GLOBAL PAYMENTS INC
Form 10-Q
April 06, 2016

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

FORM 10-Q

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

For the quarterly period ended February 29, 2016

OR

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

For the transition period from to

Commission file number: 001-16111
GLOBAL PAYMENTS INC.
(Exact name of registrant as specified in charter)

Georgia	58-2567903
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10 Glenlake Parkway, North Tower, Atlanta, Georgia	30328
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (770) 829-8000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x
The number of shares of the issuer’s common stock, no par value, outstanding as of March 23, 2016 was 129,259,333.

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GLOBAL PAYMENTS INC.
FORM 10-Q
For the quarterly period ended February 29, 2016

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PART 1 - FINANCIAL INFORMATION

ITEM 1—FINANCIAL STATEMENTS

GLOBAL PAYMENTS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended	
	February 29, 2016	February 28, 2015
Revenues	$679,940	$664,983
Operating expenses:		
Cost of service	258,728	250,255
Selling, general and administrative	313,407	310,113
	572,135	560,368
Operating income	107,805	104,615
Interest and other income	1,092	1,160
Interest and other expense	(13,300)	(13,429)
	(12,208)	(12,269)
Income before income taxes	95,597	92,346
Provision for income taxes	(22,685)	(23,031)
Net income	72,912	69,315
Less: Net income attributable to noncontrolling interests, net of income tax	(3,851)	(6,747)
Net income attributable to Global Payments	$69,061	$62,568
Earnings per share attributable to Global Payments:		
Basic earnings per share	$0.53	$0.47
Diluted earnings per share	$0.53	$0.46

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Nine Months Ended	
	February 29, 2016	February 28, 2015
Revenues	$2,151,086	$2,067,169
Operating expenses:		
Cost of service	801,959	767,890
Selling, general and administrative	980,385	946,282
	1,782,344	1,714,172
Operating income	368,742	352,997
Interest and other income	3,526	3,634
Interest and other expense	(40,669)	(34,789)
	(37,143)	(31,155)
Income before income taxes	331,599	321,842
Provision for income taxes	(82,561)	(82,837)
Net income	249,038	239,005
Less: Net income attributable to noncontrolling interests, net of income tax	(14,559)	(26,290)
Net income attributable to Global Payments	$234,479	$212,715
Earnings per share attributable to Global Payments:		
Basic earnings per share	$1.81	$1.58
Diluted earnings per share	$1.80	$1.57

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Three Months Ended	
	February 29, 2016	February 28, 2015
Net income	$72,912	$69,315
Other comprehensive income (loss):		
Foreign currency translation adjustments	(25,719)	(103,283)
Income tax benefit related to foreign currency translation adjustments	2,008	7,958
Unrealized losses on hedging activities	(11,946)	(1,859)
Reclassification of losses on hedging activities to interest expense	2,083	1,750
Income tax benefit related to hedging activities	3,681	41
Other comprehensive loss, net of tax	(29,893)	(95,393)
Comprehensive income (loss)	43,019	(26,078)
Comprehensive (income) loss attributable to noncontrolling interests	(6,026)	7,146
Comprehensive income (loss) attributable to Global Payments	$36,993	$(18,932)

	Nine Months Ended	
	February 29, 2016	February 28, 2015
Net income	$249,038	$239,005
Other comprehensive income (loss):		
Foreign currency translation adjustments	(98,318)	(221,138)
Income tax benefit related to foreign currency translation adjustments	10,852	15,249
Unrealized losses on hedging activities	(15,946)	(6,278)
Reclassification of losses on hedging activities to interest expense	6,284	2,281
Income tax benefit related to hedging activities	3,621	1,484
Other comprehensive loss, net of tax	(93,507)	(208,402)
Comprehensive income	155,531	30,603
Comprehensive income attributable to noncontrolling interests	(12,361)	(338)
Comprehensive income attributable to Global Payments	$143,170	$30,265

