

EVERTEC, Inc.
Form S-1/A
March 28, 2013
Table of Contents

As filed with the Securities and Exchange Commission on March 28, 2013

Registration No. 333-186487

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-1
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

EVERTEC, INC.

(Exact name of registrant as specified in its charter)

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Puerto Rico
(State or other jurisdiction of
incorporation or organization)

7374
(Primary Standard Industrial
Classification Code Number)

66-0783622
(I.R.S. Employer
Identification Number)

Cupey Center Building
Road 176, Kilometer 1.3
San Juan, Puerto Rico 00926
(787) 759-9999

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

Luisa Wert Serrano, Esq.
EVERTEC, Inc.
Cupey Center Building
Road 176, Kilometer 1.3
San Juan, Puerto Rico 00926
(787) 759-9999

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:

Rosa A. Testani, Esq.
Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, NY 10036
(212) 872-8115

Michael J. Ohler, Esq.
Cahill Gordon & Reindel LLP
80 Pine Street
New York, NY 10005
(212) 701-3000

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered ⁽¹⁾	Proposed Maximum Offering Price per Share ⁽²⁾	Proposed maximum aggregate offering price ⁽¹⁾⁽²⁾	Amount of registration fee ⁽³⁾
Common stock, \$0.01 par value per share	24,210,528	\$20.00	\$ 484,210,560.00	\$66,046.32

(1) Estimated pursuant to Rule 457(a) under the Securities Act of 1933, as amended. Includes 3,157,895 additional shares of common stock that the underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.

(3) The Registrant previously paid \$13,640.00 of the total registration fee in connection with the filing of this Registration Statement on February 6, 2013.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated March 28, 2013

PRELIMINARY PROSPECTUS

21,052,633 Shares

EVERTEC, Inc.

Common Stock

\$ per share

This is our initial public offering. We are selling 6,578,948 of the shares being offered hereby. The selling stockholders identified in this prospectus are selling an additional 14,473,685 shares. We will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

We expect the public offering price to be between \$18.00 and \$20.00 per share. Currently, no public market exists for our common stock. Our shares of common stock have been approved for listing on the New York Stock Exchange (NYSE) under the symbol EVTC. Following the completion of this offering, we will remain a controlled company as defined under the NYSE listing rules because the group consisting of funds affiliated with Apollo Global Management, LLC and Popular, Inc. will beneficially own 72.5% of our shares of outstanding common stock, assuming the underwriters do not exercise their option to purchase up to 3,157,895 additional shares from the selling stockholders. See Principal and Selling Stockholders.

We are an emerging growth company under applicable federal securities laws and are eligible for reduced public company reporting requirements. See Risk Factors Risks Related to Our Business As an emerging growth company under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain reporting and disclosure requirements, which may make our future public filings different than that of other public companies.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 20 of this prospectus.

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	Price to Public	Underwriting Discounts	Proceeds to EVERTEC, Inc.	Proceeds to Selling Stockholders
Per Share	\$	\$	\$	\$
Total	\$	\$	\$	\$

The underwriters also have an option to purchase up to an additional 3,157,895 shares from the selling stockholders at the initial public offering price less the underwriting discount.

Delivery of the shares of common stock will be made on or about _____, 2013.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Goldman, Sachs & Co.

J.P. Morgan

Morgan Stanley

Deutsche Bank Securities

BofA Merrill Lynch

Credit Suisse

UBS Investment Bank

William Blair

Apollo Global Securities

Popular Securities

The date of this prospectus is _____, 2013.

Table of Contents**TABLE OF CONTENTS**

	Page
<u>SUMMARY</u>	1
<u>RISK FACTORS</u>	20
<u>CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS</u>	42
<u>INDUSTRY AND MARKET DATA</u>	43
<u>NON-GAAP FINANCIAL MEASURES</u>	43
<u>EMERGING GROWTH COMPANY STATUS</u>	44
<u>USE OF PROCEEDS</u>	46
<u>DIVIDEND POLICY</u>	47
<u>CAPITALIZATION</u>	48
<u>DILUTION</u>	49
<u>SELECTED HISTORICAL CONSOLIDATED AND COMBINED FINANCIAL DATA</u>	50
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	52
<u>BUSINESS</u>	72
<u>MANAGEMENT</u>	84
<u>PRINCIPAL AND SELLING STOCKHOLDERS</u>	109
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	113
<u>DESCRIPTION OF CAPITAL STOCK</u>	129
<u>DESCRIPTION OF CERTAIN INDEBTEDNESS</u>	134
<u>SHARES ELIGIBLE FOR FUTURE SALE</u>	139
<u>MATERIAL TAX CONSEQUENCES</u>	141
<u>UNDERWRITING (CONFLICTS OF INTEREST)</u>	149
<u>LEGAL MATTERS</u>	156
<u>EXPERTS</u>	156
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	156
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1

You should rely only on the information contained in this prospectus. We have not authorized any person to provide you with any information or represent anything about us or this offering that is not contained in this prospectus. If given or made, any such other information or representation should not be relied upon as having been authorized by us. We are not making an offer in any jurisdiction where an offer or sale is not permitted. The information contained in this prospectus is current only as of its date.

Except as otherwise indicated or unless the context otherwise requires, (a) the terms "EVERTEC," "we," "us," "our," "the Company" and "our company" refer to EVERTEC, Inc. and its subsidiaries on a consolidated basis, (b) the term "Holdings" refers to EVERTEC Intermediate Holdings, LLC, but not to any of its subsidiaries and (c) the term "EVERTEC, LLC" refers to EVERTEC Group, LLC and its predecessor entities and their subsidiaries on a consolidated basis, including the operations of its predecessor entities prior to the Merger (as defined below). Neither EVERTEC nor Holdings conducts any operations other than with respect to its indirect or direct ownership of EVERTEC, LLC.

Table of Contents

SUMMARY

*This summary highlights key aspects of the information contained elsewhere in this prospectus and may not contain all of the information you should consider before making an investment decision. You should read this summary together with the entire prospectus, including the information presented under the heading **Risk Factors** and the more detailed information in the historical financial statements and related notes appearing elsewhere in this prospectus. For a more complete description of our business, see the **Business** section in this prospectus.*

Company Overview

EVERTEC is the leading full-service transaction processing business in Latin America and the Caribbean. We are based in Puerto Rico and provide a broad range of merchant acquiring, payment processing and business process management services across 19 countries in the region. We process over 1.8 billion transactions annually, and manage the electronic payment network for over 4,100 automated teller machines (ATM) and over 104,000 point-of-sale (POS) payment terminals. According to the July 2012 Nilson Report, we are the largest merchant acquirer in the Caribbean and Central America and the sixth largest in Latin America based on total number of transactions. We own and operate the ATH network, one of the leading ATM and personal identification number (PIN) debit networks in Latin America. In addition, we provide a comprehensive suite of services for core bank processing, cash processing and technology outsourcing in the regions we serve. We serve a broad and diversified customer base of leading financial institutions, merchants, corporations and government agencies with mission critical technology solutions that are essential to their operations, enabling them to issue, process and accept transactions securely, and we believe that our business is well positioned to continue to expand across the fast growing Latin American region.

We are differentiated, in part, by our diversified business model, which enables us to provide our varied customer base with a broad range of transaction processing services from a single source across numerous channels and geographic markets. We believe this single source capability provides several competitive advantages which will enable us to continue to penetrate our existing customer base with new, complementary services, win new customers, develop new sales channels and enter new markets. We believe these competitive advantages include:

Our ability to package and provide a range of services across our customers' business that often need to be sourced from different vendors;

Our ability to serve customers with disparate operations in several geographies with a single integrated technology solution that enables them to manage their business as one enterprise; and

Our ability to capture and analyze data across the transaction processing value chain to provide value-added services that are differentiated from those offered by pure play vendors that only have the technology, capabilities and products to serve one portion of the transaction processing value chain (such as only merchant acquiring or payment processing).

Our broad suite of services span the entire transaction processing value chain and include a range of front-end customer facing solutions as well as back-end support services. These include: (i) merchant acquiring services, which enable POS and e-commerce merchants to accept and process electronic methods of payment such as debit, credit, prepaid and electronic benefits transfer (EBT) cards; (ii) payment processing services, which enable financial institutions and other issuers to manage, support and facilitate the processing for credit, debit, prepaid, ATM and EBT card programs; and (iii) business process management solutions, which provide mission critical technology solutions such as core bank processing, as well as information technology (IT) outsourcing and cash management services to financial institutions, enterprises and governments. We provide

Table of Contents

these services through a highly scalable, end-to-end technology platform that we manage and operate in-house. Our end-to-end technology platform includes solutions that encompass the entire transaction processing value chain. This enables us to provide front-end processing services, such as the electronic capture and authorization of transactions at the point-of-sale, and back-end services, such as the clearing and settlement of transactions and account reconciliation for card issuers. Our platform provides us with the broad range of capabilities, flexibility and operating leverage that enable us to innovate and develop new services, differentiate ourselves in the marketplace and generate significant operating efficiencies to continue to maximize profitability.

We sell and distribute our services primarily through a proprietary direct sales force with strong customer relationships. We are also increasingly building a variety of indirect sales channels which enable us to leverage the distribution capabilities of partners in adjacent markets, including value-added resellers, joint ventures and merchant acquiring alliances. Given our breadth across the transaction processing value chain, our customer base is highly diversified by size, type and geographic footprint.

We benefit from an attractive business model, which is characterized by recurring revenue, significant operating margins and low capital expenditure requirements. Our revenue is recurring in nature because of the mission-critical and embedded nature of the services we provide, the high switching costs associated with these services and the multi-year contracts we negotiate with our customers. Our scalable business model creates significant operating efficiencies. In addition, our business model enables us to continue to grow our business organically without significant additional capital expenditures.

We generate revenues based primarily on transaction fees paid by our merchants and financial institutions in our Merchant Acquiring and Payment Processing segments and on transaction fees or fees based on number of accounts on file in our Business Solutions segment. Our total revenues increased from \$276.3 million for the year ended December 31, 2009 to \$341.7 million for the year ended December 31, 2012, representing a compound annual growth rate (CAGR) of 7%. Our Adjusted EBITDA (as defined below in Note 3 to Summary Historical Consolidated and Combined Financial Data) increased from \$117.6 million for the year ended December 31, 2009 to \$169.6 million for the year ended December 31, 2012, representing a CAGR of 13%. Our Adjusted Net Income (as defined below in Note 3 to Summary Historical Consolidated and Combined Financial Data) increased from \$58.2 million for the year ended December 31, 2009 to \$84.4 million for the year ended December 31, 2012, representing a CAGR of 13%.

