UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended March 31, 2022.**

☐ **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: 001-31950

MONEYGRAM INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**16-1690064** *(I.R.S. Employer Identification No.)*
2828 N. Harwood St., 15th Floor **Dallas, Texas** *(Address of principal executive offices)*	**75201** *(Zip Code)*

(214) 999-7552
Registrant's telephone number, including area code

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	MGI	The NASDAQ Stock Market LLC

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

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

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth 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. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 4, 2022, 96,278,259 shares of common stock, $0.01 par value, were outstanding.

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GLOSSARY OF TERMS

This glossary highlights some of the terms used in the Quarterly Report on Form 10-Q and is not a complete list of all the defined terms used herein.

Abbreviation	Term
Amended DPA	Amendment to and Extension of Deferred Prosecution Agreement
ATM Program	At-the-market equity offering program
CID	Civil Investigative Demand
Consent Order	Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction
Corridor	With regard to a money transfer transaction, the originating "send" location and the designated "receive" location are referred to as a corridor
COVID-19	Coronavirus disease
Digital Channel	Transactions in which either the send transaction, receive transaction or both occur through the Company's direct-to-consumer digital business, MoneyGram Online, through digital partnerships, or end in an account deposit, wallet or card solution such as the Visa Direct program
DPA	Deferred Prosecution Agreement
GFT	Global Funds Transfer
Fitch	Fitch Ratings, Inc.
FPP	Financial Paper Products
FTC	Federal Trade Commission
IRS	Internal Revenue Service
LIBOR	London Interbank Offered Rate
MGO	MoneyGram Online (our direct-to-consumer business)
Moody's	Moody's Investor Service
Non-U.S. dollar	The impact of non-U.S. dollar exchange rate fluctuations on the Company's financial results is typically calculated as the difference between current period activity translated using the current period's exchange rates and the comparable prior-year period's exchange rates; this method is used to calculate the impact of changes in non-U.S. dollar exchange rates on revenues, commissions and other operating expenses for all countries where the functional currency is not the U.S. dollar.
NYDFS	New York Department of Financial Services
OFAC	U.S. Treasury Department's Office of Foreign Assets Control
Pension	The Company’s Pension Plan and SERPs
Pension Plan	Defined benefit pension plan
Postretirement Benefits	Defined benefit postretirement plan
P2P	Peer-to-peer
Retail Channel	Transactions in which both the send transaction and receive transaction occur at one of the Company's physical agent locations
ROE	Report of Examination
SERPs	Supplemental executive retirement plans
S&P	Standard & Poor's
SEC	U.S. Securities and Exchange Commission
USDC	USD Coin
U.S. DOJ	U.S. Department of Justice, Criminal Division, Money Laundering and Asset Recovery Section
U.S. GAAP	Accounting principles generally accepted in the United States of America
U.S. Judge	United States Judge for the Middle District of Pennsylvania

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and certain documents incorporated by reference herein may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"), including statements with respect to, among other things, the financial condition, results of operations, plans, objectives, future performance and business of MoneyGram and its subsidiaries. Statements preceded by, followed by or that include words such as “believes,” “estimates,” “expects,” “projects,” “plans,” “anticipates,” “intends,” “continues,” “will,” “should,” “could,” “may,” “might,” “would,” “goals,” “predicts,” “potential,” “target,” “forecast,” “outlook,” “currently,” and other similar expressions are intended to identify some of the forward-looking statements within the meaning of the Reform Act and are included, along with this statement, for purposes of complying with the safe harbor provisions of the Reform Act. These forward-looking statements are based on management’s current expectations, beliefs and assumptions as of the date of this report, are not historical facts or guarantees of future performance and are subject to certain risks, uncertainties and changes in circumstances that are difficult to predict and many of which are outside of our control due to a number of factors. These factors include, but are not limited to:

- the impact of the COVID-19 pandemic or future pandemics on our business, including the potential for work stoppages, lockdowns, shelter-in-place or restricted movement guidelines, service delays and lower consumer and commercial activity;
- our ability to compete effectively;
- our ability to maintain key agent or biller relationships, or a reduction in business or transaction volume from these relationships, including with our largest agent, Walmart, through its introduction of additional competing white-label money transfer products or otherwise;
- our ability to continue to grow our Digital Channel, including through our direct-to-consumer digital business, MoneyGram Online;
- a security or privacy breach in systems, networks or databases on which we rely;
- current and proposed regulations addressing consumer privacy and data use and security;
- our ability to manage fraud risks from consumers or agents;
- the ability of us and our agents to comply with U.S. and international laws and regulations;
- litigation and regulatory proceedings involving us or our agents and other commercial relationships, which could result in material settlements, fines or penalties, revocation of required licenses or registrations, termination of contracts, other administrative actions or lawsuits and negative publicity;
- disruptions to our computer systems and data centers and our ability to effectively operate and adapt our technology;
- the ability of us and our agents to maintain adequate banking relationships;
- our ability to successfully develop and timely introduce new and enhanced products and services and our investments in new products, services or infrastructure changes;
- our high degree of leverage and substantial debt service obligations, significant debt covenant requirements and our ability to comply with such requirements;
- our below investment-grade credit rating;
- our ability to maintain sufficient capital;
- weakness in economic conditions, in both the U.S. and global markets;
- the financial health of certain European countries or the secession of a country from the European Union;
- a significant change, material slow down or complete disruption of international migration patterns;
- our ability to manage risks associated with our international sales and operations, including exchange rates among currencies;
- our offering of money transfer services through agents in regions that are politically volatile or, in a limited number of cases, that may be subject to certain OFAC restrictions;
- major bank failure or sustained financial market illiquidity, or illiquidity at our clearing, cash management and custodial financial institutions;
- changes in tax laws or unfavorable outcomes of tax positions we take, or a failure by us to establish adequate reserves for tax events;

- our ability to manage credit risks from our agents and official check financial institution customers;
- our ability to adequately protect our brand and intellectual property rights and to avoid infringing on the rights of others;
- our ability to manage risks related to the operation of retail locations and the acquisition or start-up of businesses;
- any restructuring actions and cost reduction initiatives that we undertake may not deliver the expected results and these actions may adversely affect our business;
- our capital structure;
- unpredictability and severity of catastrophic events, including acts of terrorism, outbreak of war or hostilities, civil unrest, adverse climate or weather events and pandemics or other public health emergencies, as well as our response to any of the aforementioned factors;
- risks relating to the proposed Merger (as defined herein), including the possibility that the consummation of the Merger could be delayed or not completed, and the effect of announcement or pendency of the Merger on our business; and
- the risks and uncertainties described in the *Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* sections of our 2021 Form 10-K, as well as any additional risk factors that may be described in our other filings with the SEC from time to time.

These forward-looking statements speak only as of the date they are made, and MoneyGram undertakes no obligation to publicly update or revise any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as required by federal securities law.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MONEYGRAM INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

UNAUDITED

(Amounts in millions, except share data)	March 31, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	$ 103.7	$ 155.2
Settlement assets	3,587.4	3,591.4
Property and equipment, net	130.8	133.9
Goodwill	442.2	442.2
Right-of-use assets	50.3	52.6
Other assets	115.4	101.2
Total assets	$ 4,429.8	$ 4,476.5
LIABILITIES		
Payment service obligations	$ 3,587.4	$ 3,591.4
Debt, net	786.0	786.7
Pension and other postretirement benefits	66.1	67.1
Lease liabilities	53.5	56.3
Accounts payable and other liabilities	121.1	160.0
Total liabilities	4,614.1	4,661.5
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
STOCKHOLDERS' DEFICIT		
Common stock, $0.01 par value, 162,500,000 shares authorized, 98,405,553 and 92,305,011 shares issued, 96,261,401 and 90,725,982 shares outstanding at March 31, 2022 and December 31, 2021, respectively	1.0	0.9
Additional paid-in capital	1,403.1	1,400.3
Retained loss	(1,508.3)	(1,513.4)
Accumulated other comprehensive loss	(64.1)	(62.8)
Treasury stock: 2,144,152 and 1,579,029 shares at March 31, 2022 and December 31, 2021, respectively	(16.0)	(10.0)
Total stockholders' deficit	(184.3)	(185.0)
Total liabilities and stockholders' deficit	$ 4,429.8	$ 4,476.5

See Notes to the Unaudited Condensed Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

(Amounts in millions, except per share data)	Three Months Ended March 31, 2022	2021
REVENUE		
Fee and other revenue	$ 305.5	$ 308.1
Investment revenue	2.1	2.0
Total revenue	307.6	310.1
COST OF REVENUE		
Commissions and other fee expense	148.7	149.9
Investment commissions expense	0.4	0.2
Direct transaction expense	12.3	15.2
Total cost of revenue	161.4	165.3
GROSS PROFIT	146.2	144.8
OPERATING EXPENSES		
Compensation and benefits	56.5	62.2
Transaction and operations support	45.1	43.4
Occupancy, equipment and supplies	14.5	15.5
Depreciation and amortization	12.2	15.3
Total operating expenses	128.3	136.4
OPERATING INCOME	17.9	8.4
Other expenses		
Interest expense	10.9	22.3
Other non-operating expense	0.9	1.0
Total other expenses	11.8	23.3
Income (loss) before income taxes	6.1	(14.9)
Income tax expense	1.0	0.5
NET INCOME (LOSS)	$ 5.1	$ (15.4)
EARNINGS (LOSS) PER COMMON SHARE		
Basic	$ 0.05	$ (0.19)
Diluted	$ 0.05	$ (0.19)
Weighted-average outstanding common shares and equivalents used in computing earnings (loss) per common share		
Basic	95.7	79.6
Diluted	99.5	79.6

See Notes to the Unaudited Condensed Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

