.30, respectively. We require substantial working capital to finance operations. In the Money Transfer Segment, we fund the payout of the majority of our consumer-to-consumer money transfers services before receiving the benefit of amounts collected from customers by agents. Working capital needs increase due to weekends and international banking holidays. As a result, we may report more or less working capital for the Money Transfer Segment based solely upon the day on which the reporting period ends. The epay Segment produces positive working capital, but much of it is restricted in connection with the administration of its customer collection and vendor remittance activities. In our EFT Processing Segment, we obtain the majority of the cash required to operate our ATMs through various cash supply arrangements, the amount of which is not recorded on Euronet's Consolidated Balance Sheets. In certain countries, we fund the cash required to operate our ATM network from borrowings under the revolving credit facility and cash flows from operations. As of September 30, 2015, we had approximately $191 million of our own cash in use or designated for use in our ATM network, which is recorded in cash and cash equivalents on Euronet's Consolidated Balance Sheet. We had cash and cash equivalents of $528.8 million at September 30, 2015, of which $471.5 million was held outside of the United States and is expected to be indefinitely reinvested for continued use in foreign operations. Repatriation of these assets to the U.S. could have negative tax consequences.

The following table identifies cash and cash equivalents provided by/(used in) our operating, investing and financing activities for the nine-month periods ended September 30, 2015 and 2014 (in thousands):

	Nine Months Ended September 30,	
Liquidity	2015	2014
Cash and cash equivalents provided by (used in):		
Operating activities	$231,518	$224,639
Investing activities	(173,112)	(134,433)
Financing activities	31,250	179,143
Effect of foreign currency exchange rate changes on cash and cash equivalents	(28,832)	(27,988)
Increase in cash and cash equivalents	$60,824	$241,361

Operating activity cash flow

Cash flows provided by operating activities were $231.5 million for the first nine months of 2015 compared to $224.6 million for the first nine months of 2014. The increase is primarily due to improved operating results partially offset by fluctuations in working capital mainly associated with the timing of the settlement processes with mobile operators and other content providers in the epay Segment and with correspondents in the Money Transfer Segment.

Investing activity cash flow

Cash flows used in investing activities were $173.1 million for the first nine months of 2015 compared to $134.4 million for the first nine months of 2014. Cash used for acquisitions was $114.0 million for the first nine months of 2015 compared to $84.7 million for the first nine months of 2014. During the first nine months of 2015, we used $55.3 million for purchases of property and equipment compared to $45.7 million during the first nine months of 2014; the increase was primarily related to ATM network expansion. Cash used for software development and other investing activities totaled $3.8 million for the first nine months of 2015 compared to $4.0 million for the same period of 2014.

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Financing activity cash flow

Cash flows provided by financing activities were $31.3 million for the first nine months of 2015 compared to $179.1 million for the first nine months of 2014. Our financing activities for the first nine months of 2015 consisted of net borrowings of $31.4 million compared to $175.5 million for the first nine months of 2014. The decrease in net borrowings during the first nine months of 2015 compared to the same period of 2014 was the result of having cash available during the first half of 2015 from the fourth quarter 2014 issuance of the Convertible Notes compared to borrowings needed for acquisitions and working capital purposes in the first nine months of 2014. Additionally, we used $2.5 million and $1.9 million during the first nine months of 2015 and 2014, respectively, for capital lease repayments. During the first nine months of 2015, we paid $5.1 million for the amount of payroll taxes represented by the common stock withheld on restricted stock vestings and stock option exercises compared to $1.2 million for the same period of 2014; we also purchased $0.1 million of our stock in the open market during the first nine months of 2015. We received proceeds from stock option exercises of $6.7 million and $8.5 million for the first nine months of 2015 and 2014, respectively. During the first nine months of 2014, we paid $2.5 million for debt issuance costs.

Other sources of capital

Credit Facility

As of September 30, 2015, we had a $675 million senior secured credit facility (the "Credit Facility") consisting of a $590 million revolving credit facility, a $10 million India revolving credit facility and a $75 million term loan ("Term Loan A"), which had been reduced to $68.4 million through principal amortization payments. The revolving credit facility allows for borrowings in U.S. dollars, euros, British pounds, Australian dollars and/or Indian rupees and contains a $200 million sublimit for the issuance of letters of credit and a $25 million sublimit for swingline loans. The Credit Facility expires April 9, 2019. We use the revolving credit facility primarily to fund working capital requirements which are expected to increase as we expand the Money Transfer business and our independent ATM network. Based on our current projected working capital requirements, we anticipate that our revolving credit facility will be sufficient to fund our working capital needs.