As of December 31, 2012 the total principal amount of our indebtedness was approximately \$772.5 million and after giving effect to this offering and debt refinancing described below, we expect to have approximately \$713.0 million of total indebtedness outstanding. We expect that a substantial portion of the proceeds of this offering will be used to repay existing indebtedness, some of which was incurred in order to fund a special dividend in May 2012, and will not be available to invest in our business. See Risk Factors Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under the notes and the senior secured credit facilities.

History and Separation from Popular

We have a 25 year operating history in the transaction processing industry. Prior to the Merger on September 30, 2010, EVERTEC, LLC was 100% owned by Popular, Inc. (Popular), the largest financial institution in the Caribbean, and operated substantially as an independent entity within Popular. In September 2010, Apollo Global Management, LLC, a leading private equity investor, acquired a 51% interest in EVERTEC and shortly thereafter, we began the transition to a separate, stand-alone entity. As a stand-alone company, we have made substantial investments in our technology and infrastructure, recruited various senior executives with significant transaction processing experience in Latin America, enhanced our profitability through targeted productivity and cost savings actions and broadened our footprint beyond the markets historically served.

Table of Contents

We continue to benefit from our relationship with Popular. Popular is our largest customer, acts as one of our largest merchant referral partners and sponsors us with the card associations (such as Visa or MasterCard), enabling merchants to accept these card associations' credit card transactions. Popular also provides merchant sponsorship as one of the participants of the ATH network, enabling merchants to connect to the ATH network and accept ATH debit card transactions. We provide a number of critical products and services to Popular, which are governed by a 15-year Amended and Restated Master Services Agreement (the "Master Services Agreement") that runs through 2025. For more information on the Master Services Agreement and other related party agreements, see "Principal Stockholders" and "Certain Relationships and Related Party Transactions" Related Party Transactions in Connection with the Closing of the Merger.

Industry Trends

Shift to Electronic Payments

The ongoing migration from cash, check and other paper methods of payment to electronic payments continues to benefit the transaction processing industry globally. This migration is driven by factors including customer convenience, marketing efforts by financial institutions, card issuer rewards and the development of new forms of payment. We believe that the penetration of electronic payments in the markets where we principally operate is significantly lower relative to more mature U.S. and European markets and that this ongoing shift will continue to generate substantial growth opportunities for our business.

Fast Growing Latin American and Caribbean Financial Services and Payments Markets

Currently, the adoption of banking products, including electronic payments, in the Latin American and Caribbean region is lower relative to the mature U.S. and European markets. As these markets continue to evolve and grow, the emergence of a larger and more sophisticated consumer base will influence and drive an increase in card and electronic payments usage. According to the November 2011 and May 2012 Nilson Reports, the Latin American payments market is projected to continue to grow at a CAGR of 23.0% through 2015 (as illustrated in the chart below) and represents the second fastest growing market in the world.

We believe that the attractive characteristics of our markets and our leadership positions across multiple services and sectors will continue to drive growth and profitability in our businesses.

Ongoing Technology Outsourcing Trends

Financial institutions globally are facing significant challenges including the entrance of non-traditional competitors, the compression of margins on traditional products, significant channel proliferation and increasing regulation that could potentially curb profitability. Many of these institutions have traditionally fulfilled their IT needs through legacy computer systems, operated by the institution itself. Legacy systems are generally highly

Table of Contents

proprietary, inflexible and costly to operate and maintain and we believe the trend to outsource in-house technology systems and processes by financial institutions will continue. According to estimates published by Gartner Dataquest Market Statistics in January 2013, the banking and securities sector in Latin America is forecasted to have \$29 billion of annual IT expenditures by 2016. We believe our ability to provide integrated, open, flexible, customer-centric and efficient IT products and services cater to the evolving needs of our customers, particularly for small- and mid-sized financial institutions in the Latin American markets in which we operate.

Industry Innovation

The electronic payments industry experiences ongoing technology innovation. Emerging payment technologies such as prepaid cards, contactless payments, payroll cards, mobile commerce, online wallets and innovative POS devices facilitate the continued shift away from cash, check and other paper methods of payment. According to the 2012 World Payments Report, the number of online payments for e-commerce activities and number of payments using mobile devices are projected to grow at compound annual growth rates of 20.0% and 52.7%, respectively from 2009 to 2013. The increasing demand for new and flexible payment options catering to a wider range of consumer segments is driving growth in the electronic payment processing sector.

Our Competitive Strengths

Market Leadership in Latin America and the Caribbean

We believe we have an inherent competitive advantage relative to U.S. competitors based on our ability to locally leverage our infrastructure, as well as our first-hand knowledge of the Latin American and Caribbean markets, language and culture. We have built leadership positions across the transaction processing value chain in the geographic markets that we serve, which we believe will enable us to continue to penetrate our core markets and provide advantages to enter new markets. According to the July 2012 Nilson Report, we are the sixth largest merchant acquirer in Latin America and the largest in the Caribbean and Central America based on total number of transactions. We own and operate the ATH network, one of the leading ATM and PIN debit networks in Latin America. The ATH network and processing businesses processed over one billion transactions in 2012, which according to management estimates, makes ATH branded products the most frequently used electronic method of payment in Puerto Rico, exceeding the total transaction volume of Visa, MasterCard, American Express and Discover, combined. Given our scale and customer base of top tier financial institutions and government entities, we believe we are the leading card issuer and core bank processor in the Caribbean and the only non-bank provider of cash processing services to the U.S. Federal Reserve in the Caribbean. We believe our competitive position and strong brand recognition increases card acceptance, driving usage of our proprietary network, and presents opportunities for future strategic relationships.

Diversified Business Model Across the Transaction Processing Value Chain

Our leadership position in the region is driven in part by our diversified business model which provides the full range of merchant acquiring, payment processing and business solutions services to financial institutions, merchants, corporations and government agencies across different geographies. We offer end-to-end technology solutions through a single provider and we have the ability to tailor and customize the features and functionality of all our products and services to the specific requirements of our customers in various industries and across geographic markets. We believe the breadth of our offerings enables us to penetrate our customer base from a variety of perspectives and positions us favorably to cross-sell our other offerings over time. For example, we may host a client's electronic cash register software (part of the Business Solutions segment), acquire transactions that originate at that electronic cash register (part of the Merchant Acquiring segment), route the

Table of Contents

transaction through the ATH network (part of the Payment Processing segment), and finally settle the transaction between the client and the issuer bank (part of the Payment Processing segment). In addition, we can serve customers with disparate operations in several geographies with a single integrated technology solution that enables them to access one processing platform and manage their business as one enterprise. We believe these services are becoming increasingly complementary and integrated as our customers seek to capture, analyze and monetize the vast amounts of data that they process across their enterprises. As a result, we are able to capture significant value across the transaction processing value chain and believe that this combination of attributes represents a differentiated value proposition vis-à-vis our competitors who have a limited product and service offering.

Broad and Deep Customer Relationships and Recurring Revenue Business Model

We have built a strong and long-standing portfolio of top tier financial institution, merchant, corporate and government customers across Latin America and the Caribbean, which provide us with a reliable, recurring revenue base and powerful references that have helped us expand into new channels and geographic markets. Customers representing approximately 99% of our 2011 revenue continued to be customers in 2012, due to the mission-critical and embedded nature of the services provided and the high switching costs associated with these services. Our Payment Processing and Merchant Acquiring segments, as well as certain business lines representing the majority of our Business Solutions segment, generate recurring revenues that collectively accounted for approximately 87% of our total revenues in 2012. We receive recurring revenues from services based on our customers' on-going daily commercial activity such as processing loans, hosting accounts and information on our servers, and processing everyday payments at grocery stores, gas stations and similar establishments. We generally provide these services under one to five year contracts, often with automatic renewals. We also provide a few project-based services that generate non-recurring revenues in our Business Solutions segment such as IT consulting for a specific project or integration. Additionally, we entered into a 15-year Master Services Agreement with Popular on September 30, 2010. We provide a number of critical payment processing and business solutions products and services to Popular and benefit from the bank's distribution network and continued support. Through our long-standing and diverse customer relationships, we are able to gain valuable insight into trends in the marketplace that allows us to identify new market opportunities. In addition, we believe the recurring nature of our business model provides us with significant revenue and earnings stability.

Highly Scalable, End-to-End Technology Platform

Our diversified business model is supported by our highly scalable, end-to-end technology platform which allows us to provide a full range of transaction processing services and develop and deploy a broad suite of technology solutions to our customers at low incremental costs and increasing operating efficiencies. We have spent over \$130 million over the last five years on technology investments to continue to build the capacity and functionality of our platform and we have been able to achieve attractive economies of scale with flexible product development capabilities. We have a proven ability to seamlessly leverage our existing platforms to develop new products and services and expand in new markets. We believe that our platform will increasingly allow us to provide differentiated services to our customers and facilitate further expansion into new sales channels and geographic markets.

Experienced Management Team with a Strong Track Record of Execution

We have grown our revenue organically by introducing new products and services and expanding our geographic footprint throughout Latin America. We have a proven track record of creating value from operational and technology improvements and capitalizing on cross-selling opportunities. We have combined new leadership at EVERTEC, bringing many years of industry experience, with long-standing leadership at the

Table of Contents

operating business level. In 2012, Peter Harrington, former President of Latin America and Canada for First Data Corporation, joined our management team as our President and Chief Executive Officer. Also, in 2012, Philip Steurer, former Senior Vice President of Latin America for First Data Corporation, joined our management team as our Chief Operating Officer. Mr. Harrington and Mr. Steurer both have extensive experience managing and growing transaction processing businesses in Latin America as well as North America, Asia and Europe. In addition, we successfully executed our separation from Popular, transitioning EVERTEC from a division of a larger company to a stand-alone entity with public company best practices. Instrumental to this transition was our Chief Financial Officer Juan J. Román, former CFO of Triple-S Management, a publicly listed insurance company. Collectively our management team benefits from an average of over 20 years of industry experience and we believe they are well positioned to continue to drive growth across business lines and regions.

Our Growth Strategy

We intend to grow our business by continuing to execute on the following business strategies:

Continue Cross-Sales to Existing Customers

We seek to grow revenue by continuing to sell additional products and services to our existing merchant, financial institution, corporate and government customers. We intend to broaden and deepen our customer relationships by leveraging our full suite of end-to-end technology solutions. For example, we believe that there is significant opportunity to cross-sell our network services, ATM point-of-sale processing and card issuer processing services to our over 180 existing financial institution customers, particularly in markets outside of Puerto Rico. We will also seek to continue to cross-sell value added services into our existing merchant base of over 25,000 locations.