UNAUDITED

	Three Months Ended March 31,	
(Amounts in millions)	2022	2021
NET INCOME (LOSS)	$ 5.1	$ (15.4)
OTHER COMPREHENSIVE LOSS		
Net change in unrealized holding gain on available-for-sale securities arising during the period, net of tax expense of $0.0 and $0.1 for the three months ended March 31, 2022, and 2021, respectively	0.1	0.3
Net change in pension liability due to amortization of prior service credit and net actuarial loss, net of tax benefit of $0.1 and $0.1 for the three months ended March 31, 2022 and 2021, respectively	0.4	0.5
Unrealized non-U.S. dollar translation adjustments, net of tax expense of $0.0 and $0.0 for the three months ended March 31, 2022 and 2021, respectively	(1.8)	(5.8)
Other comprehensive loss	(1.3)	(5.0)
COMPREHENSIVE INCOME (LOSS)	$ 3.8	$ (20.4)

See Notes to the Unaudited Condensed Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

(Amounts in millions)	Three Months Ended March 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 5.1	$ (15.4)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	12.2	15.3
Signing bonus amortization	13.9	14.3
Change in right-of-use assets	2.4	3.6
Amortization of debt discount and debt issuance costs	0.7	2.9
Non-cash compensation and pension expense	3.7	2.8
Signing bonus payments	(14.7)	(13.0)
Change in other assets	(31.5)	(13.0)
Change in lease liabilities	(3.2)	(3.9)
Change in accounts payable and other liabilities	(18.5)	(20.7)
Other non-cash items, net	(0.1)	0.3
Net cash used in operating activities	(30.0)	(26.8)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for capital expenditures	(10.3)	(11.2)
Proceeds from available-for-sale investments	—	0.3
Purchases of interest-bearing investments	(61.0)	(210.8)
Proceeds from interest-bearing investments	60.8	209.4
Purchase of equity investments	(4.0)	—
Net cash used in investing activities	(14.5)	(12.3)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Transaction costs for issuance and amendment of debt	(0.3)	—
Principal payments on debt	(1.0)	(1.6)
Change in receivables, net	(203.2)	0.1
Change in payment service obligations	(4.0)	(35.9)
Payments to tax authorities for stock-based compensation	(6.0)	(3.6)
Net cash used in financing activities	(214.5)	(41.0)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND SETTLEMENT CASH AND CASH EQUIVALENTS	(259.0)	(80.1)
CASH AND CASH EQUIVALENTS AND SETTLEMENT CASH AND CASH EQUIVALENTS—Beginning of year	2,050.9	2,079.3
CASH AND CASH EQUIVALENTS AND SETTLEMENT CASH AND CASH EQUIVALENTS—End of period	$ 1,791.9	$ 1,999.2

See Notes to the Unaudited Condensed Consolidated Financial Statements

Supplemental disclosures to the Condensed Consolidated Statements of Cash Flows are presented below:

	Three Months Ended March 31,	
(Amounts in millions)	2022	2021
Cash payments for interest	$ 16.6	$ 11.9
Cash payments (refunds) for taxes, net	$ 3.3	$ (2.7)

The following table provides a reconciliation of Cash and Cash Equivalents as reported in the Condensed Consolidated Statements of Cash Flows to the line items within the Consolidated Balance Sheets as of:

(Amounts in millions)	March 31, 2022	March 31, 2021
Cash and cash equivalents	$ 103.7	$ 152.8
Settlement cash and cash equivalents	1,688.2	1,846.4
Cash and cash equivalents and settlement cash and cash equivalents	$ 1,791.9	$ 1,999.2

See Notes to the Unaudited Condensed Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

UNAUDITED

(Amounts in millions)	Common Stock	Additional Paid-In Capital	Retained Loss	Accumulated Other Comprehensive Loss	Treasury Stock	Total
January 1, 2022	$ 0.9	$ 1,400.3	$ (1,513.4)	$ (62.8)	$ (10.0)	$ (185.0)
Net income	—	—	5.1	—	—	5.1
Stock-based compensation activity	—	2.8	—	—	(6.1)	(3.3)
Exercise of lender warrants	0.1	—	—	—	0.1	0.2
Other comprehensive loss	—	—	—	(1.3)	—	(1.3)
March 31, 2022	$ 1.0	$ 1,403.1	$ (1,508.3)	$ (64.1)	$ (16.0)	$ (184.3)

(Amounts in millions)	Common Stock	Additional Paid-In Capital	Retained Loss	Accumulated Other Comprehensive Loss	Treasury Stock	Total
January 1, 2021	$ 0.7	$ 1,296.0	$ (1,475.3)	$ (58.4)	$ —	$ (237.0)
Net loss	—	—	(15.4)	—	—	(15.4)
Stock-based compensation activity	—	1.9	(0.1)	—	(3.6)	(1.8)
Exercise of Ripple Warrants	0.1	(0.1)	—	—	—	—
Other comprehensive loss	—	—	—	(5.0)	—	(5.0)
March 31, 2021	$ 0.8	$ 1,297.8	$ (1,490.8)	$ (63.4)	$ (3.6)	$ (259.2)

See Notes to the Unaudited Condensed Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of the Business and Basis of Presentation

References to "MoneyGram," the "Company," "we," "us" and "our" are to MoneyGram International, Inc. and its subsidiaries.

Nature of Operations — MoneyGram offers products and services under its two reporting segments: GFT and FPP. The GFT segment provides global money transfer services and bill payment services to consumers through two primary distribution channels: retail and digital. Through our Retail Channel, we offer services through third-party agents, including retail chains, independent retailers, post offices and other financial institutions. Additionally, we have limited Company-operated retail locations. We offer services through MGO, digital partnerships, direct transfers to bank accounts, mobile wallets and card solutions, such as Visa Direct, as part of our Digital Channel. The FPP segment provides official check outsourcing services and money orders through financial institutions and agent locations.

Basis of Presentation — The accompanying unaudited Condensed Consolidated Financial Statements of MoneyGram are prepared in conformity with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The Condensed Consolidated Balance Sheets are unclassified due to the timing uncertainty surrounding the payment of settlement obligations. The Condensed Consolidated Financial Statements include all adjustments of a normal recurring nature that, in the opinion of management, are necessary in order to make the financial statements not misleading.

Impact of COVID-19 Pandemic On Our Financial Statements — The global spread of COVID-19 and the unprecedented impact of the COVID-19 pandemic is complex and ever-evolving. In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended extensive containment and mitigation measures worldwide. The outbreak reached all regions in which we do business, and governmental authorities around the world implemented numerous measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, border closings, quarantines, shelter-in-place orders, shutdowns, limitations or closures of non-essential businesses, school closures and social distancing requirements. The global spread of COVID-19 and its subsequent variants, in combination with the government actions taken in response to the virus have caused and may continue to cause, significant economic and business disruption, volatility, financial uncertainty and a continued significant global economic downturn. This has had and may continue to have, a negative impact on the mobility of the global workforce, our agents, customers, consumer spending and global financial markets. Even after the initial impact of the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of inflation, economic weakness and lower disposable income. Therefore, the Company cannot reasonably estimate the future impact at this time.

There were no other material impacts to our unaudited Condensed Consolidated Financial Statements as of and for the periods ended March 31, 2022, based on the Company's assessment of its estimates. As additional information becomes available to us, our future assessment of these estimates, including our expectations at the time regarding the duration, scope and severity of the pandemic, as well as other factors, could materially and adversely impact our Consolidated Financial Statements in the future.

Use of Estimates — The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience, future expectations, impact of the COVID-19 pandemic and other factors and assumptions the Company believes to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis and are revised when necessary. Changes in estimates are recorded in the period of change. Actual amounts may differ from these estimates.

Principles of Consolidation — The Condensed Consolidated Financial Statements include the accounts of MoneyGram International, Inc. and its subsidiaries. Intercompany profits, transactions and account balances have been eliminated in consolidation.

Recently Adopted Accounting Standards — In May 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)*. The ASU clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options, warrants for instance, that remain equity classified after modification or exchange. The ASU provides guidance that will clarify whether an issuer should account for a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as (1) an adjustment to equity and, if so, the related earnings per share effects, if any, or (2) an expense and, if so, the manner and pattern of recognition. The new guidance is effective for annual and interim periods beginning after December 15, 2021, and early adoption is permitted, including adoption in an interim period. The adoption of ASU 2021-04 does not have a material impact on our Condensed Consolidated Financial Statements.

Recently Issued Accounting Standards and Related Developments Not Yet Adopted — In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This ASU changes how entities account for convertible instruments and contracts in an entity's own equity and simplifies the accounting for convertible instruments by removing certain separation models for convertible instruments. This ASU also modifies the guidance on diluted earnings per share calculations. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The adoption of ASU 2020-06 is not expected to have a material impact on our Condensed Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this ASU provide, if certain criteria are met, optional expedients and exceptions for applying the U.S. GAAP requirements for contract modifications, hedging relationships and sales or transfers of debt securities that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform through December 31, 2022. The adoption of this ASU is optional and the election can be made anytime during the effective period. The amendments in this ASU are effective as of March 12, 2020 through December 31, 2022. MoneyGram is currently evaluating the impact of this standard and has not yet determined whether we will elect the optional expedients.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit impairment standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking expected loss model that generally will result in the earlier recognition of allowances for credit losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. To further assist with adoption and implementation of ASU 2016-13, the FASB issued the following ASUs:

- ASU 2018-19 (Issued November 2018) — *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*
- ASU 2019-04 (Issued April 2019) — *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*
- ASU 2019-05 (Issued May 2019) — *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief*
- ASU 2019-10 (Issued November 2019) — *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*
- ASU 2019-11 (Issued November 2019) — *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*
- ASU 2020-02 (Issued February 2020) — *Financial Instruments - Credit Losses (Topic 326) and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842) (SEC Update)*
- ASU 2020-03 (Issued March 2020) — *Codification Improvements to Financial Instruments*
- ASU 2022-02 (Issued March 2022) — *Financial Instruments - Credit Losses (Topic 326): Trouble Debt Restructurings and Vintage Disclosures*

ASU 2019-10 changed the effective date of ASU 2016-13 for public business entities that meet the definition of a U.S. Securities and Exchange Commission ("SEC") filer but that are eligible to be a smaller reporting company to fiscal years beginning after December 15, 2022. As of November 15, 2019, which is the determination date for ASU 2016-13, MoneyGram was a smaller reporting company and, as such, has elected to adopt the amendments in these standards in 2023. We are still evaluating these ASUs, but we do not believe the adoption will have a material impact on our Condensed Consolidated Financial Statements.