As of September 30, 2015, fees and interest on borrowings varied based upon the Company's consolidated total leverage ratio (as defined in the Company's Amended and Restated Credit Agreement) (the "Credit Agreement") and are based, in the case of letter of credit fees, on a margin, and in the case of interest, on a margin over LIBOR or a margin over the base rate, as selected by us, with the applicable margin ranging from 1.375% to 2.375% for LIBOR loans and 0.375% to 1.375% for base rate loans.

As of September 30, 2015, we had borrowings of $68.4 million outstanding under Term Loan A. We had $41.4 million of borrowings and $42.7 million of stand-by letters of credit outstanding under the revolving credit facility as of September 30, 2015. The remaining $515.9 million under the revolving credit facility was available for borrowing. As of September 30, 2015, our weighted average interest rates under the revolving credit facility and Term Loan A were 3.23% and 1.57%, respectively, excluding amortization of deferred financing costs.

Convertible debt — On October 30, 2014, we completed the sale of $402.5 million of Convertible Senior Notes due 2044 (“Convertible Notes”). The Convertible Notes have an interest rate of 1.5% per annum payable semi-annually in April and October, and are convertible into shares of Euronet Common Stock at a conversion price of approximately $72.18 per share if certain conditions are met (relating to the closing prices of Euronet Common Stock exceeding certain thresholds for specified periods). Holders of the Convertible Notes have the option to require us to purchase their notes at par on October 1, 2020, and have additional options to require us to purchase their notes at par on October 1, 2024, 2029, 2034, and 2039, or upon a change in control of the Company. In connection with the issuance of the Convertible Notes, we recorded $10.7 million in debt issuance costs, which are being amortized through October 1, 2020.

Short-term debt obligations - Short-term debt obligations as of September 30, 2015 were primarily comprised of $6.6 million of payments due in the next twelve months under Term Loan A. Certain of our subsidiaries also have available credit lines and overdraft facilities to supplement short-term working capital requirements, when necessary, and there was $6.4 million outstanding under these facilities as of September 30, 2015.

Other uses of capital

Capital expenditures and needs - Total capital expenditures for the first nine months of 2015 were $59.7 million. These capital expenditures were made primarily for the purchase of ATMs in Poland and India, as well as for office, data center and company store computer equipment and software, and POS terminals for the epay Segment. Total capital expenditures for 2015 are currently estimated to range from approximately $75.0 million to $85.0 million.

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At current and projected cash flow levels, we anticipate that cash generated from operations, together with cash on hand and amounts available under our revolving credit facility and other existing and potential future financing sources, will be sufficient to meet our debt, leasing and capital expenditure obligations. If our capital resources are not sufficient to meet these obligations, we will seek to issue additional debt and/or equity under terms acceptable to us. However, we can offer no assurances that we will be able to obtain favorable terms for the refinancing of any of our debt or other obligations or for the issuance of additional equity.

Acquisitions

On June 17, 2015, the Company completed the acquisition of all of the capital stock of IME (M) Sdn Bhd and certain affiliated companies ("IME") pursuant to a Share Purchase Agreement (the "Purchase Agreement") among the Company and the selling shareholders of IME (the "Sellers"). IME is a leading Malaysian-based money transfer provider and provides the Money Transfer Segment with immediate entry into the Asian and Middle East send markets.

Under the terms of the Purchase Agreement, the Sellers received purchase consideration (the "Purchase Consideration") of $76.7 million in cash and 49,941 shares of Euronet common stock, with a fair value at date of acquisition of $3.0 million. A portion of the Purchase Consideration was placed in escrow at closing as security for the Sellers' indemnification and other obligations under the Purchase Agreement. Any Purchase Consideration remaining in escrow will be released to the Sellers at various defined dates over five years following the closing date, net of any pending indemnification or other claims under the Purchase Agreement.

On July 2, 2015, the Company completed the acquisition of all of the capital stock of XE Corporation, a global leader in digital foreign exchange information. XE Corporation is a Canadian company which operates the XE.com and x-rates.com websites, providing currency-related data and international payments services.

Under the terms of the purchase, the Company paid purchase consideration of $79.9 million in cash and 642,912 shares of Euronet common stock, with a fair value at date of acquisition of $40.1 million.