Leverage Our Franchise to Attract New Customers in the Markets We Currently Serve

We intend to attract new customers by leveraging our comprehensive product and services offering, the strength of our brand and our leading end-to-end technology platform. Furthermore, we believe we are uniquely positioned to develop new products and services to take advantage of our access to and position in markets we currently serve. For example, in markets we serve outside of Puerto Rico, we believe there is a significant opportunity to penetrate small to medium financial institutions with our products and services, as well as to penetrate governments with offerings such as EBT.

Expand in the Latin American Region

We believe there is substantial opportunity to expand our businesses in the Latin American region. We believe that we have a competitive advantage relative to U.S. competitors based on our ability to locally leverage our infrastructure, breadth of products and services as well as our first-hand knowledge of Latin American markets, language and culture. Significant growth opportunities exist in a number of large markets such as Colombia, México, Chile and Argentina. We also believe that there is an opportunity to provide our services to existing financial institution customers in other regions where they operate. Additionally, we continually evaluate our strategic plans for geographic expansion, which can be achieved through joint ventures, partnerships, alliances or strategic acquisitions.

Develop New Products and Services

Our experience with our customers provides us with insight into their needs and enables us to continuously develop new transaction processing services. We plan to continue growing our merchant, financial institution, corporate and government customer base by developing and offering additional value-added products and

Table of Contents

services to cross-sell along with our core offerings. We intend to continue to focus on these and other new product opportunities in order to take advantage of our leadership position in the transaction processing industry in the Latin American and Caribbean region.

Our Business

We offer our customers end-to-end products and solutions across the transaction processing value chain from a single source across numerous channels and geographic markets, as further described below.

Merchant Acquiring

According to the July 2012 Nilson Report, we are the largest merchant acquirer in the Caribbean and Central America and the sixth largest in Latin America based on total number of transactions. Our Merchant Acquiring business provides services to merchants at over 25,000 locations that allow them to accept electronic methods of payment such as debit, credit, prepaid and EBT cards carrying the ATH, Visa, MasterCard, Discover and American Express brands. Our full suite of merchant acquiring services includes, but is not limited to, the underwriting of each merchant's contract, the deployment of POS devices and other equipment necessary to capture merchant transactions, the processing of transactions at the point-of-sale, the settlement of funds with the participating financial institution, detailed sales reports and customer support. In 2012, our Merchant Acquiring business processed over 280 million transactions.

Our Merchant Acquiring business generated \$69.6 million, or 20.4%, of total revenues and \$33.8 million, or 26.6%, of total segment income from operations for the year ended December 31, 2012.

Payment Processing

We are the largest card processor and network services provider in the Caribbean. We provide an innovative and diversified suite of payment processing services to blue chip regional and global corporate customers, government agencies, and financial institutions across Latin American and the Caribbean. These services provide the infrastructure technology necessary to facilitate the processing and routing of payments across the transaction processing value chain.

At the point-of-sale, we sell transaction processing technology solutions, similar to the services in our Merchant Acquiring business, to other merchant acquirers to enable them to service their own merchant customers. We also offer terminal driving solutions to merchants, merchant acquirers (including our Merchant Acquiring business) and financial institutions, which provide the technology to securely operate, manage and monitor POS terminals and ATMs. We also rent POS devices to financial institution customers who seek to deploy them across their own businesses. We currently provide technology services for over 4,100 ATMs and over 104,000 POS terminals in the region and are continuously certifying new machines and devices to expand this reach.

To connect the POS terminals to card issuers, we own and operate the ATH network, one of the leading ATM and PIN debit networks in Latin America. The ATH network connects the merchant or merchant acquirer to the card issuer and enables transactions to be routed or switched across the transaction processing value chain. The ATH network offers the technology, communications standards, rules and procedures, security and encryption, funds settlement and common branding that allow consumers, merchants, merchant acquirers, ATMs, card issuer processors and card issuers to conduct commerce seamlessly, across a variety of channels, similar to the services provided by Visa and MasterCard. The ATH network and processing businesses processed over one billion transactions in 2012. Over 70% of all ATM transactions and over 80% of all debit transactions in Puerto Rico are processed through the ATH network.

Table of Contents

To enable financial institutions, governments and other businesses to issue and operate a range of payment products and services, we offer an array of card processing and other payment technology services, such as internet and mobile banking software services, bill payment systems and EBT solutions. Financial institutions and certain retailers outsource to us certain card processing services such as card issuance, processing card applications, cardholder account maintenance, transaction authorization and posting, fraud and risk management services, and settlement. Our payment products include electronic check processing, automated clearing house (ACH), lockbox, online, interactive voice response and web-based payments through personalized websites, among others.

We have been the only provider of EBT services to the Puerto Rican government since 1998, processing approximately \$2.5 billion in volume annually. Our EBT application allows certain agencies to deliver government benefits to participants through a magnetic card system and serves over 840,000 active participants.

Our Payment Processing business accounted for \$94.8 million, or 27.7%, of total revenues and \$53.7 million, or 42.1%, of total segment income from operations for the year ended December 31, 2012.

Business Solutions

We provide our financial institution, corporate and government customers with a full suite of business process management solutions including specifically core bank processing, network hosting and management, IT consulting services, business process outsourcing, item and cash processing, and fulfillment. In addition, we believe we are the only non-bank provider of cash processing services to the U.S. Federal Reserve in the Caribbean.

Our Business Solutions business accounted for \$177.3 million, or 51.9%, of total revenues and \$39.8 million, or 31.3%, of total segment income from operations for the year ended December 31, 2012.

Risk Factors

Participating in this offering involves substantial risk. Our ability to execute our strategy also is subject to certain risks. The risks described under the heading **Risk Factors** immediately following this summary may cause us not to realize the full benefits of our competitive strengths or may cause us to be unable to successfully execute all or part of our strategy. Some of the more significant challenges and risks we face include the following:

our high level of indebtedness;

our reliance on our relationship with Popular;

the continuing market position of the ATH network despite competition and potential shifts in consumer payment preferences;

the geographical concentration of our business in Puerto Rico;

operating an international business in multiple regions with potential political and economic instability, including Latin America;

our dependence on our processing systems, technology infrastructure, security systems and fraudulent payment detection systems and our ability to develop, install and adopt new software, technology and computing systems;

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the impacts of being subject to regulatory oversight and examination, including the possibility of being restricted from engaging in certain new activities or businesses, whether organically or by acquisition;

Table of Contents

our ability to execute our geographic expansion and corporate development strategies;

we will be a controlled company after this offering and Apollo and Popular will continue to control all matters affecting us; and

evolving industry standards, changes in the regulatory environment and adverse changes in global economic, political and other conditions.

Before you participate in this offering, you should carefully consider all of the information in this prospectus, including matters set forth under the heading Risk Factors.

EVERTEC, Inc. (formerly Carib Latam Holdings, Inc.) is a Puerto Rico corporation organized in April 2012. EVERTEC's main operating subsidiary, EVERTEC Group, LLC (formerly EVERTEC, LLC and EVERTEC, Inc.) was organized in 1988 and was formerly a wholly-owned subsidiary of Popular. On September 30, 2010, pursuant to an Agreement and Plan of Merger (as amended, the Merger Agreement), EVERTEC, LLC became a wholly-owned subsidiary of EVERTEC Intermediate Holdings, LLC (formerly Carib Holdings, LLC and Carib Holdings, Inc.), with Apollo owning approximately 51% and Popular owning approximately 49% of the then outstanding voting capital stock of Holdings (the Merger). See Certain Relationships and Related Party Transactions for additional information regarding the Merger Agreement.

On April 13, 2012, EVERTEC, Inc. was formed in order to act as the new parent company of Holdings and its subsidiaries, including EVERTEC, LLC, and shortly thereafter Holdings and EVERTEC, LLC were converted from Puerto Rico corporations to Puerto Rico limited liability companies for the purpose of improving the consolidated tax efficiency of our company. See Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger Reorganization. Prior to such Reorganization, EVERTEC, LLC was a corporation known as EVERTEC, Inc. and Holdings was a corporation known as Carib Holdings, Inc.

Our principal executive offices are located at Cupey Center Building, Road 176, Kilometer 1.3, San Juan, Puerto Rico 00926 and our telephone number is (787) 759-9999. Our website is www.everttecinc.com. We make our website content available for information purposes only. We do not incorporate the information on our website into this prospectus, and you should not consider it part of this prospectus. You should not rely upon the information on our website for investment purposes.

Debt Refinancing

In connection with this offering, we intend to enter into new \$800.0 million senior secured credit facilities to refinance all of our outstanding indebtedness under our existing senior secured credit facilities and to redeem the balance of the notes that remain outstanding after the application of the net proceeds from this offering. Any amounts remaining following consummation of such debt refinancing will be available for working capital and for general corporate purposes. For a description of the expected terms of the debt refinancing, see Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes.

The closing of this offering is not conditioned on our entry into the new senior secured credit facilities and there can be no assurance that we will be able to enter into the new senior secured credit facilities and consummate the debt refinancing on the terms described in this prospectus or at all.

The entry into the new senior secured credit facilities, and the use of proceeds from such transaction to (i) redeem the existing notes remaining after the use of proceeds of this offering and (ii) refinance the existing senior secured credit facilities are collectively referred to herein as the debt refinancing.

Table of Contents

Ownership and Corporate Structure

The following chart summarizes our corporate organization as of December 31, 2012 after giving effect to this offering (assuming no exercise of the underwriters' option to purchase up to 3,157,895 additional shares of common stock from the selling stockholders).

Principal Stockholders

Apollo: AP Carib Holdings, Ltd. (Apollo), an investment vehicle indirectly managed by Apollo Management VII, L.P. (Apollo Management), an affiliate of Apollo Global Management, LLC (together with its subsidiaries, including Apollo Management, AGM), acquired an approximately 51% indirect ownership interest in EVERTEC, LLC as part of the Merger, and after the consummation of this offering, will own approximately 37.0% of our common stock (or 35.0% if the underwriters exercise their option to purchase additional shares in full). AGM is a leading global alternative investment manager with offices in New York, Los Angeles, London, Frankfurt, Luxembourg, Singapore, Hong Kong and Mumbai. As of December 31, 2012, AGM and its subsidiaries had assets under management of approximately \$113 billion invested in its private equity, credit and real estate businesses.

Popular: Popular retained an approximately 49% indirect ownership interest in EVERTEC, LLC as part of the Merger and after the consummation of this offering, will own approximately 35.5% of our common stock (or 33.6% if the underwriters exercise their option to purchase additional shares in full). Popular, Inc. (NASDAQ: BPOP), whose principal banking subsidiary's history dates back to 1893, is the No. 1 bank holding company by

Table of Contents

both assets and deposits based in Puerto Rico, and, as of December 31, 2012, ranks 44th by assets among U.S. bank holding companies. In the United States, Popular has established a community-banking franchise providing a broad range of financial services and products with branches in New York, New Jersey, Illinois, Florida and California. In 2010, Popular raised \$1.15 billion in proceeds from a public equity offering, and successfully completed an FDIC-assisted acquisition of Westernbank Puerto Rico.