The Company has determined that there have been no other recently adopted or issued accounting standards that had, or will have, a material impact on its Condensed Consolidated Financial Statements.

On February 14, 2022, we entered into a Merger Agreement by and among the Company, Parent and an affiliate of Madison Dearborn, and Merger Sub. The Merger Agreement provides that, subject to the terms and conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company. Following the Merger the Company will become a subsidiary of Parent. At the effective time of the Merger, each outstanding share of common stock will be automatically canceled and converted into the right to receive $11.00 in cash. Consummation of the Merger is subject to the satisfaction or, if permitted by law, waiver by Parent, the Company or both of a number of conditions, including, among other things, (a) approval of the Merger Agreement by the affirmative vote of the holders of a majority of the Company's outstanding shares of common stock, (b) expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (c) the receipt of required approvals with respect to money transmitter licenses and applicable foreign investment and competition laws, (d) the absence of any material adverse effect on the Company's business and (e) other customary closing conditions. The Merger Agreement contains certain termination rights for the parties, including the right of the parties, subject to specified limitations, to terminate the Merger Agreement if the Merger is not consummated by February 13, 2023, although the End Date may be extended to May 14, 2023 in certain circumstances to obtain required money transfer approvals.

Note 2 — Settlement Assets and Payment Service Obligations

The Company records payment service obligations relating to amounts payable under money transfers, money orders and consumer payment service arrangements. These obligations are recognized by the Company at the time the underlying transaction occurs. The Company records corresponding settlement assets, which represent funds received or to be received for unsettled money transfers, money orders and consumer payments.

The following table summarizes the amount of settlement assets and payment service obligations:

(Amounts in millions)	March 31, 2022	December 31, 2021
Settlement assets:		
Settlement cash	$ 1,688.2	$ 1,895.7
Receivables, net	903.6	700.4
Interest-bearing investments	992.6	992.3
Available-for-sale investments	3.0	3.0
Total settlement assets	$ 3,587.4	$ 3,591.4
Payment service obligations	$ (3,587.4)	$ (3,591.4)

Note 3 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants on the measurement date.

Assets and liabilities that are measured at fair value on a recurring basis:

- *Available-for-sale investments* — For residential mortgage-backed securities issued by U.S. government agencies, fair value measures are obtained from an independent pricing service. As market quotes are generally not readily available or accessible for these specific securities, the pricing service measures fair value through the use of pricing models utilizing reported market quotes adjusted for observable inputs, such as market prices for comparable securities, spreads, prepayment speeds, yield curves and delinquency rates. Accordingly, these securities are classified as Level 2 financial instruments.

For asset-backed and other securities, which include investments in limited partnerships, market quotes are generally not available. The Company utilizes broker quotes to measure market value, if available. Because the inputs and assumptions that brokers use to develop prices are unobservable, valuations that are based on brokers' quotes are classified as Level 3. Also, the Company uses pricing services that utilize pricing models based on market observable and unobservable data. The observable inputs include quotes for comparable securities, yield curves, default indices, interest rates, historical prepayment speeds and delinquency rates. These pricing models also apply an inactive market adjustment as a significant unobservable input. Accordingly, asset-backed and other securities valued using third-party pricing models are classified as Level 3.

- *Derivative financial instruments* — Derivatives consist of forward contracts to manage income statement exposure to non-U.S. dollar exchange risk arising from the Company's assets and liabilities denominated in non-U.S. dollar currencies. The Company's forward contracts are well-established products, allowing the use of standardized models with market-based inputs. These models do not contain a high level of subjectivity, and the inputs are readily observable. Accordingly, the Company has classified its forward contracts as Level 2 financial instruments. See Note 5 — *Derivative Financial Instruments* for additional disclosure on the Company's forward contracts.

The following table summarizes the Company's financial assets and liabilities measured at fair value by hierarchy level on a recurring basis:

(Amounts in millions)	Level 2	Level 3	Total
March 31, 2022			
Financial assets:			
Available-for-sale investments:			
Residential mortgage-backed securities	$ 2.1	$ —	$ 2.1
Asset-backed and other securities	—	0.9	0.9
Forward contracts	0.2	—	0.2
Total financial assets	$ 2.3	$ 0.9	$ 3.2
Financial liabilities:			
Forward contracts	$ 3.7	$ —	$ 3.7
December 31, 2021			
Financial assets:			
Available-for-sale investments:			
Residential mortgage-backed securities	$ 2.3	$ —	$ 2.3
Asset-backed and other securities	—	0.7	0.7
Forward contracts	0.1	—	0.1
Total financial assets	$ 2.4	$ 0.7	$ 3.1
Financial liabilities:			
Forward contracts	$ 0.2	$ —	$ 0.2

Assets and liabilities that are disclosed at fair value — Debt and interest-bearing investments are carried at amortized cost; however, the Company estimates the fair value of debt for disclosure purposes. The fair values of the Term Loan and Senior Secured Notes are estimated using an observable market quotation (Level 2).

The following table provides the carrying value and fair value for the Term Loan and the Senior Secured Notes:

(Amounts in millions)	March 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Term Loan	$ 383.0	$ 381.6	$ 384.0	$ 383.5
Senior Secured Notes	$ 415.0	$ 429.5	$ 415.0	$ 421.2

The carrying amounts for the Company's cash and cash equivalents, settlement cash and cash equivalents, receivables, interest-bearing investments and payment service obligations approximate fair value as of March 31, 2022 and December 31, 2021.

Note 4 — Investment Portfolio

The following table shows the components of the investment portfolio:

(Amounts in millions)	March 31, 2022	December 31, 2021
Cash	$ 1,791.9	$ 2,050.9
Interest-bearing investments	992.6	992.3
Available-for-sale investments	3.0	3.0
Total investment portfolio	$ 2,787.5	$ 3,046.2

The following table is a summary of the amortized cost and fair value of available-for-sale investments:

(Amounts in millions)	Amortized Cost	Gross Unrealized Gains	Fair Value
March 31, 2022			
Residential mortgage-backed securities	$ 2.0	$ 0.1	$ 2.1
Asset-backed and other securities	—	0.9	0.9
Total	$ 2.0	$ 1.0	$ 3.0
December 31, 2021			
Residential mortgage-backed securities	$ 2.1	$ 0.2	$ 2.3
Asset-backed and other securities	—	0.7	0.7
Total	$ 2.1	$ 0.9	$ 3.0

As of March 31, 2022 and December 31, 2021, 70% and 77%, respectively, of the fair value of the available-for-sale portfolio were invested in residential mortgage-backed securities issued by U.S. government agencies. These securities have the implicit backing of the U.S. government, and the Company expects to receive full par value upon maturity or pay-down, as well as all interest payments.

Gains and Losses — For the three months ended March 31, 2022 and 2021, the Company had no realized gains or losses.

Contractual Maturities — Actual maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations, sometimes without call or prepayment penalties. Maturities of residential mortgage-backed and asset-backed and other securities depend on the repayment characteristics and experience of the underlying obligations.

Note 5 — Derivative Financial Instruments

The Company uses forward contracts to manage its non-U.S. dollar needs and non-U.S. dollar exchange risk arising from its assets and liabilities denominated in non-U.S. dollars. While these contracts may mitigate certain non-U.S. dollar risk, they are not designated as hedges for accounting purposes and will result in gains and losses in the Condensed Consolidated Statements of Operations. The Company also reports gains and losses from the spread differential between the rate set for its transactions and the actual cost of currency at the time the Company buys or sells in the open market.

The following net gains (losses) related to assets and liabilities denominated in non-U.S. dollar are included in "Transaction and operations support" in the Condensed Consolidated Statements of Operations and in the "Net cash used in operating activities" line in the Condensed Consolidated Statements of Cash Flows:

(Amounts in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net realized non-U.S. dollar loss	$ (3.2)	$ (8.2)
Net gain from the related forward contracts	5.0	6.6
Net gain (loss) from the related forward contracts	$ 1.8	$ (1.6)

As of March 31, 2022 and December 31, 2021, the Company had $641.9 million and $698.7 million, respectively, of outstanding notional amounts relating to its non-U.S. dollar forward contracts.

As of March 31, 2022 and December 31, 2021, the Company reflects the following fair values of derivative forward contract instruments in its Condensed Consolidated Balance Sheets:

		Gross Amount of Recognized Assets		Gross Amount of Offset		Net Amount of Assets Presented in the Condensed Consolidated Balance Sheets	
(Amounts in millions)	Balance Sheet Location	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Forward contracts	"Other assets"	$ 2.2	$ 0.4	$ (2.0)	$ (0.3)	$ 0.2	$ 0.1

		Gross Amount of Recognized Liabilities		Gross Amount of Offset		Net Amount of Liabilities Presented in the Condensed Consolidated Balance Sheets	
(Amounts in millions)	Balance Sheet Location	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Forward contracts	"Accounts payable and other liabilities"	$ 5.7	$ 0.6	$ (2.0)	$ (0.4)	$ 3.7	$ 0.2

The Company's forward contracts are primarily executed with counterparties governed by International Swaps and Derivatives Association agreements that generally include standard netting arrangements. Asset and liability positions from forward contracts and all other non-U.S. dollar exchange transactions with the same counterparty are net settled upon maturity.

The Company is exposed to credit loss in the event of non-performance by counterparties to its derivative contracts. The Company actively monitors its exposure to credit risk through the use of credit approvals and credit limits and by selecting major international banks and financial institutions as counterparties. Collateral generally is not required of the counterparties or of the Company. In the unlikely event the counterparty fails to meet the contractual terms of the derivative contract, the Company's risk is limited to the fair value of the instrument. The Company has not had any historical instances of non-performance by any counterparties, nor does it anticipate any future instances of non-performance.