Share repurchase plan

In September 2013, the Board of Directors authorized a stock repurchase program ("2013 Program") allowing Euronet to repurchase up to $100 million in value or 5 million shares of its common stock through September 19, 2015. Repurchases under the 2013 Program could take place in the open market or in privately negotiated transactions, including derivative transactions, and could be made under a Rule 10b5-1 plan. We purchased 1,600 shares for $85 thousand during the first quarter of 2015 and none in the second or third quarters of 2015.

Inflation and functional currencies

Generally, the countries in which we operate have experienced low and stable inflation in recent years. Therefore, the local currency in each of these markets is the functional currency. Currently, we do not believe that inflation will have a significant effect on our results of operations or financial position. We continually review inflation and the functional currency in each of the countries where we operate.

OFF BALANCE SHEET ARRANGEMENTS

On occasion, we grant guarantees of the obligations of our subsidiaries and we sometimes enter into agreements with commercial counterparties that contain indemnification provisions, the terms of which may vary depending on the negotiated terms of each respective agreement. Our liability under such indemnification provisions may be subject to time and materiality limitations, monetary caps and other conditions and defenses. As of September 30, 2015, there were no material changes from the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2014. To date, we are not aware of any significant claims made by the indemnified parties or parties to whom we have provided guarantees on behalf of our subsidiaries and, accordingly, no liabilities have been recorded as of September 30, 2015. See also Note 12, Commitments, to the unaudited consolidated financial statements included elsewhere in this report.

CONTRACTUAL OBLIGATIONS

As of September 30, 2015, our future contractual obligations have not changed significantly from the amounts reported within our 2014 Form 10-K.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

As of September 30, 2015, our total debt outstanding was $467.5 million. Of this amount, $345.4 million, 74% of our total debt obligations, relates to our Convertible Notes having a fixed coupon rate. Our $402.5 million principal amount of Convertible Notes, issued in October 2014, accrue cash interest of 1.5% of the principal amount per annum. Based on quoted market prices, as of September 30, 2015, the fair value of our fixed rate Convertible Notes was $495.2 million, compared to a carrying value of $345.4 million. Interest expense for these notes, including accretion and amortization of deferred debt issuance costs, has a weighted average interest rate of 4.7% annually. Additionally, $116.2 million, or 25% of our total debt obligations, relates to debt that accrues interest at variable rates. If we were to maintain these borrowings for one year and maximize the potential borrowings available under the revolving credit facility for one year, a 1% (100 basis points) increase in the applicable interest rate would result in additional annual interest expense to the Company of approximately $6.3 million.

The remaining $5.9 million, or 1% of our total debt obligations, relates to capitalized leases with fixed payment and interest terms that expire between 2015 and 2019.

Our excess cash is invested in instruments with original maturities of three months or less or in certificates of deposit that may be withdrawn at any time without penalty; therefore, as investments mature and are reinvested, the amount we earn will increase or decrease with changes in the underlying short-term interest rates.

Foreign currency exchange rate risk

For the first nine months of 2015, approximately 70% of our revenues were generated in non-U.S. dollar countries and we expect to continue generating a significant portion of our revenues in countries with currencies other than the U.S. dollar.

We are particularly vulnerable to fluctuations in exchange rates of the U.S. dollar to the currencies of countries in which we have significant operations, primarily the Australian dollar, Brazilian real, British pound, euro, Indian Rupee, Hungarian forint and Polish zloty. As of September 30, 2015, we estimate that a 10% fluctuation in these foreign currency exchange rates would have the combined annualized effect on reported net income and working capital of approximately $60 million to $65 million. This effect is estimated by applying a 10% adjustment factor to our non-U.S. dollar results from operations, intercompany loans that generate foreign currency exchange gains or losses and working capital balances that require translation from the respective functional currency to the U.S. dollar reporting currency.

Additionally, we have other non-current, non-U.S. dollar assets and liabilities on our balance sheet that are translated to the U.S. dollar during consolidation. These items primarily represent goodwill and intangible assets recorded in connection with acquisitions in countries other than the U.S. We estimate that a 10% fluctuation in foreign currency exchange rates would have a non-cash impact on total comprehensive income of approximately $80 million to $85 million as a result of the change in value of these items during translation to the U.S. dollar. For the fluctuations described above, a strengthening U.S. dollar produces a financial loss, while a weakening U.S. dollar produces a financial gain.