In connection with the Merger, we entered into several agreements with Apollo and Popular, including a Stockholder Agreement with Apollo, Popular and our other stockholders (as amended, the Stockholder Agreement) and a 15-year Master Services Agreement with Popular. Under the Stockholder Agreement, Apollo and Popular were granted significant control over matters requiring board or stockholder approval, including the election of directors, amendment of our organizational documents and certain corporate transactions such as issuances of equity, acquisition or disposition of significant assets, incurring debt for borrowed money, and entering into significant contracts and related party transactions. In accordance with the Stockholder Agreement, our Board is currently comprised of five directors nominated by Apollo, three directors nominated by Popular and one management director. Subject to certain exceptions and adjustments and applicable law, each of Apollo and Popular will have these director nomination rights so long as it owns, together with its affiliates, at least 25% of our outstanding voting common stock. Each of Apollo and Popular has agreed to vote all of the shares of our voting common stock owned by it and its affiliates, and to take all other actions within its control, to cause the election of directors nominated in accordance with the Stockholder Agreement. Similarly, we have agreed to take all actions within our control necessary and desirable to cause the election of directors nominated in accordance with the Stockholder Agreement. Immediately after this offering, Apollo and Popular will own 37.0% and 35.5%, respectively (or 35.0% and 33.6%, respectively, if the underwriters' option to purchase up to 3,157,895 additional shares of common stock from the selling stockholders is exercised in full), of our outstanding common stock and as a result will continue to have the power to nominate and control the election of directors at our annual meetings. The Stockholder Agreement also grants certain demand and piggyback registration rights to Apollo, Popular and the other parties thereto. Under the Stockholder Agreement, we agreed not to engage in any business (including commencing operations in any country in which we do not currently operate), subject to certain exceptions, if such activity would reasonably require Popular or an affiliate of Popular to seek regulatory approval from, or provide notice to, any bank regulatory authority. Under the Master Services Agreement, we provide a number of critical payment processing and business solutions products and services to Popular, who agreed to continue to utilize our services on an exclusive basis on commercial terms consistent with the terms of our historical relationship. For more information on the Stockholder Agreement, Master Services Agreement and other agreements, with Apollo and Popular, see Certain Relationships and Related Party Transactions.

Table of Contents

The Offering

Issuer	EVERTEC, Inc.
Common stock offered by us	6,578,948 shares
Common stock offered by selling stockholders	14,473,685 shares
Common stock to be outstanding immediately after the offering	79,425,092 shares
Underwriters' option to purchase additional shares of common stock in this offering	The selling stockholders have granted to the underwriters a 30-day option to purchase up to 3,157,895 additional shares, respectively, at the initial public offering price less underwriting discounts.
Common stock voting rights	Each share of our common stock will entitle its holder to one vote.
Dividend policy	We currently intend to retain all future earnings, if any, for use in the operation of our business and to fund future growth. The decision whether to pay dividends will be made by our board of directors (our Board) in light of conditions then existing, including factors such as our financial condition, earnings, available cash, business opportunities, legal requirements, restrictions in our debt agreements and other contracts, and other factors our Board deems relevant. See Dividend Policy.
Use of proceeds	We estimate that our net proceeds from this offering will be approximately \$117.4 million after deducting the estimated underwriting discounts and other expenses of \$7.6 million payable by us, assuming the shares are offered at \$19.00 per share, which represents the midpoint of the range set forth on the front cover of this prospectus. We intend to use the net cash proceeds from this offering to redeem approximately \$91.0 million principal amount of outstanding 11.0% senior notes due 2018 co-issued by EVERTEC, LLC and EVERTEC Finance Corp. (the notes) pursuant to the equity claw redemption feature of the notes, and to pay the redemption premiums and accrued interest thereon, and pay a portion of the approximately \$16.4 million fee required to terminate the consulting agreements with Apollo Management and with Popular. If we complete the debt refinancing described elsewhere in this prospectus, we intend to redeem all of the remaining principal amount outstanding under the notes and repay the senior secured credit facilities with a portion of the proceeds from such refinancing. See Use of Proceeds and Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes. There can be no assurance that we will be able to enter into the new senior secured credit facilities and consummate the debt refinancing on the

Table of Contents

terms described in this prospectus or at all. We will not receive any proceeds from the sale of our common stock by the selling stockholders. See Use of Proceeds.

Listing

Our shares of common stock have been approved for listing on the NYSE under the trading symbol EVTC.

Risk factors

You should carefully read and consider the information set forth under Risk Factors beginning on page 20 of this prospectus and all other information set forth in this prospectus before deciding to invest in our common stock.

Conflicts of interest

Each of Apollo Global Securities, LLC, an affiliate of Apollo, and Popular Securities, Inc., an affiliate of Popular, will be an underwriter of this offering. Since each of Apollo and Popular owns more than 10% of our outstanding common stock, a conflict of interest would be deemed to exist under Rule 5121(f)(5)(B) of the Conduct Rules of the Financial Industry Regulatory Authority, or FINRA. In addition, because Popular will receive more than 5% of the net proceeds of this offering as repayment of the existing 11.0% senior notes due 2018 held by Popular, a conflict of interest would be deemed to exist under Rule 5121(f)(5)(C)(ii) of the Conduct Rules of FINRA. In addition, because Apollo and Popular as selling stockholders will receive more than 5% of the proceeds of this offering, a conflict of interest would be deemed to exist under Rule 5121(f)(5)(C)(ii) of the Conduct Rules of FINRA. Accordingly, we intend that this offering will be made in compliance with the applicable provisions of Rule 5121. Since neither Apollo Global Securities, LLC nor Popular Securities, Inc. is primarily responsible for managing this offering, pursuant to FINRA Rule 5121(a)(1)(A), the appointment of a qualified independent underwriter is not necessary. As such, neither Apollo Global Securities, LLC nor Popular Securities, Inc. will confirm sales to accounts in which it exercises discretionary authority without the prior written consent of the customer. See Underwriting (Conflicts of Interest) and Use of Proceeds.

Directed Share Program

At our request, the underwriters have reserved up to 5% of the common stock being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us and members of their families. The sales will be made by UBS Financial Services Incorporated of Puerto Rico, a selected dealer affiliated with UBS Securities LLC, an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of common stock. Participants in the directed share program shall be subject to a 25-day lock-up with respect to any shares sold to them pursuant to that

Table of Contents

program. This lock-up will have similar restrictions to the lock-up agreements described below. Any shares sold in the directed share program to our directors, executive officers or selling stockholders shall be subject to the lock-up agreements described in Underwriting (Conflicts of Interest) Lock-Up Agreements.

Except as otherwise indicated, all of the information in this prospectus assumes or reflects:

the two for one stock split described below has been completed;

no exercise of the underwriters' option to purchase up to 3,157,895 additional shares of common stock from the selling stockholders;

an initial offering price of \$19.00 per share, the midpoint of the range set forth on the cover page of this prospectus;

the conversion of all outstanding shares of our Class B Non-Voting Common Stock into shares of our voting common stock on a one-for-one basis; and

our amended and restated certificate of incorporation and amended and restated bylaws are in effect, pursuant to which the provisions described under Description of Capital Stock will become operative.

Prior to the effectiveness of the registration statement filed with the SEC in connection with this offering and of which this prospectus is a part, we will increase our authorized shares of common stock and effect a stock split, whereby (1) each of the holders of our Class A Common Stock will receive two shares of our Class A Common Stock for each share of our Class A Common Stock it holds immediately prior to such stock split and (2) each of the holders of our Class B Non-Voting Common Stock will receive two shares of our Class B Non-Voting Common Stock for each share of Class B Non-Voting Common Stock it holds immediately prior to such stock split. Immediately prior to the effectiveness of the above-referenced registration statement, all of our outstanding Class B Non-Voting Common Stock will be converted into shares of our Class A Common Stock on a one-for-one basis. Further, upon the effectiveness of our amended and restated certificate of incorporation, which will occur immediately prior to the completion of this offering, we will redesignate our Class A Common Stock as common stock and, thereafter, we will only have one class of common stock.

The number of shares of common stock to be outstanding after completion of this offering is based on 21,052,633 shares of our common stock to be sold by us and the selling stockholders in this offering and, except where we state otherwise, the information with respect to our common stock we present in this prospectus, including as set forth above:

does not give effect to 5,177,582 shares of our common stock issuable upon the exercise of outstanding options as of March 20, 2013, at a weighted-average exercise price of \$2.06 per share; and

does not give effect to 11,800,090 shares of common stock reserved for future issuance under the Equity Incentive Plans (as defined in Management Executive Compensation).

You should refer to the section entitled Risk Factors for an explanation of certain risks of investing in our common stock.

Table of Contents

Summary Historical Consolidated and Combined Financial Data

We have presented in this prospectus selected historical combined financial data of EVERTEC Business Group (Predecessor) and selected historical consolidated financial data of EVERTEC and Holdings (Successor) during the periods presented. We have also presented in this prospectus the audited consolidated financial statements of EVERTEC as of and for the years ended December 31, 2012 and 2011, which have been prepared, in each case, in accordance with GAAP.

The summary consolidated financial data as of and for the year ended December 31, 2011 and 2012 have been derived from the audited consolidated financial statements of EVERTEC and related notes appearing elsewhere in this prospectus. The summary historical consolidated financial data as of December 31, 2010 and for the three months ended December 31, 2010 have been derived from the audited consolidated financial statements of Holdings not included in this prospectus. Also, the summary historical combined financial data for the nine months ended September 30, 2010 have been derived from the audited combined financial statements of EVERTEC Business Group (Predecessor) not included in this prospectus. The summary historical combined financial data for the year ended December 31, 2009 has been derived from the unaudited combined financial statements of EVERTEC Business Group (Predecessor) not included in this prospectus.