Note 6 — Debt

The following is a summary of the Company's outstanding debt:

(Amounts in millions, except percentages)	March 31, 2022	December 31, 2021
5.00% Term Loan due 2026	$ 383.0	$ 384.0
5.38% Senior Secured Notes due 2026	415.0	415.0
Total debt at face value	798.0	799.0
Unamortized debt issuance costs and debt discounts	(12.0)	(12.3)
Total debt, net	$ 786.0	$ 786.7

Indenture and New Credit Agreement — On July 21, 2021, the Company entered into a new credit agreement (the “New Credit Agreement”) with the lenders from time to time party thereto and Bank of America, N.A., as administrative agent and completed its previously announced private offering of $415.0 million aggregate principal amount of 5.375% senior secured notes due 2026 (the “Senior Secured Notes” or "Notes" and such offering, the "Notes Offering") and related guarantees. The New Credit Agreement provides for (i) a senior secured five-year term loan in an aggregate principal amount of $400.0 million (the “Term Loan”) and (ii) a senior secured four-year revolving credit facility that may be used for revolving credit loans, swingline loans and letters of credit (the "Revolving Credit Facility" and together with the Term Loan the "New Credit Facilities") up to an aggregate principal amount of $40.0 million. As of March 31, 2022, the Company had no borrowings and no outstanding letters of credit under its Revolving Credit Facility. The New Credit Facilities were secured by substantially all of the Company's assets and its material domestic subsidiaries that guarantee the payment and performance of the Company's obligations under the Credit Facilities.

Debt Covenants and Other Restrictions — The New Credit Agreement requires the Company and its consolidated subsidiaries to maintain a minimum interest coverage ratio of 2.150:1.000 and to not exceed a total net leverage ratio of 4.750:1.000. The asset coverage covenant contained in the New Credit Agreement requires the aggregate amount of the Company's cash and cash equivalents and other settlement assets to exceed its aggregate payment service obligations. As of March 31, 2022, the Company was in compliance with its financial covenants: our interest coverage ratio was 4.264 to 1.000, our total net leverage ratio was 3.105 to 1.000 and our assets in excess of payment service obligations used for the asset coverage calculation were $103.7 million. We continuously monitor our compliance with our debt covenants.

Note 7 — Pension and Other Benefits

The following table is a summary of net periodic benefit expense for the Company's defined benefit Pension Plan and supplemental executive retirement plans, collectively referred to as "Pension":

	Three Months Ended March 31,	
(Amounts in millions)	2022	2021
Interest cost	$ 0.6	$ 0.5
Expected return on plan assets	(0.3)	(0.2)
Amortization of net actuarial loss	0.5	0.6
Net periodic benefit expense	$ 0.8	$ 0.9

Net periodic benefit expense for the Pension and Postretirement Benefits is recorded in "Other non-operating expense" in the Condensed Consolidated Statements of Operations. Settlement charge, amortization of net actuarial loss and prior service cost were reclassified out of the components of "Accumulated other comprehensive loss".

Note 8 — Stockholders' Deficit

Common Stock — No dividends were paid during the three months ended March 31, 2022 or 2021.

The following table is a summary of changes in the number of shares of the Company's authorized, issued and outstanding stock as of March 31, 2022:

	Common Stock			Treasury Stock
	Authorized	Issued	Outstanding	
December 31, 2021	162,500,000	92,305,011	90,725,982	1,579,029
Exercise of lender warrants	—	4,458,314	4,454,159	4,155
Release for restricted stock units	—	1,642,228	1,081,260	560,968
March 31, 2022	162,500,000	98,405,553	96,261,401	2,144,152

The following table is a summary of the changes to Accumulated other comprehensive loss by component:

(Amounts in millions)	Net Unrealized Gains on Securities Classified as Available-for-sale, Net of Tax	Cumulative non-U.S. dollar Translation Adjustments, Net of Tax	Pension and Postretirement Benefits Adjustment, Net of Tax	Total
January 1, 2022	$ 1.5	$ (28.9)	$ (35.4)	$ (62.8)
Other comprehensive loss before reclassification	0.1	(1.8)	—	(1.7)
Amounts reclassified from accumulated other comprehensive loss	—	—	0.4	0.4
Net current period other comprehensive loss	0.1	(1.8)	0.4	(1.3)
March 31, 2022	$ 1.6	$ (30.7)	$ (35.0)	$ (64.1)

(Amounts in millions)	Net Unrealized Gains on Securities Classified as Available-for-sale, Net of Tax	Cumulative non-U.S. dollar Translation Adjustments, Net of Tax	Pension and Postretirement Benefits Adjustment, Net of Tax	Total
January 1, 2021	$ 1.2	$ (20.9)	$ (38.7)	$ (58.4)
Other comprehensive loss before reclassification	0.3	(5.8)	—	(5.5)
Amounts reclassified from accumulated other comprehensive loss	—	—	0.5	0.5
Net current period other comprehensive loss	0.3	(5.8)	0.5	(5.0)
March 31, 2021	$ 1.5	$ (26.7)	$ (38.2)	$ (63.4)

Note 9 — Stock-Based Compensation

The following table is a summary of the Company's stock-based compensation expense:

(Amounts in millions)	Three Months Ended March 31, 2022	2021
Stock-based compensation expense	$ 2.8	$ 1.8

Stock Options — The following table is a summary of the Company's stock option activity:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value ($000,000)
Options outstanding at December 31, 2021	131,153	$ 17.54	1.4 years	$ —
Forfeited/Expired	(16,808)	$ 18.32		
Options outstanding, vested or expected to vest, and exercisable at March 31, 2022	114,345	$ 17.43	1.3 years	$ —

As of March 31, 2022, the Company had no unrecognized stock option expense related to outstanding options.

Restricted Stock Units — On February 16, 2022, the Company granted time-based and performance-based restricted stock units. The time-based restricted stock units vest in three equal installments on each anniversary of the grant date. The performance-based restricted stock units are subject to performance conditions and a one-year performance period. When and if the conditions are satisfied at the end of the one-year performance period, vesting of the performance-based restricted stock units are subject only to the passage of time and vest in three equal installments on each anniversary of the grant date.

The following table is a summary of the Company's restricted stock unit activity:

	Total Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Restricted stock units outstanding at December 31, 2021	4,104,547	$ 3.82	0.86 years	$ 32.4
Granted	1,519,281	$ 10.75		
Vested	(1,642,228)	$ 3.16		
Forfeited	(2,363)	$ 7.07		
Restricted stock units outstanding at March 31, 2022	3,979,237	$ 6.74	1.43 years	$ 42.0
Restricted stock units vested and deferred at March 31, 2022	156,058	$ 3.84		$ 1.6

The following table is a summary of the Company's restricted stock unit compensation information:

(Amounts in millions)	Three Months Ended March 31, 2022	2021
Weighted-average grant-date fair value of restricted stock units vested during the period	$ 5.2	$ 5.9
Total intrinsic value of vested and converted shares	$ 17.6	$ 12.4

As of March 31, 2022, the Company's outstanding restricted stock units had unrecognized compensation expense of $23.6 million with a remaining weighted-average vesting period of 1.9 years.

Note 10 — Income Taxes

For the three months ended March 31, 2022, the Company recognized an income tax expense of $1.0 million on pre-tax income of $6.1 million primarily due to a decrease in valuation allowance, recognition of excess tax benefits on share-based compensation, U.S. general business credits and a recovery of state taxes, all of which were partially offset by foreign taxes net of federal income tax benefits, non-deductible expenses and an increase in unrecognized tax benefits. The decrease in valuation allowance against our U.S. federal and state deferred tax assets is due to the estimated use of $0.7 million of U.S. general business credits and state net operating losses. As of March 31, 2022, the Company remains in a three-year cumulative pre-tax loss position. However, it is possible that the Company could be out of its current three-year cumulative loss position within the next 12 months. The Company will maintain a valuation allowance on applicable deferred tax assets until there is sufficient evidence to support the reversal of any or all of these valuation allowances. The Company continues to analyze the positive and negative evidence in determining the need for a valuation allowance with respect to its deferred tax assets. It is reasonably possible that, within the next 12 months, the valuation allowance could be reduced if there is sufficient evidence indicating it is more likely than not that all or a portion of the Company’s deferred tax assets will be realized. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period in which the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change based on the level of profitability achieved.

For the three months ended March 31, 2021, the Company recognized an income tax expense of $0.5 million on a pre-tax loss of $14.9 million primarily due to non-deductible expenses, foreign taxes net of federal income tax benefits, an increase in valuation allowance, U.S. taxation of foreign earnings and state taxes, all of which were partially offset by U.S. general business credits and recognition of excess tax benefits on share-based compensation.

Unrecognized tax benefits are recorded in "Accounts payable and other liabilities" in the Condensed Consolidated Balance Sheets. As of March 31, 2022 and December 31, 2021, the liability for unrecognized tax benefits was $13.6 million and $14.7 million, respectively, exclusive of interest and penalties. For the three months ended March 31, 2022 and 2021, the net amount of unrecognized tax benefits that if recognized could impact the effective tax rate was $13.6 million and $19.7 million, respectively. The Company accrues interest and penalties for unrecognized tax benefits through "Income tax (benefit) expense" in the Condensed Consolidated Statements of Operations. For the three months ended March 31, 2022, the Company's accrual for interest and penalties decreased by $0.8 million which was comprised of a $0.1 million increase in the accrual offset by cash payments of $0.9 million. For the three months ended March 31, 2021, the company’s accrual for interest and penalties increased by $0.2 million. As of March 31, 2022 and December 31, 2021, the Company had a liability of $6.6 million and $7.4 million, respectively, for accrued interest and penalties within "Accounts payable and other liabilities." As a result of the Company's completion of its litigation related to its securities losses, the Company is anticipating a $4.5 million decrease to the total amount of state related unrecognized tax benefits, exclusive of interest and penalties, by way of cash or attribute settlements over the next 12 months.

Note 11 — Commitments and Contingencies

Letters of Credit — At March 31, 2022, the Company had no borrowings and no outstanding letters of credit under the Revolving Credit Facility.