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	February 29, 2016 (Unaudited)	May 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$825,500	$650,739
Accounts receivable, net of allowances for doubtful accounts of $621 and $468, respectively	172,848	202,390
Claims receivable, net of allowances for doubtful accounts of $3,902 and $2,684, respectively	7,575	548
Settlement processing assets	1,000,683	2,394,822
Prepaid expenses and other current assets	58,497	41,416
Total current assets	2,065,103	3,289,915
Goodwill	1,556,904	1,491,833
Other intangible assets, net	645,541	560,136
Property and equipment, net	366,445	374,143
Deferred income taxes	24,549	30,428
Other	40,559	32,846
Total assets	$4,699,101	$5,779,301
LIABILITIES AND EQUITY		
Current liabilities:		
Lines of credit	$189,921	$592,629
Current portion of long-term debt	86,402	61,784
Accounts payable and accrued liabilities	285,572	312,647
Settlement processing obligations	1,160,951	2,033,900
Income taxes payable	25,286	14,228
Total current liabilities	1,748,132	3,015,188
Long-term debt	1,787,675	1,678,283
Deferred income taxes	195,354	202,855
Other noncurrent liabilities	15,190	19,422
Total liabilities	3,746,351	4,915,748
Commitments and contingencies		
Equity:		
Preferred stock, no par value; 5,000,000 shares authorized and none issued	—	—
Common stock, no par value; 200,000,000 shares authorized; 129,258,574 issued and outstanding at February 29, 2016 and 130,557,676 issued and outstanding at May 31, 2015	—	—
Paid-in capital	136,405	148,742
Retained earnings	981,013	795,226
Accumulated other comprehensive loss	(277,301)	(185,992)
Total Global Payments shareholders’ equity	840,117	757,976
Noncontrolling interests	112,633	105,577
Total equity	952,750	863,553
Total liabilities and equity	$4,699,101	$5,779,301

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended February 29, 2016	Nine Months Ended February 28, 2015
Cash flows from operating activities:		
Net income	$249,038	$239,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	54,343	48,628
Amortization of acquired intangibles	62,331	54,184
Share-based compensation expense	20,472	14,827
Provision for operating losses and bad debts	15,827	10,530
Deferred income taxes	(3,292)	13,479
Other, net	2,528	469
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	23,428	32,124
Claims receivable	(24,388)	(7,159)
Settlement processing assets and obligations, net	523,765	(27,948)
Prepaid expenses and other assets	(26,146)	(5,687)
Accounts payable and other liabilities	(30,514)	(36,044)
Income taxes payable	10,627	10,677
Net cash provided by operating activities	878,019	347,085
Cash flows from investing activities:		
Business, intangible and other asset acquisitions, net of cash acquired	(241,982)	(232,864)
Capital expenditures	(57,548)	(56,746)
Principal collections on financing receivables	—	219
Net proceeds from sales of investments and business	—	10,597
Net cash used in investing activities	(299,530)	(278,794)
Cash flows from financing activities:		
Net (repayments) borrowings on lines of credit	(388,120)	44,622
Proceeds from issuance of long-term debt	3,186,175	1,593,500
Principal payments of long-term debt	(3,050,175)	(1,378,679)
Payment of debt issuance costs	(4,934)	—
Repurchase of common stock	(82,832)	(231,844)
Proceeds from stock issued under share-based compensation plans	7,279	18,867
Common stock repurchased - share-based compensation plans	(11,812)	(16,175)
Tax benefit from share-based compensation plans	6,625	3,851
Purchase of subsidiary shares from noncontrolling interest	(7,550)	—
Distributions to noncontrolling interests	(18,568)	(19,355)
Dividends paid	(3,895)	(4,035)
Net cash (used in) provided by financing activities	(367,807)	10,752
Effect of exchange rate changes on cash	(35,921)	(50,767)
Increase in cash and cash equivalents	174,761	28,276
Cash and cash equivalents, beginning of the period	650,739	581,872
Cash and cash equivalents, end of the period	$825,500	$610,148