The results of operations for any period are not necessarily indicative of the results to be expected for any future period and the historical consolidated and combined financial data presented below and elsewhere in this prospectus does not necessarily reflect what our financial position, results of operations and cash flows would have been had we operated as a separate stand-alone entity during the Predecessor period. The summary historical consolidated and combined financial data set forth below should be read in conjunction with, and are qualified by reference to, Capitalization, Selected Historical Consolidated and Combined Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

Table of Contents**SUMMARY HISTORICAL CONSOLIDATED AND COMBINED FINANCIAL DATA**

	Predecessor		Three months ended December 31, 2010 ⁽¹⁾	Successor	
	Year ended December 31, 2009	Nine months ended September 30, 2010		Year ended December 31, 2011	Year ended December 31, 2012
(Dollar amounts in thousands)					
Statement of Income Data:					
Revenues:					
Merchant acquiring, net	\$ 48,744	\$ 39,761	\$ 14,789	\$ 61,997	\$ 69,591
Payment processing	74,728	56,777	21,034	85,691	94,801
Business solutions	152,827	118,482	46,586	173,434	177,292
Total revenues	276,299	215,020	82,409	321,122	341,684
Operating costs and expenses					
Cost of revenues, exclusive of depreciation and amortization shown below	150,070	113,246	41,839	155,377	158,860
Selling, general and administrative expenses	25,639	27,000	8,392	33,339	31,686
Depreciation and amortization	24,500	19,425	17,722	69,891	71,492
Total operating costs and expenses	200,209	159,671	67,953	258,607	262,038
Income from operations	76,090	55,349	14,456	62,515	79,646
Non-operating income (expenses)					
Interest income	1,048	360	118	797	320
Interest expense ⁽²⁾	(91)	(70)	(13,436)	(50,957)	(54,331)
Earnings of equity method investments	3,508	2,270		833	564
Other (expenses) income:					
Voluntary Retirement Program (VRP) expense				(14,529)	
Merger and advisory-related costs			(34,848)		
Other income (expenses)	7,942	2,276	(1,316)	(3,672)	(8,491)
Total other income (expense)	7,942	2,276	(36,164)	(18,201)	(8,491)
Total non-operating income (expenses)	12,407	4,836	(49,482)	(67,528)	(61,938)
Income (loss) before income taxes	88,497	60,185	(35,026)	(5,013)	17,708
Income tax expense (benefit)	30,659	23,017	(14,450)	(29,227)	(59,658)
Net income (loss) from continuing operations	57,838	37,168	(20,576)	24,214	77,366
Net income from discontinued operations	1,813	117			
Net income (loss)	\$ 59,651	\$ 37,285	\$ (20,576)	\$ 24,214	\$ 77,366
Other Financial Data:					
EBITDA ⁽³⁾	\$ 112,040	\$ 79,320	\$ (3,986)	\$ 115,038	\$ 143,211
Adjusted EBITDA ⁽³⁾	117,575	92,290	36,508	149,118	169,586
Adjusted Net Income ⁽³⁾	58,223	49,420	14,702	71,625	84,443
Cash interest expense ⁽⁴⁾	91	70	12,861	43,394	49,643
Capital expenditures	22,701	30,468	10,541	21,858	27,262

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Net cash provided by (used in) operating activities from continuing operations	65,464	63,701	(16,752)	69,371	82,664
Net cash provided (used in) by investing activities from continuing operations	(2,692)	16,153	(496,598)	(31,747)	(27,042)
Net cash (used in) provided by financing activities from continuing operations	(77,710)	(65,796)	539,990	(36,623)	(86,188)
Balance Sheet Data (at period end):					
Cash ⁽⁵⁾	\$ 11,891	\$	\$ 55,199	\$ 56,200	\$ 25,634
Working capital ⁽⁶⁾	82,272		62,226	87,267	33,078
Total assets	243,445		1,092,179	1,046,860	977,745
Total long-term liabilities	481		673,736	615,713	758,395
Total debt	1,413		562,173	523,833	763,756
Total net debt ⁽⁷⁾			506,974	467,633	738,122
Total equity	211,475		339,613	366,176	122,455

Table of Contents

- (1) We define the three months ended December 31, 2010 as the financial results of Holdings for the period from its inception on June 25, 2010 to December 31, 2010, consisting primarily of merger and advisory-related costs incurred prior to the Merger on September 30, 2010, and following the Merger consisting primarily of EVERTEC, LLC results of operations.
- (2) As described under Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes, we currently intend to refinance the existing senior secured credit facilities and the balance of the notes that are not being redeemed with the proceeds from this offering with new senior secured credit facilities, and we estimate that the new senior secured credit facilities will bear interest based on applicable margin percentages of (i) in the case of the term loan A facility, 1.0% to 2.0% per annum for base rate loans and 2.0% to 3.0% per annum for LIBOR rate loans, (ii) in the case of the term loan B facility, 1.5% to 2.5% per annum for base rate loans and 2.5% to 3.5% per annum for LIBOR rate loans and (iii) in the case of the revolving credit facility, 1.0% to 1.5% per annum for base rate loans and 2.0% to 2.5% per annum for LIBOR rate loans, provided that, with respect to the new senior secured term loan B facility, the base rate may not be lower than 2.0% and LIBOR may not be lower than 1.0%. Based on the midpoint of these estimated interest rates applied to the new senior secured credit facilities as if they were outstanding for the entire periods presented as LIBOR rate loans, we estimate that interest expense (net of interest income) would have decreased by approximately \$24.9 million for the year ended December 31, 2012, before giving effect to income taxes, assuming the new senior secured credit facilities are fully drawn. There can be no assurance that we will be able to enter into the new senior secured credit facilities and consummate the debt refinancing on the terms described in this prospectus or at all.
- (3) EBITDA, Adjusted EBITDA and Adjusted Net Income are supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. They are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as alternatives to cash flows from operating activities, as indicators of cash flows or as measures of our liquidity.

We define EBITDA as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA as further adjusted to exclude unusual items and other adjustments described below. We define Adjusted Net Income as net income as adjusted to exclude unusual items and other adjustments described below.

We caution investors that amounts presented in accordance with our definitions of EBITDA, Adjusted EBITDA and Adjusted Net Income may not be comparable to similar measures disclosed by other issuers, because not all issuers and analysts calculate EBITDA, Adjusted EBITDA and Adjusted Net Income in the same manner. We present EBITDA and Adjusted EBITDA because we consider them important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our presentation of Adjusted EBITDA for the periods presented is consistent with the equivalent measurements that are contained in the senior secured credit facilities and the indenture governing the notes in testing EVERTEC, LLC's compliance with the covenants therein such as interest coverage and debt incurrence. We use Adjusted Net Income to measure our overall profitability because it better reflects our cash flow generation by capturing the actual cash taxes paid rather than our tax expense as calculated under GAAP and excludes the impact of the non-cash amortization and depreciation that was created as a result of the Merger. In addition, in evaluating EBITDA, Adjusted EBITDA and Adjusted Net Income, you should be aware that in the future we may incur expenses such as those excluded in calculating them. Further, our presentation of these measures should not be construed as an inference that our future operating results will not be affected by unusual or nonrecurring items.

Some of the limitations of EBITDA, Adjusted EBITDA and Adjusted Net Income are as follows:

they do not reflect cash outlays for capital expenditures or future contractual commitments;

they do not reflect changes in, or cash requirements for, working capital;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements;

in the case of EBITDA and Adjusted EBITDA, they do not reflect interest expense, or the cash requirements necessary to service interest, or principal payments, on indebtedness;

in the case of EBITDA and Adjusted EBITDA, they do not reflect income tax expense or the cash necessary to pay income taxes; and

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other companies, including other companies in our industry, may not use EBITDA, Adjusted EBITDA and Adjusted Net Income or may calculate EBITDA, Adjusted EBITDA and Adjusted Net Income differently than as presented in this prospectus, limiting their usefulness as a comparative measure.

Table of Contents

A reconciliation of net income to EBITDA, Adjusted EBITDA and Adjusted Net Income is provided below:

	Predecessor Year ended December 31, 2009	Predecessor Nine months ended September 30, 2010	Successor Three months ended December 31, 2010	Successor Year ended December 31, 2011	Successor Year ended December 31, 2012
(Dollar amounts in thousands)					
Net income (loss)	\$ 57,838	\$ 37,168	\$ (20,576)	\$ 24,214	\$ 77,366
Income tax expense (benefit)	30,659	23,017	(14,450)	(29,227)	(59,658)
Interest (income) expense	(957)	(290)	13,318	50,160	54,011
Depreciation and amortization	24,500	19,425	17,722	69,891	71,492
EBITDA	112,040	79,320	(3,986)	115,038	143,211
Stand-alone cost savings and software maintenance reimbursement ^(a)	6,411	4,930	36	2,570	2,429
Disposals ^(b)	(9,440)	(3,916)	60		
Equity income ^(c)	47	(852)	1,514	635	1,057
Compensation and benefits ^(d)	(629)	6,976	(408)	15,970	3,795
Pro forma cost reduction adjustments ^(e)					2,150
Pro forma VRP benefits ^(f)			1,584	4,751	
Transaction, refinancing and other non-recurring fees ^(g)	1,246	565	37,113	8,015	15,246
Management fees ^(h)				2,532	2,982
Westernbank EBITDA ⁽ⁱ⁾	7,900	5,267			
Purchase accounting ^(j)			595	(393)	(1,284)
Adjusted EBITDA	117,575	92,290	36,508	149,118	169,586
Pro forma EBITDA adjustments ^(k)	(14,221)	(8,727)	(1,425)	(4,755)	(2,150)
Operating depreciation and amortization ^(l)	(23,690)	(18,881)	(7,401)	(28,935)	(31,287)
Cash interest income (expense), net ^(m)	957	290	(12,533)	(42,165)	(48,921)
Cash income taxes ⁽ⁿ⁾	(22,398)	(15,552)	(448)	(1,638)	(2,785)
Adjusted Net Income	\$ 58,223	\$ 49,420	\$ 14,701	\$ 71,625	\$ 84,443

(a) For the years ended December 31, 2011 and 2012, primarily represents reimbursements received for certain software maintenance expenses as part of the Merger. For the year ended December 31, 2009 and the 2010 periods, primarily represents stand-alone net savings for costs historically allocated to EVERTEC by Popular which did not continue post closing of the merger. The allocations were primarily based on a percentage of revenues or costs (and not based on actual costs incurred) and related to corporate functions such as accounting, tax, treasury, payroll and benefits, risk management, institutional marketing, legal, public relations and compliance. The allocations amounted to \$9.8 million and \$7.5 million for the year ended December 31, 2009 and the nine months ended September 30, 2010, respectively, which were partially offset by estimated annual stand-alone costs of \$3.4 million and \$2.6 million for the same respective periods.

(b) Relates to adjustments on the disposal of investments and businesses as follows: (i) removal of the gain resulting from the sale of Visa stock, (ii) removal of the EBITDA of the Health Care Division which was sold to Inmediata Health Group, Corp. a medical transaction processing company, in April 2008 (in exchange for an equity interest in Inmediata Health Group, Corp.) and gain realized on this transaction, (iii) removal of the gain realized on the sale of our equity interest in Inmediata Health Group, Corp., in April 2010 and related equity income, (iv) removal of the allocations previously charged to our discontinued Venezuela operations and (v) the write-off of certain investment securities during the three months ended December 31, 2010.