Legal Proceedings — The matters set forth below are subject to uncertainties and outcomes that are not predictable. The Company accrues for these matters as any resulting losses become probable and can be reasonably estimated. Further, the Company maintains insurance coverage for many claims and litigation matters. In relation to various legal matters, including those described below, the Company had $7.5 million and $15.8 million of liability recorded in "Accounts payable and other liabilities" in the Condensed Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021, respectively. Legal proceedings are recorded in "Transaction and operations support" in the Condensed Consolidated Statements of Operations. No charges were recorded for the three months ended March 31, 2022 and 2021.

Litigation Commenced Against the Company:

Class Action Securities Litigation — On November 14, 2018, a putative securities class action lawsuit was filed in the United States District Court for the Northern District of Illinois against MoneyGram and certain of its executive officers. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and alleges that MoneyGram made material misrepresentations regarding its compliance with the stipulated order for permanent injunction and final judgment that MoneyGram entered into with the FTC in October 2009 and with the DPA that MoneyGram entered into with the U.S. Attorney's Office for the Middle District of Pennsylvania and the U.S. Department of Justice in November 2012. The lawsuit seeks unspecified damages, equitable relief, interest and costs and attorneys' fees. The Company believes the case is without merit and is vigorously defending this matter. On May 16, 2019, MoneyGram filed a motion to dismiss which the court has yet to rule upon. We are unable to predict the outcome, or the possible loss or range of loss, if any, related to this matter.

Books and Records Requests — The Company has received multiple requests from various putative shareholders for inspection of books and records pursuant to Section 220 of the Delaware General Corporation Law relating to the subject matter of the putative class lawsuit described in the preceding paragraphs. On February 26, 2019, two of these shareholders filed a petition in the Delaware Court of Chancery to compel MoneyGram to produce books and records in accordance with their request but have since dismissed their action. We are unable to predict the outcome, or the possible loss or range of loss, if any, related to these matters.

MDP Transaction Shareholder Litigation — On March 13, 2022, a purported MoneyGram stockholder filed a lawsuit, entitled Shiva Stein v. MoneyGram International, Inc., et al., in the United States District Court for the Southern District of New York. On March 31, 2022, a purported MoneyGram stockholder filed a lawsuit, entitled Chandler Tulin v. MoneyGram International, Inc., et al., in the United States District Court for the Southern District of New York. On April 1, 2022, a purported MoneyGram stockholder filed a lawsuit, entitled Ryan O'Dell v. MoneyGram International, Inc., et al., in the United States District Court for the Southern District of New York. On April 6, 2022, a purported MoneyGram stockholder filed a lawsuit, entitled Lewis D. Baker v. MoneyGram International, Inc., et al., in the United States District Court for the Eastern District of New York. On April 8, 2022, a purported MoneyGram stockholder filed a lawsuit, entitled Marc Waterman v. MoneyGram International, Inc., et al., in the United States District Court for the Eastern District of Pennsylvania. On April 10, 2022, a purported MoneyGram stockholder filed a lawsuit, entitled Khristina Keller v. MoneyGram International, Inc., et al., in the United States District Court for the Eastern District of New York. The plaintiffs in each lawsuit allege that the preliminary proxy statement filed by MoneyGram with the SEC on March 29, 2022, in connection with the proposed Merger contains materially incomplete and misleading information and omits material information with respect to the Merger, rendering the preliminary proxy statement materially incomplete and misleading in violation of Sections 14(a) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78n(a), 78t(a), Rule 14a-9 of the SEC rules, and/or 17 C.F.R. § 244.100. The plaintiff in the Tulin action also asserts that the members of the MoneyGram board breached their fiduciary duties by, among other things, entering into the Merger Agreement through an unfair process and for inadequate compensation, and that MoneyGram aided and abetted the purported breaches of fiduciary duties. Each plaintiff seeks, among other things, injunctive relief until the defendants to the applicable lawsuit disclose the alleged omitted material information. In addition, on or about April 25, 2022, a purported MoneyGram stockholder filed a putative class action lawsuit, entitled Hatch v. Holmes, et al., in the Delaware Court of Chancery. The plaintiff in the Hatch action asserts that the members of the MoneyGram board breached their fiduciary duties by obtaining inadequate consideration for MoneyGram's stockholders and making materially incomplete or misleading proxy disclosures in connection with the proposed Merger.

MoneyGram believes that the claims asserted in these lawsuits are without merit and intends to defend against all claims asserted. Additional lawsuits arising out of or relating to the Merger Agreement and the transactions contemplated thereby may be filed in the future.

It is possible that additional shareholder lawsuits could be filed relating to the subject matter of the above putative class action, the Section 220 books and records requests and the shareholder suits pertaining to the MDP transaction.

Other Matters — The Company is involved in various other claims and litigation that arise from time to time in the ordinary course of the Company's business. Management does not believe that after final disposition any of these matters is likely to have a material adverse impact on the Company's financial condition, results of operations or cash flows.

Government Investigations:

On June 9, 2021, the Government filed an Amended Unopposed Motion to Dismiss that provided additional details about the Company's satisfaction of its obligations under the DPA and enhancements to the Company's compliance program. On June 10, 2021, the United States Judge for the Middle District of Pennsylvania signed an Order dismissing the criminal information with prejudice, which effectively discharged the Government's criminal case against the Company and officially ended the matter.

NYDFS — As previously reported, on June 22, 2018, the Company received a request for production of documents from the NYDFS related to the Company's failure to maintain an effective anti-money laundering program and to adequately supervise certain of the Company's New York-based agents that conducted suspicious transactions on behalf of customers. This request followed previous inquiries by the NYDFS regarding certain of the Company's New York-based agents. Following the June 22, 2018 request for production, the Company received and responded to several inquiries from the NYDFS related to this matter. On March 16, 2022, the Company and the NYDFS entered into a consent order (the "Consent Order") to resolve this matter. In entering in the Consent Order, the NYDFS acknowledged that there were several mitigating factors in respect to the Consent Order, including that the Company fully cooperated with the NYDFS's investigation, including by reporting on the results of its internal investigation on the matter, had voluntarily undertaken significant enhancements to its compliance program and had undertaken remediation to prevent similar violations from occurring. Such measures and enhancements include termination of certain agents, the creation of new compliance procedures to increase the authority of compliance personnel within the Company, the implementation of new limits on and supervision of high-risk agents and a substantial increase in the resources allocated to compliance. Pursuant to the Consent Order, the Company agreed to, among other things, pay a civil monetary penalty in the amount of $8.3 million and undertake various reporting obligations. These include the obligation to (i) submit to the NYDFS a written description of the Company's current compliance program with respect to the supervision of its New York-based agents, and update such description with the NYDFS at 12 and 24 months after the date of the Consent Order, (ii) deliver to the NYDFS detailed data of all transactions in the State of New York for the one-year period prior to the date of the Consent Order, and (iii) fully cooperate with the NYDFS regarding all terms of the Consent Order. Pursuant to the Consent Order, the NYDFS agreed that it will take no further action against the Company for the conduct subject to the previous request for production of documents, provided that the Company fully complies with the terms of the Consent Order. The $8.3 million payment, which was made in the first quarter, is consistent with the estimated amount that the Company previously accrued in the fourth quarter of 2021.

CFPB — As previously reported, on February 12, 2020, the Company received a Report of Examination ("ROE") from the Consumer Financial Protection Bureau ("CFPB") stating that previous findings from a 2019 exam were not remediated, and the matter would be referred to its Enforcement Unit. On March 18, 2020, the Company received a Civil Investigative Demand ("CID") from the CFPB's Enforcement Unit. On June 11, 2020, the Company provided a timely response to the ROE describing the remedial actions taken and that the findings have been substantially remediated. On August 21, 2020, the Company completed its production in response to the CID. On February 25, 2021, the CFPB provided the Company with a Notice and Opportunity to Respond and Advise ("NORA") letter, documenting the CFPB's intent to take legal action against the Company based on four alleged violations under the Remittance Rule, the Electronic Fund Transfer Act (the "EFTA") and the Consumer Financial Protection Act (the "CFPA"). The Company provided the CFPB with its written response to the NORA letter on March 17, 2021. Over the past several months, the Company and the CFPB engaged in negotiations regarding a potential settlement agreement but were ultimately unable to reach an agreed resolution on this matter. On April 21, 2022, the CFPB and the New York State Office of the Attorney General filed a complaint (the "Complaint") in the United States District Court for the Southern District of New York against the Company and MoneyGram Payment Systems, Inc., a wholly owned subsidiary of the Company. The Complaint alleges seven counts of violations under the Remittance Rule, the CFPA, the EFTA and New York Executive Law § 63(12), and seeks injunctive relief, restitution, unspecified damages, civil money penalties and costs. The Company believes the case is without merit and intends to vigorously defend this matter. Based on the prior settlement negotiations which have since terminated, the Company had accrued $7.5 million as of December 31, 2021, as our best estimate to settle this matter. Notwithstanding the termination of the settlement discussion and the filing of the lawsuit by the CFPB, we continue to maintain the $7.5 million accrual in accordance with U.S. GAAP as our best loss estimate related to this matter.

Other Matters — The Company is involved in various other government inquiries and other matters that arise from time to time. Management does not believe that after final disposition any of these other matters is likely to have a material adverse impact on the Company's financial condition, results of operations or cash flows.

Note 12 — Earnings (Loss) Per Common Share

The following table summarizes the weighted-average share amounts used in calculating earnings (loss) per common share:

	Three Months Ended March 31,	
(Amounts in millions)	2022	2021
Basic common shares outstanding	95.7	79.6
Shares related to restricted stock units	3.8	—
Diluted common shares outstanding	99.5	79.6

Potential common shares issuable to employees upon exercise or conversion of shares under the Company's stock-based compensation plans and upon exercise of the Ripple Warrants (as defined below) are excluded from the computation of diluted earnings per common share when the effect would be anti-dilutive. All potential common shares are anti-dilutive in periods of net loss available to common stockholders. Stock options are anti-dilutive when the exercise price of these instruments is greater than the average market price of the Company's common stock for the period, regardless of whether the Company is in a period of net loss available to common shareholders.