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Global Payments Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at May 31, 2015	130,558	$148,742	$795,226	$ (185,992)	$ 757,976	$ 105,577	$863,553
Net income			234,479		234,479	14,559	249,038
Other comprehensive loss, net of tax				(91,309)	(91,309)	(2,198)	(93,507)
Stock issued under share-based compensation plans	1,099	7,279			7,279		7,279
Common stock repurchased - share-based compensation plans	(632)	(12,017)			(12,017)		(12,017)
Tax benefit from employee share-based compensation, net		6,625			6,625		6,625
Share-based compensation expense		20,472			20,472		20,472
Purchase of subsidiary shares from noncontrolling interest		(11)			(11)	(7,539)	(7,550)
Distributions to noncontrolling interest		—			—	(18,568)	(18,568)
Contribution of subsidiary shares to noncontrolling interest related to a business combination		3,853	—		3,853	20,802	24,655
Repurchase of common stock	(1,766)	(38,538)	(44,797)		(83,335)		(83,335)
Dividends paid ($0.03 per share)			(3,895)		(3,895)		(3,895)
Balance at February 29, 2016	129,259	$136,405	$981,013	$ (277,301)	$ 840,117	$ 112,633	$952,750

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Global Payments Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at May 31, 2014	137,692	$183,023	$815,980	$ (1,776)	$ 997,227	$ 135,572	$1,132,799
Net income			212,715		212,715	26,290	239,005
Other comprehensive loss, net of tax				(182,450)	(182,450)	(25,952)	(208,402)
Stock issued under employee stock plans	2,022	18,867			18,867		18,867
Common stock repurchased - share-based compensation plans	(642)	(7,389)			(7,389)		(7,389)
Tax benefit from employee share-based compensation, net		3,851			3,851		3,851
Share-based compensation expense		14,827			14,827		14,827
Distributions to noncontrolling interest					—	(19,355)	(19,355)
Repurchase of common stock	(6,156)	(65,835)	(162,705)		(228,540)		(228,540)
Dividends paid ($0.03 per share)			(4,035)		(4,035)		(4,035)
Balance at February 28, 2015	132,916	$147,344	$861,955	$ (184,226)	$ 825,073	$ 116,555	$941,628

See Notes to Unaudited Consolidated Financial Statements.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business, consolidation and presentation— We are a leading worldwide provider of payment technology services delivering innovative solutions to our customers. Our technologies, partnerships and employee expertise enable us to provide a broad range of services that allow our customers to accept various payment types. We distribute our payment services and digital commerce services across a variety of channels to merchants and partners in 29 countries throughout North America, Europe, the Asia-Pacific region and Brazil. We operate in three reportable segments: North America, Europe and Asia-Pacific.

We were incorporated in Georgia as Global Payments Inc. in 2000 and spun-off from our former parent company in 2001. Including our time as part of our former parent company, we have been in the payments business since 1967. Global Payments Inc. and its consolidated subsidiaries are referred to collectively as "Global Payments," the "Company," "we," "our" or "us," unless the context requires otherwise.

These unaudited consolidated financial statements include our accounts and those of our majority-owned subsidiaries, and all intercompany balances and transactions have been eliminated in consolidation. These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The consolidated balance sheet as of May 31, 2015 was derived from the audited financial statements for the year ended May 31, 2015 included in our Current Report on Form 8-K dated February 5, 2016 but does not include all disclosures required by GAAP for annual financial statements.