(c) Represents the elimination of historical non-cash equity in earnings of investments reported in net income from our 53.97% equity ownership in CONTADO and 31.11% equity ownership in Serfinsa prior to September 30, 2010 and 19.99% equity ownership of CONTADO after March 31, 2011, net of cash dividends received from CONTADO. Cash dividends from CONTADO were \$1.9 million and \$1.5 million for the year ended December 31, 2009 and nine months ended September 30, 2010. Cash dividends from CONTADO for the years ended December 31, 2011 and 2012 were \$1.5 million and \$1.6 million, respectively.

See Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger CONTADO and Serfinsa.

(d) For the year ended December 31, 2012 mainly represents a one-time payment of \$2.2 million as a result of the former CEO's employment modification agreement and other adjustments related to non-cash equity based compensation. For the year ended December 31, 2011 mainly represents one-time costs related to the VRP and other adjustments related to non-cash equity based compensation. For the 2010 periods primarily represents non-recurring bonuses and the payroll tax impact of awards given to certain of our employees in connection with the Merger, partially offset by estimated costs for

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the anticipated reinstatement of EVERTEC's matching contribution plan that was suspended in March 2009 and reinstated in March 2011.

Table of Contents

- (e) Reflects the pro forma effect of the expected net savings primarily in compensation and benefits from the reduction of certain temporary employees and, and professional services. This pro forma amount was calculated using the net amount of actual expenses for temporary employees and professional services for the 12 month period prior to their replacement and/or elimination net of the incremental cost of the new full-time employees that were hired.
 - (f) For the year ended December 31, 2011 and the three months ended December 31, 2010, adjustment represents the pro forma net savings in compensation and benefits related to the employees that participated in the VRP. The pro forma impact was calculated using the actual payroll, benefit and bonus payments of employees participating in the VRP for the 12 month period prior to their termination.
 - (g) Represents primarily: (i) the transaction costs, such as due diligence costs, legal and other advisors fees incurred in connection with the Merger of approximately \$34.8 million for the three months ended December 31, 2010; (ii) costs associated with the issuance and refinancing of EVERTEC's debt of approximately \$2.4 million and \$8.8 million for the years ended December 31, 2011 and 2012, respectively; (iii) costs associated with certain non-recurring corporate transactions, including, for example, costs related to EVERTEC Group's conversion to an LLC and the distributions made to our stockholders during 2012 of \$4.0 million and \$3.9 million for the years ended December 31, 2011 and 2012, respectively; and (iv) a non-recurring, non-cash asset write-off of \$1.6 million in the year ended December 31, 2012 and other non-recurring expenses of \$1.6 million in the year ended December 31, 2011.
 - (h) Represents the management fee payable to our equity sponsors which commenced in January 2011. See Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger Consulting Agreements.
 - (i) Represents an estimated adjustment for additional EBITDA related to the Westernbank business. Banco Popular de Puerto Rico (Banco Popular) acquired Westernbank's Puerto Rico operations on April 30, 2010, and we did not realize the impact of these additional volumes and associated revenues until the third quarter of 2010. The estimate was arrived at using the pricing schedule in the Master Services Agreement as well as management's estimated related costs of the contribution of additional business volume. The estimate of Westernbank EBITDA was added to previous periods for comparative purposes, and reflects the estimated, rather than observed, impact. See Principal Stockholders.
 - (j) Represents the elimination of the effects of purchase accounting impacts associated with (i) certain customer service and software related arrangements where we receive reimbursements from Popular; and (ii) EVERTEC's rights and obligations to buy equity interests in CONTADO and Serfinsa.
 - (k) Represents the elimination of EBITDA adjustments to reflect the pro forma benefit related to headcount reductions in 2010, post merger stand-alone cost savings and the VRP described in notes (a), (d) and (e) above.
 - (l) Represents operating depreciation and amortization expense which excludes amounts generated as a result of the Merger.
 - (m) Represents interest expense, less interest income, as they appear in our consolidated statements of income, adjusted to exclude non-cash amortization of the debt issue cost, premium and accretion of discount.
 - (n) Represents cash taxes paid for each period presented.
- (4) Represents interest expense paid or accrued to be paid in cash during each period related to our indebtedness (excluding amortization of discount, premiums and debt issuance costs but including capitalized interest expense paid or to be paid in cash).
 - (5) Excludes restricted cash of \$3.7 million, \$6.1 million, \$5.3 million and \$4.9 million as of December 31, 2009, 2010, 2011 and 2012, respectively.
 - (6) Working capital is defined as the excess of current assets over current liabilities.
 - (7) Total net debt is defined as total debt (including short-term borrowings) less cash.

Table of Contents

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, as well as other information contained in this prospectus, before investing in our common stock. If any of the following risks actually occur, our business, financial condition, operating results or cash flow could be materially and adversely affected. Additional risks and uncertainties not presently known to us or not believed by us to be material may also negatively impact us.

Risks Related to Our Business

We expect to continue to derive a significant portion of our revenue from Popular.

Our services to Popular account for a significant portion of our revenues, and we expect that our services to Popular will continue to represent a significant portion of our revenues for the foreseeable future. In 2012, products and services billed through Popular accounted for approximately 44% of our total revenues, of which approximately 83% (or approximately 37% of total revenues) are derived from core bank processing and related services for Popular and approximately 17% (or approximately 8% of total revenues) are transaction processing activities driven by third parties. If Popular were to terminate, or fail to perform under, the Master Services Agreement or our other material agreements with Popular, our revenues could be significantly reduced. See Certain Relationships and Related Party Transactions.

In 2012, our next largest customer, the Government of Puerto Rico represented approximately 9% of our total revenues. Our revenues from the Government of Puerto Rico span numerous individual agencies and public corporations.

We depend, in part, on our merchant relationships and our alliance with Banco Popular, a wholly-owned subsidiary of Popular, to grow our Merchant Acquiring business. If we are unable to maintain these relationships and this alliance, our business may be adversely affected.

Growth in our Merchant Acquiring business is derived primarily from acquiring new merchant relationships, new and enhanced product and service offerings, cross selling products and services into existing relationships, the shift of consumer spending to increased usage of electronic forms of payment, and the strength of our relationship with Banco Popular. A substantial portion of our business is generated from our ISO Agreement with Banco Popular. See Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger Independent Sales Organization Sponsorship and Service Agreement. Banco Popular acts as a merchant referral source and provides sponsorship into the ATH, Visa, Discover and MasterCard networks for merchants, as well as card association sponsorship, clearing and settlement services. We provide transaction processing and related functions. Both alliance partners may provide management, sales, marketing, and other administrative services. We rely on the continuing growth of our merchant relationships, our alliance with Banco Popular and other distribution channels. There can be no guarantee that this growth will continue and the loss or deterioration of these relationships could negatively impact our business and result in a reduction of our revenue and profit.

If we are unable to renew client contracts at favorable terms, we could lose clients and our results of operations and financial condition may be adversely affected.

Failure to achieve favorable renewals of client contracts could negatively impact our business. Our contracts with private clients generally run for a period of one to five years, except for the Master Services Agreement with Popular, which has a term of 15 years, and provide for termination fees upon early termination. Our government contracts generally run for one year without automatic renewal periods due to requirements of the government procurement rules. Our standard merchant contract has an initial term of one or three years, with automatic one-year renewal periods. At the end of the contract term, clients have the opportunity to renegotiate their contracts

Table of Contents

with us and to consider whether to engage one of our competitors to provide products and services. If we are not successful in achieving high renewal rates and contract terms that are favorable to us, our results of operations and financial condition may be adversely affected.

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under the notes and the senior secured credit facilities.

We are highly leveraged. As of December 31, 2012, the total principal amount of our indebtedness was approximately \$772.5 million and after giving effect to this offering and the debt refinancing, we expect to have approximately \$713.0 million of total indebtedness outstanding. Our high degree of leverage could have important consequences for you, including:

increasing our vulnerability to adverse economic, industry or competitive developments;

requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow for other purposes, including for our operations, capital expenditures and future business opportunities;

exposing us to the risk of increased interest rates because certain of our borrowings, including borrowings under the senior secured credit facilities, will be at variable rates of interest;

making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the notes, and any failure to comply with the obligations of any of our other debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the indenture governing the notes and the agreements governing such other indebtedness;

restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

limiting our ability to obtain additional debt or equity financing for working capital, capital expenditures, business development, debt service requirements, acquisitions and general corporate or other purposes; and

limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

For the year ended December 31, 2012, our cash interest expense on the senior secured credit facilities amounted to \$23.3 million. Our interest expense could increase if interest rates increase because the entire amount of the indebtedness under the senior secured credit facilities bears interest at a variable rate. At December 31, 2012, we had approximately \$495.0 million aggregate principal amount of variable rate indebtedness under the senior secured credit facilities. A 100 basis point increase in the applicable margins over our floor(s) on our debt balances outstanding as of December 31, 2012 under the senior secured credit facilities would increase our annual interest expense by approximately \$5.0 million. Similarly, if we are able to consummate the new senior secured credit facilities as described under Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes and assuming all such amounts are fully drawn, a 100 basis point change in our interest rate would result in a \$8.0 million change in annual interest expense under the new senior secured credit facilities based on the assumption regarding size of the credit facilities described therein (subject to our base rate and LIBOR floors, as applicable). For additional information regarding the impact of a change in our interest rate on our interest expense if we are able to consummate the debt refinancing, see Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes.

Table of Contents

Substantially all of the proceeds of this offering will be used to repay existing indebtedness and not for future investments in our business.

As described in Use of Proceeds, we intend to use the net cash proceeds of this offering to redeem approximately \$91.0 million principal amount of the outstanding notes pursuant to the equity claw redemption feature of the notes and to pay a portion of the approximately \$16.4 million fee required to terminate the consulting agreements with Apollo Management and with Popular. As a result, we do not anticipate that any of the net proceeds of this offering will be available for future investments in our business.

We rely on our systems, employees and certain counterparties, and certain failures could materially adversely affect our operations.

Our businesses are dependent on our ability to process, record and monitor a large number of transactions. If any of our financial, accounting, or other data processing systems or applications fail or have other significant shortcomings or limitations, we could be materially adversely affected. We are similarly dependent on our employees. We could be materially adversely affected if one of our employees causes a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. Third parties with which we do business could also be sources of operational risk to us, including relating to breakdowns or failures of such parties' own systems or employees. Any of these occurrences could diminish our ability to operate one or more of our businesses, or result in potential liability to clients, reputational damage and regulatory intervention, any of which could materially adversely affect us.