The following table summarizes the weighted-average potential common shares excluded from diluted earnings (loss) per common share as their effect would be anti-dilutive:

	Three Months Ended March 31,	
(Amounts in millions)	2022	2021
Shares related to stock options	0.1	0.3
Shares related to restricted stock units	—	4.8
Shares related to Ripple Warrants	—	4.3
Shares excluded from the computation	0.1	9.4

Note 13 — Segment Information

The Company's reporting segments are primarily organized based on the nature of products and services offered and the type of consumer served. The Company has two reporting segments: GFT and FPP. See Note 1 — *Description of the Business and Basis of Presentation* for further discussion on our segments. Walmart Inc. ("Walmart") is our only agent, for the three months ended March 31, 2022, that accounts for more than 10% of FPP revenue and the only agent, for both the GFT and FPP segments, that accounted for more than 10% of total revenue for the three months ended March 31, 2021. For the three months ended March 31, 2021, Walmart accounted for 12% of total revenue.

The following table is a summary of the total revenue by segment:

(Amounts in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
GFT revenue		
Money transfer revenue	$ 284.3	$ 285.4
Bill payment revenue	9.3	10.8
Total GFT revenue	293.6	296.2
FPP revenue		
Money order revenue	10.5	10.4
Official check revenue	3.5	3.5
Total FPP revenue	14.0	13.9
Total revenue	$ 307.6	$ 310.1

The following table is a summary of the gross profit by segment:

(Amounts in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
GFT gross profit	$ 132.6	$ 131.1
FPP gross profit [1]	13.6	13.7
Total gross profit	146.2	144.8
Total operating expenses	128.3	136.4
Total operating income	17.9	8.4
Interest expense	10.9	22.3
Other non-operating expense	0.9	1.0
Income (loss) before income taxes	$ 6.1	$ (14.9)

[1] In periods of extremely low interest rates, it is possible for commissions to be close to zero, resulting in abnormally high gross margin.

The following table sets forth assets by segment:

(Amounts in millions)	March 31, 2022	December 31, 2021
GFT	$ 1,240.9	$ 1,269.5
FPP	3,148.3	3,169.8
Other	40.6	37.2
Total assets	$ 4,429.8	$ 4,476.5

Note 14 — Revenue Recognition

The following table is a summary of the Company's revenue streams disaggregated by services and products for each segment and timing of revenue recognition for such services and products excluding other revenue:

	Three Months Ended March 31,	
(Amounts in millions)	**2022**	**2021**
GFT revenue		
Money transfer fee revenue	$ 275.8	$ 279.2
Bill payment services fee revenue	9.3	10.8
Other revenue	8.5	6.2
Total GFT fee and other revenue	293.6	296.2
FPP revenue		
Money order fee revenue	1.4	1.7
Official check outsourcing services fee revenue	1.7	1.8
Other revenue	8.8	8.4
Total FPP fee and other revenue	11.9	11.9
Total fee and other revenue	305.5	308.1
Investment revenue	2.1	2.0
Total revenue	$ 307.6	$ 310.1
Timing of revenue recognition:		
Services and products transferred at a point in time	$ 286.5	$ 291.7
Products transferred over time	1.7	1.8
Total revenue from services and products	288.2	293.5
Investment revenue	2.1	2.0
Other revenue	17.3	14.6
Total revenue	$ 307.6	$ 310.1

Due to the short-term nature of the Company's services and products, the amount of contract assets and liabilities on the Condensed Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021, is negligible. Assets for unsettled money transfers, money orders and consumer payments are included in "Settlement assets" with a corresponding liability recorded in "Payment service obligations" on the Condensed Consolidated Balance Sheets. For more information on these assets and liabilities see Note 2 — *Settlement Assets and Payment Service Obligations*.

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

The purpose of this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is to provide an understanding of MoneyGram International, Inc.'s ("MoneyGram," the "Company," "we," "us" and "our") financial condition, results of operations and cash flows by focusing on changes in certain key measures. This MD&A is provided as a supplement to, and should be read in conjunction with, our unaudited Condensed Consolidated Financial Statements and related Notes included in this Quarterly Report on Form 10-Q and the Consolidated Financial Statements and Notes included in our Annual Report on Form 10-K for the year ended December 31, 2021. This discussion contains forward-looking statements that involve risks and uncertainties. MoneyGram's actual results could differ materially from those anticipated due to various risks and factors discussed above under *Cautionary Statements Regarding Forward-Looking Statements* and elsewhere in this Quarterly Report on Form 10-Q and in our 2021 Form 10-K, as well as any additional risk factors that may be described in our other periodic filings with the SEC from time to time.

The comparisons presented in this MD&A refer to the same period in the prior year, unless otherwise noted. This MD&A is organized in the following sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates

OVERVIEW

MoneyGram is a global leader in cross-border P2P payments and money transfers. Our consumer-centric capabilities enable the quick and affordable transfer of money to family and friends around the world. Whether through online and mobile platforms, integration with mobile wallets, kiosks, or any one of the hundreds of thousands of agent locations in over 200 countries and territories, with over 100 now digitally enabled, the innovative MoneyGram platform connects consumers in ways designed to be convenient for them. In the U.S. and in select countries and territories, we also provide bill payment services, issue money orders and process official checks. We primarily offer our services and products through our Digital Channel and third-party agents. The Digital Channel includes MGO (our direct-to-consumer business), digital partners, direct transfers to bank accounts, mobile wallets and debit card solutions such as Visa Direct. Third-party agents include retail chains, independent retailers, post offices and financial institutions. MoneyGram also has a limited number of Company-operated retail locations.

We manage our revenue and related commissions expense through two reporting segments: GFT and FPP. The GFT segment provides global money transfer services in more than 440,000 agent locations. Our global money transfer services are our primary revenue driver, accounting for 92% of total revenue for the three months ended March 31, 2022. The GFT segment also provides bill payment services to consumers through substantially all of our money transfer agent locations in the U.S., at certain agent locations in select Caribbean and European countries and through our Digital Channel. The FPP segment provides money order services to consumers through retail locations and financial institutions located in the U.S. and Puerto Rico and provides official check services to financial institutions in the U.S.

Business Environment

The competitive environment continues to change as both established players and new, digital-only entrants work to innovate and deliver an affordable and convenient customer experience to win market share. Our competitors include a small number of large money transfer and bill payment providers, financial institutions, banks and a number of small niche money transfer service providers that serve select regions. We generally compete on the basis of customer experience, price, agent commissions, brand awareness and convenience.

We continue to invest in innovative products and services, such as our leading mobile app and integrations with mobile wallets and account deposit services, to position the Company to meet consumer needs. Furthermore, our partnership with Visa Direct provides consumers with additional choices on how to receive funds across a broader number of countries. We believe that combining our cash and digital capabilities enables us to differentiate against digital-only competitors who are not able to serve a significant portion of the remittance market that relies on cash.

As a leader in the evolution of digital P2P payments, we were the first company to utilize blockchain technology at scale for cross-border payments. Given our extensive global network, strong culture of fintech innovation, expertise in compliance and API-driven infrastructure, we are well-positioned to lead cross-border payment innovation.

Recent Developments

On March 16, 2022, we announced that a final agreement has been reached to settle its previously disclosed legacy enforcement matter with NYDFS through a consent order. The Company paid a civil monetary penalty of $8.3 million to the NYDFS and will undertake various reporting obligations. This payment is consistent with the estimated amount that MoneyGram previously accrued in the fourth quarter of 2021.

On March 11, 2022, MoneyGram and Stellar Development Foundation announced a new partnership with Techstars, a global investment business that provides access to capital, one-on-one mentorship and customized programming for entrepreneurs. The program will recruit founders across the world who are focused on driving technological innovation in areas such as blockchain and digital payments to further streamline cross-border payments and support financial inclusion.

Anticipated Trends

This discussion of trends expected to impact our business in 2022 is based on information presently available and reflects certain assumptions, including assumptions regarding future economic conditions. Differences in actual economic conditions compared with our assumptions could have a material impact on our results. See *Cautionary Statements Regarding Forward-Looking Statements,* Part II, Item 1A, *Risk Factors* of this Quarterly Report on Form 10-Q and Part I, Item 1A, *Risks Factors* of our 2021 Form 10-K for additional factors that could cause results to differ materially from those contemplated by the following forward-looking statements.

Through 2022, we believe the industry will continue to see a number of trends: the growth of digital transactions, a competitive pricing environment, continuing focus on customer experience and a broader trend towards potential diversification of product and service offerings.

To position the Company to respond to these trends, our digital-first strategy is creating tremendous value for consumers and the Company's strategy will continue to focus on growing our digital business. To address this new and evolving digital consumer, we expect to continue to invest in product innovation as we look to go deeper and wider in our consumer-direct digital offerings. We also plan to expand MGO to new countries, add new digital send partners and add more wallets and account deposit offerings.

As we grow our digital business, we will also focus on maintaining our global cash network. The cash receive network is important to millions of receivers around the world who rely on cash to support the urgent needs of their families; additionally, in many markets the cash network continues to provide benefit for those consumers that need to send cash.

Additionally, in 2022 we plan to further execute our strategy to lead cross-border payment innovation and blockchain-enabled settlement through growing our partnership with the Stellar Development Foundation as well as through other initiatives and partnerships.

We expect a high level of competition for agents and customers, along with competitive pricing to be a continuous challenge through 2022. Currency volatility, liquidity pressure on certain central banks, immigration restrictions and continuing immobility of labor throughout the world may also continue to impact our business. We anticipate continuing prioritization of our cost structure related to transactions and expect to remain price competitive across our product line.

For our FPP segment, we expect the decline in overall paper-based transactions to continue primarily due to continued gradual migration by customers to other payment methods. Our investment revenue, which consists primarily of interest income generated through the investment of cash balances received from the sale of our FPP, is dependent on the prevailing short-term interest rate environment in the United States. The Company would see a positive impact on its investment revenue if U.S. money market rates rise and conversely, a negative impact if interest rates decline.