In the opinion of our management, all known adjustments necessary for a fair presentation of the results of the interim periods have been made. These adjustments consist of normal recurring accruals and estimates that affect the carrying amount of assets and liabilities. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended May 31, 2015 and in our Current Report on Form 8-K dated February 5, 2016, which was filed to update certain information from our Annual Report on Form 10-K for the year ended May 31, 2015 solely to reflect the retrospective effects of a change in reportable segments, the adoption of certain accounting standards updates and a stock split in the form of a stock dividend (described below). The update to our Annual Report on Form 10-K for the year ended May 31, 2015 was made pursuant to SEC rules in order for these updated financial statements to be incorporated by reference into our Registration Statement on Form S-4 filed in connection with our proposed acquisition of Heartland Payment Systems, Inc. ("Heartland"). See "Note 3—Business and Intangible Asset Acquisitions and Joint Ventures" for more information about the proposed Heartland acquisition.

Use of estimates— The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates.

Stock split— Our board of directors declared a two-for-one stock split effected in the form of a stock dividend of one additional share of common stock for each outstanding share of common stock (the "Stock Split"), and the stock dividend was paid on November 2, 2015 to all shareholders of record as of October 21, 2015. Common share and per share data for prior periods in the consolidated financial statements and in the notes to our consolidated financial statements have been adjusted to reflect the Stock Split, except for authorized common shares, which were not affected.

New accounting pronouncements— From time-to-time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standards setting bodies that may affect our current and/or future financial statements when adopted.

Recently Adopted Accounting Pronouncements

In November 2015, the FASB issued Accounting Standards Update ("ASU") 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." To simplify the presentation of deferred income taxes, the amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. We adopted this ASU during the nine months ended February 29, 2016 and, as a result, have presented prior-period amounts for deferred income taxes in a manner that conforms to the current-period presentation. The adoption of this standard was not material to our balance sheets and did not affect our results of operations or cash flows in either the period of adoption or the previous interim or annual periods.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." The update requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, including the cumulative effect of the change in provisional amount as if the accounting had been completed at the acquisition date. The adjustments related to prior reporting periods since the acquisition date must be disclosed by income statement line item either on the face of the income statement or in the notes to the financial statements. We adopted this ASU during the nine months ended February 29, 2016. The adoption of this standard was not material to our balance sheets and did not affect our results of operations or cash flows in either the period of adoption or the previous interim or annual periods. See "Note 3—Business and Intangible Asset Acquisitions and Joint Ventures" for more information regarding adjustments to provisional amounts that occurred during the nine months ended February 29, 2016.

In April 2015, the FASB issued ASU 2015-03, "Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. In August 2015, the FASB issued ASU 2015-15, "Interest-Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements-Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting," to clarify that an entity may elect to present debt issuance costs related to a line-of-credit arrangement as an asset, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. We adopted both ASUs as of June 1, 2015, electing to continue to present debt issuance costs related to our revolving credit facilities as an asset, and as a result, have presented prior-period amounts for debt issuance costs related to our term loans in a manner that conforms to the current-period presentation. The adoption of these standards was not material to our balance sheets and did not affect our results of operations or cash flows in either the current or prior interim or annual periods. See "Note 6—Long-Term Debt and Credit Facilities" for more information about the presentation of debt issuance costs.

Recently Issued Pronouncements Not Yet Adopted

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," that will change how companies account for certain aspects of share-based payments to employees. Entities will be required to recognize the income tax effects of awards in the statement of income when the awards vest or are settled, the guidance on employers' accounting for an employee's use of shares to satisfy the employer's statutory income tax withholding obligation and for forfeitures is changing and the update requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity. The amendments in this update will be effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted. We are evaluating the effect of ASU 2016-09 on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases." The amendments in this update require lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases. Accounting by lessors will remain largely unchanged. The guidance will be effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018, with early adoption permitted. Adoption will require a modified retrospective transition where the lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented. We are evaluating the effect of ASU 2016-02 on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments in this update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. Equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of this update. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require

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enhanced disclosures about those investments. The guidance will be effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early application is permitted. We do not expect the amendments in ASU 2016-01 to have a material effect on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, "Intangibles—Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer’s accounting for service contracts. The amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted for all entities. We do not expect the amendments in ASU 2015-05 to have a material effect on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP and permits the use of either the retrospective or cumulative effect transition method. The standard requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09, as amended by ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted for annual reporting periods beginning after December 15, 2016. We are evaluating the effect of ASU 2014-09, as well as other clarifications and technical guidance issued by the FASB related to this new revenue standard, on our consolidated financial statements.