We may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control, which may include, for example, computer viruses or electrical or telecommunications outages, natural disasters, disease pandemics or other unanticipated damage to property or physical assets. Such disruptions may give rise to losses in service to customers and loss or liability to us. In addition, there is the risk that our controls and procedures as well as business continuity and data security systems prove to be inadequate. Any such failure could affect our operations and could materially adversely affect our results of operations by requiring us to expend significant resources to correct the defect, as well as by exposing us to litigation, regulatory fines or penalties or losses not covered by insurance.

Our risk management procedures may not be fully effective in identifying or helping us mitigate our risk exposure against all types of risks.

We operate in a rapidly changing industry, and we have experienced significant change in the past three years, including our separation from Popular following the Merger and this offering. Accordingly, we may not be fully effective in identifying, monitoring and managing our risks. In some cases, the information we use to perform our risk assessments may not be accurate, complete or up-to-date. In other cases, our risk assessments may depend upon information that we may not have or cannot obtain. If we are not fully effective or we are not always successful in identifying all risks to which we are or may be exposed, we could be subject to losses, penalties, litigation or regulatory actions that could harm our reputation or have a material adverse effect on our business, financial condition and results of operations.

Security breaches or our own failure to comply with privacy regulations and industry security requirements imposed on providers of services to financial institutions and card processing services could harm our business by disrupting our delivery of services and damaging our reputation.

As part of our business, we electronically receive, process, store and transmit sensitive business information of our customers. In addition, we collect personal consumer data, such as names and addresses, social security numbers, driver's license numbers, cardholder data and payment history records. The uninterrupted operation of our information systems and the confidentiality of the customer/consumer information that resides on such

systems are critical to the successful operations of our business. Despite the safeguards we have in place,

Table of Contents

Unauthorized access to our computer systems or databases could result in the theft or publication of confidential information, the deletion or modification of records or could otherwise cause interruptions in our operations. These risks are increased when we transmit information over the Internet. Our visibility in the global payments industry may attract hackers to conduct attacks on our systems that could compromise the security of our data or could cause interruptions in the operations of our businesses and subject us to increased costs, litigation and other liabilities. There is also a possibility of mishandling or misuse, for example, if such information were erroneously provided to parties who are not permitted to have the information, either by fault of our systems, employees acting contrary to our policies, or where such information is intercepted or otherwise improperly taken by third parties. An information breach in the system and loss of confidential information such as credit card numbers and related information could have a longer and more significant impact on the business operations than a hardware failure and could result in claims against us for misuse of personal information, such as identity theft.

Additionally, as a provider of services to financial institutions and card processing services, we are subject directly (or indirectly through our clients) to the same laws, regulations, industry standards and limitations on disclosure of the information we receive from our customers as apply to the customers themselves. If we fail to comply with these regulations, standards and limitations, we could be exposed to suits for breach of contract, governmental proceedings, or prohibitions on card processing services. In addition, as more restrictive privacy laws, rules or industry security requirements are adopted in the future on the federal or local level or by a specific industry body, the change could have an adverse impact on us through increased costs or restrictions on business processes. We may be required to expend significant capital and other resources to comply with mandatory privacy and security standards required by law, industry standard, or contracts.

Any inability to prevent security or privacy breaches or failure to comply with privacy regulations and industry security requirements could cause our existing customers to lose confidence in our systems and terminate their agreements with us, and could inhibit our ability to attract new customers, damage our reputation and/or adversely impact our relationship with administrative agencies.

We may experience breakdowns in our processing systems that could damage customer relations and expose us to liability.

We depend heavily on the reliability of our processing systems in our core businesses. A system outage or data loss, regardless of reason, could have a material adverse effect on our business, financial condition and results of operations. Not only would we suffer damage to our reputation in the event of a system outage or data loss, but we may also be liable to third parties. Some of our contractual agreements with financial institutions require the crediting of certain fees if our systems do not meet certain specified service levels. To successfully operate our business, we must be able to protect our processing and other systems from interruption, including from events that may be beyond our control. Events that could cause system interruptions include, but are not limited to, fire, natural disasters, telecommunications failure, computer viruses, terrorist acts and war. Although we have taken steps to protect against data loss and system failures, there is still risk that we may lose critical data or experience system failures. We perform the vast majority of disaster recovery operations ourselves, though we utilize select third parties for some aspects of recovery. To the extent we outsource our disaster recovery, we are at risk of the vendor's unresponsiveness in the event of breakdowns in our systems. Furthermore, our property and business interruption insurance may not be adequate to compensate us for all losses or failures that may occur.

Lack of system integrity, fraudulent payments or credit quality related to funds settlement could result in a financial loss.

We settle funds on behalf of financial institutions, other businesses and consumers and process funds transactions from clients, card issuers, payment networks and consumers on a daily basis for a variety of transaction types. Transactions facilitated by us include debit card, credit card, electronic bill payment transactions, ACH payments and check clearing that supports consumers, financial institutions and other businesses. These payment activities rely upon the technology infrastructure that facilitates the verification of

Table of Contents

activity with counterparties, the facilitation of the payment and, in some cases, the detection or prevention of fraudulent payments. If the continuity of operations, integrity of processing, or ability to detect or prevent fraudulent payments were compromised this could result in a financial loss to us.

We may experience defects, development delays, installation difficulties, system failure, or other service disruptions with respect to our technology solutions, which would harm our business and reputation and expose us to potential liability.

Many of our services are based on sophisticated software, technology and computing systems, and we may encounter delays when developing new technology solutions and services. Further, the technology solutions underlying our services have occasionally contained and may in the future contain undetected errors or defects when first introduced or when new versions are released. In addition, we may experience difficulties in installing or integrating our technologies on platforms used by our customers. Finally, our systems and operations could be exposed to damage or interruption from fire, natural disaster, power loss, telecommunications failure, unauthorized entry and computer viruses or other cyber attacks. Defects in our technology solutions, errors or delays in the processing of electronic transactions, or other difficulties could result in: (1) interruption of business operations; (2) delay in market acceptance; (3) additional development and remediation costs; (4) diversion of technical and other resources; (5) loss of customers; (6) negative publicity; or (7) exposure to liability claims.

Any one or more of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

The ability to adopt technology to changing industry and customer needs or trends may affect our competitiveness or demand for our products, which may adversely affect our operating results.

Changes in technology may limit the competitiveness of and demand for our services. Our businesses operate in industries that are subject to technological advancements, developing industry standards and changing customer needs and preferences. Also, our customers continue to adopt new technology for business and personal uses. We must anticipate and respond to these industry and customer changes in order to remain competitive within our relative markets. For example, the ability to adopt technological advancements surrounding POS technology available to merchants could have an impact on our Merchant Acquiring business. For example, EMV is a credit and debit card authentication methodology that the card associations are mandating to processors, issuers and acquirers in the payment industry. Compliance deadlines for EMV mandates vary by country and by payment network. We are investing significant resources and man-hours to develop and implement this methodology in all our payment related platforms. However, we are not certain if or when our financial institution customers will use or accept the methodology and the time it will take for this technology to be rolled-out to all customer ATM and POS devices connected to our platforms or adopted by our card issuing clients. Non-compliance with EMV mandates could result in lost business or financial losses from fraud or fines from network operators. Our inability to respond to new competitors and technological advancements could impact all of our businesses.

Consolidations in the banking and financial services industry could adversely affect our revenues by eliminating existing or potential clients and making us more dependent on a more limited number of clients.

In recent years, there have been a number of mergers and consolidations in the banking and financial services industry. Mergers and consolidations of financial institutions reduce the number of our clients and potential clients, which could adversely affect our revenues. Further, if our clients fail or merge with or are acquired by other entities that are not our clients, or that use fewer of our services, they may discontinue or reduce their use of our services. It is also possible that the larger banks or financial institutions resulting from mergers or consolidations would have greater leverage in negotiating terms with us or could decide to perform in-house some or all of the services which we currently provide or could provide. Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

We are subject to the credit risk that our merchants will be unable to satisfy obligations for which we may also be liable.

We are subject to the credit risk of our merchants being unable to satisfy obligations for which we also may be liable. For example, as the merchant acquirer, we are contingently liable for transactions originally acquired by us that are disputed by the card-holder and charged back to the merchants. If we or Banco Popular are unable to collect this amount from the merchant, due to the merchant's insolvency or other reasons, we will bear the loss for the amount of the refund paid to the cardholder. Notwithstanding our adherence to industry standards with regards to the acceptance of new merchants and certain steps to screen for credit risk, it is possible that a default on such obligations by one or more of our merchants could have a material adverse effect on our business.

Increased competition or changes in consumer spending or payment preferences could adversely affect our business.

A decline in the market for our services, either as a result of increased competition, a decrease in consumer spending or a shift in consumer payment preferences, could have a material adverse effect on our business. We may face increased competition in the future as new companies enter the market and existing competitors expand their services. Some of these competitors could have greater overall financial, technical and marketing resources than us, which could enhance their ability to finance acquisitions, fund internal growth and respond more quickly to professional and technological changes. Some competitors could have or may develop a lower cost structure. New competitors or alliances among competitors could emerge, resulting in a loss of business for us and a corresponding decline in revenues and profit margin. Further, if consumer confidence decreases in a way that adversely affects consumer spending, we could experience a reduction in the volume of transactions we process. In addition, if we fail to respond to changes in technology or consumer payment preferences, we could lose business to competitors.

Changes in credit card association or other network rules or standards could adversely affect our business.

In order to provide our transaction processing services, we, Banco Popular, and several of our subsidiaries are registered with or certified by Visa, Discover and MasterCard and other networks as members or service providers for member institutions. As such, we and many of our customers are subject to card association and network rules that could subject us or our customers to a variety of fines or penalties that may be levied by the card associations or networks for certain acts or omissions by us, acquirer customers, processing customers and merchants. Visa, Discover, MasterCard and other networks, some of which are our competitors, set the standards with respect to which we must comply. The termination of Banco Popular's or our subsidiaries' member registration or our subsidiaries' status as a certified service provider, or any changes in card association or other network rules or standards, including interpretation and implementation of the rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to or through our customers, could have an adverse effect on our business, operating results and financial condition.

Changes in interchange fees or other fees charged by card associations and debit networks could increase our costs or otherwise adversely affect our business.

From time to time, card associations and debit networks change interchange, processing and other fees, which could impact our Merchant Acquiring and Payment Processing businesses. It is possible that competitive pressures will result in our Merchant Acquiring and Payment Processing businesses absorbing a portion of such increases in the future, which would increase our operating costs, reduce our profit margin and adversely affect our business, operating results and financial condition.

Table of Contents

Our revenues from the sale of services to merchants that accept Visa, Discover and MasterCard cards are dependent upon our continued Visa, Discover and MasterCard registration and financial institution sponsorship.