COVID-19 Update

General Economic Conditions and MoneyGram Impact

The global spread and unprecedented impact of COVID-19 and its variants, is complex and ever-evolving. In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended extensive containment and mitigation measures worldwide. The outbreak is global and has impacted all the countries in which we do business. Since the outbreak, we have seen the profound effect it is having on human health, the global economy and society at large. Public and private sector policies aimed at reducing the transmission of COVID-19 have varied significantly in different regions of the world, but have resulted in shelter-in-place orders and the mandatory closing of various businesses across many of the countries in which we operate. Variants of COVID-19 combined with a lack of vaccinations in many countries have resulted in new waves of infections and new restrictions. These restrictions often have an impact on the ability of consumers to transact at agent locations, which can cause temporary reductions in remittance activity. Several countries and municipalities had mandated closures of their borders and incorporated shelter-in-place orders.

It is impossible to predict the scope and duration of the impact of the COVID-19 pandemic as the situation has been different on a country by country basis. The impact of COVID-19 in 2022 and beyond will depend on the duration and severity of economic conditions resulting from the crisis, its impact on public health, immigration, public policy actions, vaccination rates and expansion and duration of returns to lockdowns and shelter-in-place orders by governments, as well as changes in consumer behavior over the long term.

We continue to place a priority on business continuity and contingency planning, including for potential extended closures of any key agents or disruptions related to our contractual counterparties that might arise as a result of COVID-19. While disruptions in our service offerings have occurred from time to time from temporary agent location closures, the inability of labor markets to return to normal mobility can represent a longer impact on the Company. We cannot reasonably estimate the potential impact or timing of those events, and we may not be able to mitigate such impact.

Financial Measures and Key Metrics

This Quarterly Report on Form 10-Q includes financial information prepared in accordance with U.S. GAAP as well as certain non-GAAP financial measures that we use to assess our overall performance.

U.S. GAAP Measures — We utilize certain financial measures prepared in accordance with U.S. GAAP to assess the Company's overall performance. These measures include fee and other revenue, commissions and other fee expense, fee and other revenue less commissions, gross profit, operating income and operating margin.

Non-GAAP Measures — Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with U.S. GAAP. The non-GAAP financial measures should be viewed as a supplement to and not a substitute for, financial measures presented in accordance with U.S. GAAP and are not necessarily comparable with similarly named metrics of other companies. We strongly encourage investors and stockholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. We believe that the non-GAAP financial measures enhance investors' understanding of our business and performance because they are an indicator of the strength and performance of ongoing business operations. The non-GAAP measures are commonly used as a basis for investors, analysts and other interested parties to evaluate and compare the operating performance and value of companies within our industry. They are also used by management in reviewing results of operations, forecasting, allocating resources or establishing employee incentive programs. The following are non-GAAP financial measures we use to assess our overall performance:

EBITDA (Earnings before interest, taxes, depreciation and amortization, including agent signing bonus amortization).

Adjusted EBITDA (EBITDA adjusted for certain significant items) — Adjusted EBITDA does not reflect cash requirements necessary to service interest or principal payments on our indebtedness or tax payments that may result in a reduction in cash available.

Adjusted Free Cash Flow (Adjusted EBITDA less cash interest, cash taxes, cash payments for capital expenditures and cash payments for agent signing bonuses) — Adjusted Free Cash Flow does not reflect cash payments related to the adjustment of certain significant items in Adjusted EBITDA.

Constant Currency — Constant currency metrics assume that amounts denominated in non-U.S. dollars are translated to the U.S. dollar at rates consistent with those in the prior year.

RESULTS OF OPERATIONS

The following table is a summary of the results of operations:

(Amounts in millions)	Three Months Ended March 31, 2022	2021
Revenue		
Fee and other revenue	$ 305.5	$ 308.1
Investment revenue	2.1	2.0
Total revenue	307.6	310.1
Cost of revenue		
Commissions and other fee expense	148.7	149.9
Investment commissions expense	0.4	0.2
Direct transaction expense	12.3	15.2
Total cost of revenue	161.4	165.3
Gross profit	146.2	144.8
Operating expenses		
Compensation and benefits	56.5	62.2
Transaction and operations support	45.1	43.4
Occupancy, equipment and supplies	14.5	15.5
Depreciation and amortization	12.2	15.3
Total operating expenses	128.3	136.4
Operating income	17.9	8.4
Other expenses		
Interest expense	10.9	22.3
Other non-operating expense	0.9	1.0
Total other expenses	11.8	23.3
Income (loss) before income taxes	6.1	(14.9)
Income tax expense	1.0	0.5
Net income (loss)	$ 5.1	$ (15.4)

Revenue

Revenue declined by $2.5 million for the three months ended March 31, 2022, primarily due to a decrease in GFT revenue of $2.6 million. See the "*Segments Results*" section below for further discussions.

Cost of Revenue

Cost of revenue decreased by $3.9 million for the three months ended March 31, 2022, due to a decrease in GFT cost of revenue. See the "*Segments Results*" section below for further discussions.

Compensation and Benefits

Compensation and benefits decreased by $5.7 million for the three months ended March 31, 2022, primarily due to the absence of severance costs in the current period.

Transaction and Operations Support

Transaction and operations support primarily includes marketing, professional fees and other outside services, telecommunications, agent support costs, including forms related to our products, non-compensation employee costs, including training, travel and relocation costs, non-employee director stock-based compensation expense, bank charges, the impact of non-U.S. dollar exchange rate movements on our monetary transactions and assets and liabilities denominated in a currency other than the U.S. dollar.

Transaction and operations support remained relatively flat for the three months ended March 31, 2022.

Occupancy, Equipment and Supplies

Occupancy, equipment and supplies expense includes facilities rent and maintenance costs, software and equipment maintenance costs, freight and delivery costs and supplies. Occupancy, equipment and supplies expense remained relatively flat for the three months ended March 31, 2022.

Depreciation and Amortization

Depreciation and amortization includes depreciation on computer hardware and software, agent signage, point of sale equipment, capitalized software development costs, office furniture, equipment and leasehold improvements and amortization of intangible assets. Depreciation and amortization decreased by $3.1 million for the three months ended March 31, 2022, primarily due to a continued decrease in purchases of hardware and software as a result of our migration to cloud computing.

Other Expenses

Interest Expense decreased by $11.4 million for the three months ended March 31, 2022, primarily due to interest savings as a result of our refinancing activities in the third quarter of 2021.

Other non-operating expense remained relatively flat for the three months ended March 31, 2022.

Income Tax Expense

For the three months ended March 31, 2022, the Company recognized an income tax expense of $1.0 million on pre-tax income of $6.1 million primarily due to a decrease in valuation allowance, recognition of excess tax benefits on share-based compensation, U.S. general business credits and a recovery of state taxes, all of which were partially offset by foreign taxes net of federal income tax benefits, non-deductible expenses and an increase in unrecognized tax benefits.

Segments Results

GFT

The following table sets forth our GFT segment results of operations for the three months ended March 31, 2022:

	Three Months Ended March 31,	
(Amounts in millions)	2022	2021
Money transfer revenue	$ 284.3	$ 285.4
Bill payment revenue	9.3	10.8
Total revenue	293.6	296.2
Cost of revenue	161.0	165.1
Gross profit	$ 132.6	$ 131.1

Money Transfer Revenue

Money transfer revenue decreased by $1.1 million for the three months ended March 31, 2022 as a result of the U.S. Dollar strengthening against the Pound Sterling and the Euro.

Bill Payment Revenue

Bill payment revenue decreased by $1.5 million for the three months ended March 31, 2022 due to lower transactions as a result of increased competition.

Cost of Revenue

Cost of revenue decreased by $4.1 million for the three months ended March 31, 2022, primarily due to a decrease in commissions and other fee expense driven by lower rates in commissions associated with MGO.

FPP

The following table sets forth our FPP segment results of operations:

(Amounts in millions)	Three Months Ended March 31, 2022	2021
Money order revenue	$ 10.5	$ 10.4
Official check revenue	3.5	3.5
Total revenue	14.0	13.9
Investment commissions expense	0.4	0.2
Gross profit	$ 13.6	$ 13.7

Money Order Revenue

Money order revenue remained flat for the three months ended March 31, 2022.

Official check revenue

Official check revenue remained flat for the three months ended March 31, 2022.

Investment Commissions Expense

Investment commissions expense is calculated as a percentage of Investment Revenue. In periods of extremely low interest rates, it is possible for commissions to be at or close to zero, resulting in abnormally high gross margin.

Investment commissions expense remained relatively flat for the three months ended March 31, 2022.

EBITDA, Adjusted EBITDA, Adjusted Free Cash Flow and Constant Currency (Non-GAAP Measures)

The following table is a reconciliation of our non-GAAP financial measures to the related U.S. GAAP financial measures:

(Amounts in millions, except percentages)	Three Months Ended March 31, 2022	2021
Income (loss) before income taxes	$ 6.1	$ (14.9)
Interest expense	10.9	22.3
Depreciation and amortization	12.2	15.3
Signing bonus amortization	13.9	14.3
EBITDA	43.1	37.0
Significant items impacting EBITDA:		
Merger-related costs	3.7	—
Stock-based, contingent and incentive compensation	2.8	1.8
Restructuring and reorganization costs	(1.3)	5.9
Legal and contingent matters	0.6	0.1
Direct monitor costs	0.1	3.8
Compliance enhancement program	—	1.1
Severance and related costs	—	0.2
Adjusted EBITDA	$ 49.0	$ 49.9
Adjusted EBITDA change, constant currency adjusted	2 %	12 %
Adjusted EBITDA	$ 49.0	$ 49.9
Cash payments for interest	(16.6)	(11.9)
Cash (payments) refunds for taxes, net	(3.3)	2.7
Cash payments for capital expenditures	(10.3)	(11.2)
Cash payments for agent signing bonuses	(14.7)	(13.0)
Adjusted Free Cash Flow	$ 4.1	$ 16.5

See "*Results of Operations*" and "*Analysis of Cash Flows*" sections for additional information regarding these changes.

LIQUIDITY AND CAPITAL RESOURCES

We have various resources available for purposes of managing liquidity and capital needs, including our investment portfolio, credit facilities and letters of credit. We refer to our cash and cash equivalents, settlement cash and cash equivalents, interest-bearing deposits and available-for-sale interest-bearing investments collectively as our "investment portfolio." The Company utilizes cash and cash equivalents in various liquidity and capital assessments.