NOTE 2—SETTLEMENT PROCESSING ASSETS AND OBLIGATIONS

As of February 29, 2016 and May 31, 2015, settlement processing assets and obligations consisted of the following (in thousands):

	February 29, 2016		May 31, 2015	
Settlement processing assets:				
Interchange reimbursement	$18,225		$186,660	
Receivable from member sponsors	6,653		294,837	
Receivable from networks	973,963		1,919,148	
Exception items	2,114		4,920	
Merchant reserves	(272	)	(10,743	)
	$1,000,683		$2,394,822	
Settlement processing obligations:				
Interchange reimbursement	$166,824		$68,444	
Liability to member sponsors	(161,494	)	(628	)
Liability to merchants	(1,027,904	)	(1,931,390	)
Exception items	11,861		5,331	
Merchant reserves	(148,364	)	(169,442	)
Reserve for operating losses	(1,441	)	(1,286	)

Reserve for sales allowances	(433)	(4,929)
	$(1,160,951)	$(2,033,900)

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NOTE 3—BUSINESS AND INTANGIBLE ASSET ACQUISITIONS AND JOINT VENTURES

Fiscal 2016

Heartland

On December 15, 2015, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Heartland, pursuant to which we will acquire Heartland in a cash-and-stock transaction. In accordance with the terms and subject to the conditions set forth in the Merger Agreement, as a result of the transaction, each outstanding share of Heartland common stock will be converted into the right to receive $53.28 in cash and 0.6687 shares of our common stock, which at March 22, 2016 represented purchase consideration of $3.6 billion, or $93.15 per share of Heartland common stock. We expect the merger to close in our fiscal 2016 fourth quarter, subject to customary closing conditions, as well as approval by Heartland’s stockholders. As contemplated by the debt commitment letter that we entered into concurrently with the signing of the Merger Agreement, on February 26, 2016, we entered into an amendment to our existing credit facilities to provide for secured financing of up to $4.78 billion, the incremental proceeds of which will be used, among other things, to repay certain portions of Heartland’s existing indebtedness and to finance, in part, the cash consideration and the acquisition-related costs. See "Note 6—Long-Term Debt and Credit Facilities" for further discussion of our credit facility agreements.

FIS Gaming Business

On September 30, 2014, we entered into an asset purchase agreement with Certegy Check Services, Inc., a wholly owned subsidiary of Fidelity National Information Services, Inc. ("FIS"), to acquire substantially all of the assets of its gaming business related to licensed gaming operators (the "FIS Gaming Business"), which consisted primarily of customer contracts. On June 1, 2015, we completed the acquisition, which included approximately 260 gaming client locations, for $237.5 million funded from borrowings on our revolving credit facility and cash on hand. We acquired the FIS Gaming Business to expand our direct distribution and service offerings in the gaming industry. This transaction was accounted for as a business combination. We recorded the assets acquired and liabilities assumed at their estimated fair values as of the acquisition date. Due to the timing of this transaction, we have not finalized the valuation of the intangible assets acquired; however, certain adjustments to estimated fair value were recorded during the nine months ended February 29, 2016 based on new information obtained that existed as of the acquisition date. The adjustments associated with the revised valuation are detailed in the table below. Measurement-period adjustments, which are reflected in the table below, had no material effect on earnings or other comprehensive income for the current or prior periods.

Acquisition-related costs associated with this business combination were not material. The revenue and earnings associated with the acquired business for the year ending May 31, 2016 are not expected to be material nor were the historical revenue and earnings of the acquired business material for the purpose of presenting pro forma information for the current or prior-year periods.