In order to provide our Visa, Discover and MasterCard transaction processing services, we must be registered as a merchant processor of Visa, Discover and MasterCard. These designations are dependent upon our being sponsored by member clearing banks of those organizations. If our sponsor banks should stop providing sponsorship for us, we would need to find another financial institution to serve as a sponsor, which could prove to be difficult and/or more expensive. If we are unable to find a replacement financial institution to provide sponsorship we may no longer be able to provide processing services to the affected customers which would negatively impact our revenues and earnings.

For purposes of U.S. federal banking laws, we are deemed to be controlled by Popular, and as such we are subject to supervision and examination by U.S. federal banking regulators, and our activities are limited to those permissible for Popular. Furthermore, as a technology service provider to regulated financial institutions, we are subject to additional regulatory oversight and examination. As a regulated institution, we may be required to obtain regulatory approval before engaging in certain new activities or businesses, whether organically or by acquisition.

Because of Popular's control of us, we are deemed to be a subsidiary of Popular for purposes of the Bank Holding Company Act of 1956, as amended (the BHC Act). We are therefore subject to regulation and supervision by the Federal Reserve Board. We will remain subject to such regulation and examination until Popular is no longer deemed to control us for bank regulatory purposes, which the BHC Act defines differently than GAAP requirements. As long as we are deemed to be controlled by Popular for bank regulatory purposes, we may conduct only those activities that are authorized for a bank holding company or a financial holding company. These activities generally include activities that are related to banking, financial in nature or complementary to financial activities. In addition, we are subject to regulatory oversight and examination by the Federal Financial Institution Examination Council because we are a technology service provider to regulated financial institutions, including Banco Popular.

New lines of business, other new activities, divestitures or acquisitions that we may wish to commence in the future may not be permissible for us under the BHC Act, Regulation K or other relevant U.S. federal banking laws. Further, as a result of being subject to regulation and supervision by the Federal Reserve Board, we may be required to obtain the approval of the Federal Reserve Board before engaging in certain new activities or businesses, whether organically or by acquisition. More generally, the Federal Reserve Board has broad powers to approve, deny or refuse to act upon applications or notices for us to conduct new activities, acquire or divest businesses or assets, or reconfigure existing operations.

For as long as we are deemed to be controlled by Popular for bank regulatory purposes, we are subject to regulation, supervision, examination and potential enforcement action by the Federal Reserve and to most banking laws, regulations and orders that apply to Popular. In July 2011, Popular entered into a memorandum of understanding with the Federal Reserve Bank of New York that may restrict our ability to consummate a merger or acquisition by requiring prior approval of the Federal Reserve Bank of New York for any such transaction. There can be no assurance that any required regulatory approvals will be obtained. Additional restrictions placed on Popular as a result of supervisory or enforcement actions may restrict us or our activities in certain circumstances, even if these actions are unrelated to our conduct or business.

Changes in laws, regulations and enforcement activities may adversely affect the products, services and markets in which we operate.

We and our customers are subject to Federal, Puerto Rico and other countries' laws, rules and regulations that affect the electronic payments industry in the countries in which our services are used. In particular, our customers are subject to numerous regulations applicable to banks, financial institutions, processors and card

Table of Contents

issuers in the United States and abroad, and, consequently, we are at times affected by such laws, rules and regulations. Failure to comply may result in the suspension or revocation of licenses or registrations, the limitation, suspension or termination of service, and/or the imposition of civil and criminal penalties, including fines which could have an adverse effect on our financial condition. In addition, even an inadvertent failure by us to comply with laws, rules and regulations, as well as rapidly evolving social expectations of corporate fairness, could damage our reputation or brands.

Furthermore, regulation of the electronic payment card industry, including regulations applicable to us and our customers, has increased significantly in recent years. There is also increasing scrutiny by the U.S. Congress of the manner in which payment card networks and card issuers set various fees, from which some of our customers derive significant revenue. For example, on July 21, 2010, the Wall Street Reform Consumer Protection Act (the Dodd-Frank Act) was signed into law in the United States, which includes Section 1075 (commonly referred to as the Durbin Amendment). To implement this provision, the Federal Reserve adopted rules which took effect on October 1, 2011 and April 1, 2012. These rules, among other things, place certain restrictions on the interchange transaction fees that a card issuer can receive for an electronic debit transaction originated at a merchant and also places various exclusivity prohibitions and routing requirements on such transactions. To date, the Durbin Amendment has had mixed implications for our business, but the overall net impact has been positive due to lower interchange costs improving the overall margins of the business. However, we cannot assure you that this trend will continue, and we believe that any future impact (positive or negative) resulting from the Durbin Amendment is uncertain due to the competitive landscape in which we operate. See Business Government Regulation and Payment Network Rules Regulatory Reform and Other Legislative Initiatives.

Further changes to laws, rules and regulations, or interpretation or enforcement thereof, could have a negative financial effect on us. We have structured our business in accordance with existing tax laws and interpretations of such laws. Changes in tax laws or their interpretations could decrease the value of revenues we receive and the amount of our cash flow and have a material adverse impact on our business.

Our business concentration in Puerto Rico imposes risks.

For the fiscal years ended December 31, 2012 and 2011, approximately 86% and 88% of our total revenues were generated from our operations in Puerto Rico. In addition, some of our total revenues generated from our operations outside Puerto Rico are dependent upon our operations in Puerto Rico. Since 2006, the Puerto Rico economy has been experiencing recessionary conditions. Continuing economic decline or other adverse political developments, natural disasters (including hurricanes), and other events could affect, among other things, our customer base, general consumer spending, our cost of operations, our ability to provide services and our physical locations, property and equipment and could have a material adverse effect on our business, financial condition and results of operations.

There are risks associated with our presence in international markets, including political or economic instability.

Our financial performance may be significantly affected by general economic, political and social conditions in the emerging markets where we operate. Many countries in Latin America have suffered significant economic, political and social crises in the past, and these events may occur again in the future. Instability in Latin America has been caused by many different factors, including:

exposure to foreign exchange variation;

significant governmental influence over local economies;

substantial fluctuations in economic growth;

high levels of inflation;

Table of Contents

exchange controls or restrictions on expatriation of earnings;

high domestic interest rates;

wage and price controls;

changes in governmental economic or tax policies;

imposition of trade barriers;

unexpected changes in regulation which may restrict the movement of funds or result in the deprivation of contract rights or the taking of property without fair compensation; and

overall political, social and economic instability.

Adverse economic, political and social conditions in the Latin America markets where we operate may create uncertainty regarding our operating environment, which could have a material adverse effect on our company.

Our business in countries outside the United States and transactions with foreign governments increase our compliance risks.

Our operations outside the United States could expose us to trade and economic sanctions or other restrictions imposed by the United States or other local governments or organizations. The U.S. Departments of the Treasury and Justice (Treasury), the Securities and Exchange Commission (SEC) and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, the Foreign Corrupt Practices Act (FCPA) and other federal statutes. Under economic sanctions laws, the Treasury may seek to impose modifications to business practices, including cessation of business activities involving sanctioned countries, and modifications to compliance programs, which may increase compliance costs. In addition, we are also subject to compliance with local government regulations. If any of the risks described above materialize, it could adversely impact our business, operating results and financial condition.

These regulations also prohibit improper payments or offers of payments to foreign governments and their officials and political parties by the United States and other business entities for the purpose of obtaining or retaining business. We have operations and deal with government entities and financial institutions in countries known to experience corruption, particularly certain emerging countries in Latin America, and further international expansion may involve more of these countries. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees or consultants that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. Our existing safeguards and any future improvements may prove to be less than effective, and our employees or consultants may engage in conduct for which we may be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

We are also subject to the Export Administration Regulations (EAR) administered by the U.S. Department of Commerce's Bureau of Industry and Security which regulates the export, re-export and re-transfer abroad of items made or originating in the United States as well as the transfer of U.S.-origin technology abroad. We have adopted an Export Management Compliance Policy, a comprehensive compliance program under which the goods and technologies that we export are identified and classified under the EAR to make sure they are being exported in compliance with the requirements of the EAR. However, there can be no assurance that we have not violated the EAR in past transactions or that our new policies and procedures will prevent us from violating the EAR in every transaction in which we engage. Any such violations of the EAR could result in fines, penalties or other sanctions being imposed on us, which could negatively affect our business, operating results and financial condition.

Table of Contents

We and our subsidiaries conduct business with financial institutions and/or card payment networks operating in countries whose nationals, including some of our customers' customers, engage in transactions in countries that are the targets of U.S. economic sanctions and embargoes. If we are found to have failed to comply with applicable U.S. sanctions laws and regulations in these instances, we and our subsidiaries could be exposed to fines, sanctions and other penalties or other governmental investigations.

We and our subsidiaries conduct business with financial institutions and/or card payment networks operating in countries whose nationals, including some of our customers' customers, engage in transactions in countries that are the target of U.S. economic sanctions and embargoes, including Cuba. As a U.S.-based entity, we and our subsidiaries are obligated to comply with the economic sanctions regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC). These regulations prohibit U.S.-based entities from entering into or facilitating unlicensed transactions with, for the benefit of, or in some cases involving the property and property interests of, persons, governments, or countries designated by the U.S. government under one or more sanctions regimes. Failure to comply with these sanctions and embargoes may result in material fines, sanctions or other penalties being imposed on us or other governmental investigations. In addition, various state and municipal governments, universities and other investors maintain prohibitions or restrictions on investments in companies that do business involving sanctioned countries or entities.

For these reasons, we have established risk-based policies and procedures designed to assist us and our personnel in complying with applicable U.S. laws and regulations. These policies and procedures include the use of software to screen transactions we process for evidence of sanctioned-country and persons involvement. Consistent with a risk-based approach and the difficulties of identifying all transactions of our customers' customers that may involve a sanctioned country, there can be no assurance that our policies and procedures will prevent us from violating applicable U.S. laws and regulations in every transaction in which we engage, and such violations could adversely affect our reputation, business, financial condition and results of operations.

Because we process transactions on behalf of the aforementioned financial institutions through the aforementioned payment networks, we have processed a limited number of transactions potentially involving sanctioned countries and there can be no assurances that, in the future, we will not inadvertently process such transactions. Due to a variety of factors, including technical failures and limitations of our transaction screening process, conflicts between U.S. and local laws, political or other concerns in certain countries in which we and our subsidiaries operate, and/or failures in our ability effectively to control employees operating in certain non-U.S. subsidiaries, we have not rejected every transaction originating from or otherwise involving sanctioned countries, or persons and there can be no assurances that, in the future, we will not inadvertently fail to reject such transactions.

On June 25, 2010, EVERTEC, LLC discovered potential violations of the Cuban Assets Control Regulations (CACR), which are administered by OFAC, which occurred due to an oversight in the activation of screening parameters for two customers located in Haiti and Belize. Upon discovery of the