Cash and Cash Equivalents, Settlement Assets and Payment Service Obligations

The following table shows the components of the Company's cash and cash equivalents and settlement assets:

(Amounts in millions)	March 31, 2022	December 31, 2021
Cash and cash equivalents	$ 103.7	$ 155.2
Settlement assets:		
Settlement cash and cash equivalents	$ 1,688.2	$ 1,895.7
Receivables, net	903.6	700.4
Interest-bearing investments	992.6	992.3
Available-for-sale investments	3.0	3.0
Total settlement assets	$ 3,587.4	$ 3,591.4
Payment service obligations	$ (3,587.4)	$ (3,591.4)

Our primary sources of liquidity include cash flows generated by the sale of our payment instruments, our cash and cash equivalents and interest-bearing deposit balances and proceeds from our investment portfolio. Our primary operating liquidity needs are related to the settlement of payment service obligations to our agents and financial institution customers, general operating expenses and debt service.

To meet our payment service obligations at all times, we must have sufficient highly-liquid assets and be able to move funds globally on a timely basis. On average, we receive in and pay out a similar amount of funds on a daily basis to collect and settle the principal amount of our payment instruments sold and related fees and commissions with our end-consumers and agents. This pattern of cash flows allows us to settle our payment service obligations through existing cash balances and ongoing cash generation rather than liquidating investments or utilizing our Revolving Credit Facility. We have historically generated and expect to continue generating, sufficient cash flows from daily operations to fund ongoing operational needs.

We preposition cash in various countries and currencies to facilitate settlement of transactions. We also maintain funding capacity beyond our daily operating needs to provide a cushion through the normal fluctuations in our payment service obligations, as well as to provide working capital for the operational and growth requirements of our business. We believe we have sufficient liquid assets and funding capacity to operate and grow our business for the next 12 months. Should our liquidity needs exceed our operating cash flows, we believe that external financing sources, including availability under our Revolving Credit Facility, will be sufficient to meet our anticipated funding requirements.

Cash and Cash Equivalents and Interest-bearing Investments

To ensure we maintain adequate liquidity to meet our payment service obligations at all times, we keep a significant portion of our investment portfolio in cash and cash equivalents and interest-bearing investments at financial institutions rated A- or better by two of the following three rating agencies: Moody's, S&P and Fitch; and in AAA rated U.S. government money market funds. If the rating agencies have split ratings, the Company uses the lower of the highest two out of three ratings across the agencies for disclosure purposes. If the institution has only two ratings, the Company uses the lower of the two ratings for disclosure purposes. As of March 31, 2022, cash and cash equivalents (including unrestricted and settlement cash and cash equivalents) and interest-bearing investments totaled $2.8 billion. Cash and cash equivalents consist of interest-bearing deposit accounts, non-interest-bearing transaction accounts and money market securities; interest-bearing investments consist of time deposits and certificates of deposit with maturities of up to 24 months.

Available-for-sale Investments

Our investment portfolio includes $3.0 million of available-for-sale investments as of March 31, 2022. U.S. government agency residential mortgage-backed securities comprise $2.1 million of our available-for-sale investments, while asset-backed and other securities compose the remaining $0.9 million.

Clearing and Cash Management Banks

We collect and disburse money through a network of clearing and cash management banks. The relationships with these banks are a critical component of our ability to maintain our global active funding requirements on a timely basis. In the U.S., we have agreements with four active clearing banks that provide clearing and processing functions for official checks, money orders and other draft instruments. We believe that this network of banks provides sufficient capacity to handle the current and projected volumes of items for these services. We also maintain relationships with a variety of domestic and international cash management banks for electronic funds transfer and wire transfer services used in the movement of consumer funds and agent settlements.

Term Loan and Notes

The following is a summary of the Company's outstanding debt:

(Amounts in millions, except percentages)	March 31, 2022	December 31, 2021
5.00% Term Loan due 2026	$ 383.0	$ 384.0
5.38% Senior Secured Notes due 2026	415.0	415.0
Total debt at face value	798.0	799.0
Unamortized debt issuance costs and debt discounts	(12.0)	(12.3)
Total debt, net	$ 786.0	$ 786.7

As of March 31, 2022, the Company had no borrowings and no outstanding letters of credit under its Revolving Credit Facility and had $40.0 million of availability. See Note 6 — *Debt* of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional disclosure related to the credit facilities.

Credit Ratings

As of March 31, 2022, our credit ratings from Moody's and S&P were B2 with a stable outlook and B with a stable outlook, respectively. The Company does not have rating triggers associated with its credit agreements or its regulatory capital requirements.

Analysis of Cash Flows

	Three Months Ended March 31,	
(Amounts in millions)	2022	2021
Net cash used in operating activities	$ (30.0)	$ (26.8)
Net cash used in investing activities	(14.5)	(12.3)
Net cash used in financing activities	(214.5)	(41.0)
Net change in cash and cash equivalents	$ (259.0)	$ (80.1)

Cash Flows from Operating Activities

For the three months ended March 31, 2022, net cash used in operating cash activities increased by $3.2 million, primarily due to an increase in prepaid expenses.

Cash Flows from Investing Activities

For the three months ended March 31, 2022, net cash used in investing activities increased by $2.2 million, primarily due to an increase in equity investments.

Cash Flows from Financing Activities

During the three months ended March 31, 2022, net cash used in financing activities increased by $173.5 million, primarily due to an increase in receivables included in settlement assets.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts and related disclosures in the unaudited Condensed Consolidated Financial Statements. Actual results could differ from those estimates. On a regular basis, management reviews its accounting policies, assumptions and estimates to ensure that our financial statements are presented fairly and in accordance with U.S. GAAP. Our significant accounting policies are discussed in Note 2 — *Summary of Significant Accounting Policies* of the Notes to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Critical accounting policies are those policies that management believes are very important to the portrayal of our financial position and results of operations and that require management to make estimates that are difficult, subjective or complex. There were no changes to our critical accounting policies and estimates during the quarter ended March 31, 2022. For further information regarding our critical accounting policies and estimates, refer to Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates* in the Company's 2021 Form 10-K.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 — *Description of the Business and Basis of Presentation* of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report for information regarding recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk since December 31, 2021. For further information on market risk, refer to Part II, Item 7A, *Quantitative and Qualitative Disclosures about Market Risk* in the Company's 2021 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report (the "Evaluation Date"), the Company carried out an evaluation, under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A description of our legal proceedings is included in and incorporated by reference to Note 11 — *Commitments and Contingencies* of the Notes to the Unaudited Condensed Consolidated Financial Statements contained in Part I, Item 1 of this report.

ITEM 1A. RISK FACTORS

There have been no material changes in the Company's risk factors from those described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. For further information, refer to Part I. Item 1A. "Risk Factors," in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

ITEM 6. EXHIBITS

The following exhibits are filed or incorporated by reference herein in response to Item 601 of Regulation S-K. The Company files Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K pursuant to the Exchange Act under Commission File No. 1-31950.

Exhibit Number	Description
2.1	Agreement and Plan of Merger by and among MoneyGram International, Inc., Mobius Parent Corp. and Mobius Merger Sub, Inc., dated as of February 14, 2022 (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed with the Commission on February 15, 2022).
3.1	Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated June 28, 2004 (Incorporated by reference from Exhibit 3.1 to Registrant's Annual Report on Form 10-K filed on March 15, 2010).
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated May 12, 2009 (Incorporated by reference from Exhibit 3.1 to Registrant's Annual Report on Form 10-K filed March 15, 2010).
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated May 18, 2011 (Incorporated by reference from Exhibit 3.1 to Registrant's Current Report on Form 8-K filed May 23, 2011).
3.4	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated November 14, 2011 (Incorporated by reference from Exhibit 3.1 to Registrant's Current Report on Form 8-K filed November 14, 2011).
3.5	Amended and Restated Bylaws of MoneyGram International, Inc., as amended and restated October 28, 2015 (Incorporated by reference from Exhibit 3.5 to Registrant's Quarterly Report on Form 10-Q filed on November 2, 2015).
3.6	Amendment to the Amended and Restated Bylaws of MoneyGram International, Inc., dated March 2, 2016 (Incorporated by reference from Exhibit 3.6 to Registrant's Annual Report on Form 10-K filed on March 2, 2016).
3.7	Amended and Restated Certificate of Designations, Preferences and Rights of Series D Participating Convertible Preferred Stock of MoneyGram International, Inc., dated May 18, 2011 (Incorporated by reference from Exhibit 3.2 to Registrant's Current Report on Form 8-K filed May 23, 2011).
4.2	Indenture, dated as of July 21, 2021, by and among MoneyGram International, Inc., the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee and notes collateral agent (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Commission on July 26, 2021).
4.3	Form of 5.375% Senior Secured Notes due 2026 (included as Exhibit A to the Indenture incorporated by reference herein as Exhibit 4.1).
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.INS**	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104**	Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101).
*	Filed herewith.
**	Furnished herewith.

SIGNATURES

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

		MoneyGram International, Inc. (Registrant)
May 6, 2022	By:	/s/ CHRISTOPHER RUSSELL
		Christopher Russell Chief Accounting Officer (Duly Authorized Officer and Principal Accounting Officer)

Exhibit 31.1

Certification Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, W. Alexander Holmes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MoneyGram International, Inc. for the period ended March 31, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2022

/s/ W. Alexander Holmes
W. Alexander Holmes
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Lawrence Angelilli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MoneyGram International, Inc. for the period ended March 31, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2022

/s/ Lawrence Angelilli
Lawrence Angelilli
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. §1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q (the "Report") of MoneyGram International, Inc. (the "Company") for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof, I, W. Alexander Holmes, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2022

/s/ W. Alexander Holmes
W. Alexander Holmes
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to 18 U.S.C. §1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q (the "Report") of MoneyGram International, Inc. (the "Company") for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof, I, Lawrence Angelilli, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2022

/s/ Lawrence Angelilli

Lawrence Angelilli
Chief Financial Officer
(Principal Financial Officer)