The provisional estimated acquisition-date fair values of major classes of assets acquired and liabilities assumed as originally determined and as revised for measurement period adjustments, including a reconciliation to the total purchase consideration, are as follows (in thousands):

	As Previously Determined	Measurement Period Adjustments	Revised
Customer-related intangible assets	$135,200	$8,200	$143,400
Liabilities	(150)	—	(150)

Total identifiable net assets	135,050	8,200	143,250
Goodwill	102,450	(8,200)	94,250
Total purchase consideration	$237,500	$—	$237,500

Goodwill arising from the acquisition was included in the North America segment and was attributable to expected growth opportunities, including cross-selling opportunities at existing and acquired gaming client locations, operating synergies in the gaming business and assembled workforce. Goodwill associated with this acquisition is deductible for income tax purposes. The customer-related intangible assets have an estimated amortization period of 15 years.

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We also entered into a gaming bureau license agreement and an outsourcing agreement with FIS on September 30, 2014. Under the license agreement, we acquired a perpetual software license for a gaming bureau application that we believe enhances our casino clients' credit decision process. The software license was recorded in property and equipment in our consolidated balance sheet when acquired. Under the outsourcing agreement, which has a term of 10 years, we engaged FIS to provide a variety of services for our gaming clients, including: check and ACH verification services, collection services, claims management services, billing services and other gaming bureau services. The outsourcing agreement became effective on June 1, 2015.

Fiscal 2015

Realex Payments

On March 25, 2015, we acquired approximately 95% of the outstanding shares of Pay and Shop Limited for €110.2 million in cash ($118.9 million equivalent as of March 25, 2015) funded from borrowings on our revolving credit facility. Pay and Shop Limited, which does business as Realex Payments ("Realex"), is a leading European online payment gateway technology provider based in Dublin, Ireland. This transaction furthers our strategy to provide omnichannel solutions that combine gateway services, payment service provisioning and merchant acquiring across Europe. This transaction was accounted for as a business combination. We recorded the assets acquired, liabilities assumed and noncontrolling interest at their estimated fair values as of the acquisition date.

The estimated acquisition date fair values of the assets acquired, liabilities assumed and the noncontrolling interest, including a reconciliation to the total purchase consideration, are as follows (in thousands):

Cash	$4,082	
Customer-related intangible assets	16,079	
Acquired technology	39,820	
Trade name	3,453	
Other intangible assets	399	
Other assets	6,213	
Liabilities	(3,479	)
Deferred income tax liabilities	(7,216	)
Total identifiable net assets	59,351	
Goodwill	66,809	
Noncontrolling interest	(7,280	)
Total purchase consideration	$118,880	

Goodwill arising from the acquisition was included in the Europe segment and was attributable to expected growth opportunities in Europe, potential synergies from combining our existing business with gateway services and payment service provisioning in certain markets and an assembled workforce to support the newly acquired technology. Goodwill associated with this acquisition is not deductible for income tax purposes. The customer-related intangible assets have an estimated amortization period of 16 years. The acquired technology has an estimated amortization period of 10 years. The trade name has an estimated amortization period of 7 years.

On October 5, 2015, we paid €6.7 million ($7.5 million equivalent as of October 5, 2015) to acquire the remaining shares of Realex after which we own 100% of the outstanding shares.

Ezidebit

On October 10, 2014, we completed the acquisition of 100% of the outstanding stock of Ezi Holdings Pty Ltd ("Ezidebit") for AUD 302.6 million ($266.0 million equivalent as of the acquisition date). This acquisition was funded by a combination of cash on hand and borrowings on our revolving credit facility. Ezidebit is a leading integrated payments company focused on recurring payments verticals in Australia and New Zealand. Ezidebit markets its services through a network of integrated software vendors and direct channels to numerous vertical markets. We acquired Ezidebit to establish a direct distribution channel in Australia and New Zealand and to further enhance our existing integrated solutions offerings. This transaction was accounted for as a business combination. We recorded the assets acquired and liabilities assumed at their estimated fair values as of the acquisition date. Certain adjustments to estimated fair value were recorded during the nine months ended February 29, 2016 based on new information obtained that existed as of the acquisition date. During the measurement period, management determined that deferred income taxes should be reflected for certain nondeductible intangible assets. Measurement-period adjustments, which are reflected in the table below, had no material effect on earnings or other comprehensive income for the current or prior periods.