We believe this quantitative measure has inherent limitations and does not take into account any governmental actions or changes in either customer purchasing patterns or our financing or operating strategies. Because a majority of our revenues and expenses are incurred in the functional currencies of our international operating entities, the profits we earn in foreign currencies are positively impacted by the weakening of the U.S. dollar and negatively impacted by the strengthening of the U.S. dollar. Additionally, our debt obligations are primarily in U.S. dollars; therefore, as foreign currency exchange rates fluctuate, the amount available for repayment of debt will also increase or decrease.

We are also exposed to foreign currency exchange rate risk in our Money Transfer Segment. A majority of the money transfer business involves receiving and disbursing different currencies, in which we earn a foreign currency spread based on the difference between buying currency at wholesale exchange rates and selling the currency to customers at retail exchange rates. We enter into foreign currency forwards and cross-currency swaps, to minimize exposure related to fluctuations in foreign currency exchange rates. As of September 30, 2015, we had foreign currency derivative contracts outstanding with a notional value of $1.0 billion, primarily in Australian dollars, British pounds, euros and Mexican pesos, that were not designated as hedges and mature within the next twelve months. See Note 8, Derivative

Instruments and Hedging Activities to our unaudited consolidated financial statements for additional information.

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ITEM 4. CONTROLS AND PROCEDURES

Our executive management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act as of September 30, 2015. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of these disclosure controls and procedures were effective as of such date to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Change in Internal Controls

There have not been any changes in internal control over financial reporting during the three months ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, a party to legal or regulatory proceedings arising in the ordinary course of its business.

The discussion regarding contingencies in Part I, Item 1 — Financial Statements (unaudited), Note 13, Litigation and Contingencies, to the unaudited consolidated financial statements in this report is incorporated herein by reference. Currently, there are no other legal or regulatory proceedings that management believes, either individually or in the aggregate, would have a material adverse effect on the Company's consolidated financial condition or results of operations. In accordance with U.S. GAAP, we record a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These liabilities are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case or proceeding.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as may be updated in our subsequent filings with the SEC, before making an investment decision. Our operations are subject to a number of risks and uncertainties, including the risks and uncertainties described in our Annual Report on Form 10-K, as may be updated by any subsequent Quarterly Reports on Form 10-Q, including this Form 10-Q. If any of the risks identified in our Annual Report on Form 10-K, as may be updated by any subsequent Quarterly Reports on Form 10-Q, actually occurs, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline substantially. This Quarterly Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described in our Risk Factors and elsewhere in this Quarterly Report. There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC.

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ITEM 6. EXHIBITS

Exhibit	Description
12.1*	Computation of Ratio of Earnings to Fixed Charges
31.1*	Section 302 — Certification of Chief Executive Officer
31.2*	Section 302 — Certification of Chief Financial Officer
32.1**	Section 906 — Certification of Chief Executive Officer
32.2**	Section 906 — Certification of Chief Financial Officer
101*	The following materials from Euronet Worldwide, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at September 30, 2015 (unaudited) and December 31, 2014, (ii) Consolidated Statements of Income (unaudited) for the three and nine months ended September 30, 2015 and 2014, (iii) Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three and nine months ended September 30, 2015 and 2014, (iv) Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2015 and 2014, and (v) Notes to the Unaudited Consolidated Financial Statements.

* Filed herewith.
** Pursuant to Item 601(b)(32) of Regulation S-K, this Exhibit is furnished rather than filed with this Form 10-Q.

PLEASE NOTE: Pursuant to the rules and regulations of the Securities and Exchange Commission, we have filed or incorporated by reference the agreements referenced above as exhibits to this Quarterly Report on Form 10-Q. The agreements have been filed to provide investors with information regarding their respective terms. The agreements are not intended to provide any other factual information about the Company or its business or operations. In particular, the assertions embodied in any representations, warranties and covenants contained in the agreements may be subject to qualifications with respect to knowledge and materiality different from those applicable to investors and may be qualified by information in confidential disclosure schedules not included with the exhibits. These disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the agreements. Moreover, certain representations, warranties and covenants in the agreements may have been used for the purpose of allocating risk between the parties, rather than establishing matters as facts. In addition, information concerning the subject matter of the representations, warranties and covenants may have changed after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. Accordingly, investors should not rely on the representations, warranties and covenants in the agreements as characterizations of the actual state of facts about the Company or its business or operations on the date hereof.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

October 30, 2015

Euronet Worldwide, Inc.

By: /s/ MICHAEL J. BROWN
Michael J. Brown
Chief Executive Officer

By: /s/ RICK L. WELLER
Rick L. Weller
Chief Financial Officer