The estimated acquisition-date fair values of major classes of assets acquired and liabilities assumed as originally determined and as revised for measurement period adjustments, including a reconciliation to the total purchase consideration, are as follows (in thousands):

	As Previously Determined	Measurement Period Adjustments	Revised
Cash	$45,826	$—	$45,826
Customer-related intangible assets	42,721	—	42,721
Acquired technology	27,954	—	27,954
Trade name	2,901	—	2,901
Other assets	2,337	—	2,337
Deferred income tax assets (liabilities)	1,815	(11,603)	(9,788)
Other liabilities	(49,797)	—	(49,797)
Total identifiable net assets	73,757	(11,603)	62,154
Goodwill	192,225	11,603	203,828
Total purchase consideration	$265,982	$—	$265,982

Goodwill arising from the acquisition was included in the Asia-Pacific segment and was attributable to expected future growth opportunities in Australia and New Zealand, growth and expansion of integrated payments in the Asia-Pacific region, economies of scale in our existing Asia-Pacific business and an assembled workforce. Neither the goodwill nor the customer-related intangible assets associated with this acquisition is deductible for income tax purposes. The customer-related intangible assets have an estimated amortization period of 15 years. The acquired technology has an estimated amortization period of 15 years. The trade name has an estimated amortization period of 5 years.

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NOTE 4—GOODWILL AND OTHER INTANGIBLE ASSETS

As of February 29, 2016 and May 31, 2015, goodwill and other intangible assets consisted of the following (in thousands):

	February 29, 2016	May 31, 2015
Goodwill	$1,556,904	$1,491,833
Other intangible assets:		
Customer-related intangible assets	$850,629	$718,011
Contract-based intangible assets	130,356	130,874
Acquired technologies	91,107	93,194
Trademarks and trade names	12,367	10,777
	1,084,459	952,856
Less accumulated amortization:		
Customer-related intangible assets	375,572	342,488
Contract-based intangible assets	43,019	37,286
Acquired technologies	15,161	8,509
Trademarks and trade names	5,166	4,437
	438,918	392,720
	$645,541	$560,136

The following table sets forth the changes in the carrying amount of goodwill for the nine months ended February 29, 2016 (in thousands):

	North America	Europe	Asia-Pacific	Total
Balance at May 31, 2015	$779,734	$485,921	$226,178	$1,491,833
Goodwill acquired	102,450	—	16,500	118,950
Effect of foreign currency translation	(6,369)	(29,800)	(16,118)	(52,287)
Measurement-period adjustments	(8,200)	(411)	7,019	(1,592)
Balance at February 29, 2016	$867,615	$455,710	$233,579	$1,556,904

There were no accumulated impairment losses as of February 29, 2016 or May 31, 2015.

NOTE 5—OTHER ASSETS

On November 2, 2015, Visa Inc. (“Visa”) announced a proposed acquisition of Visa Europe Limited (“VE”) that is expected to close during our fourth quarter of fiscal 2016. Through certain of our subsidiaries in Europe, we are a member and shareholder of VE. Our member interests in VE are accounted for using the cost method of accounting. The preliminary estimate of the upfront consideration we will receive consists of cash of €31.0 million ($33.7 million equivalent at February 29, 2016) and Visa preferred stock which is convertible into Visa common shares with an approximate value of $21.2 million as of the announcement date. We could also receive contingent earn-out consideration. The amount and composition of the total consideration are not final and could be amended. In addition, based on the outcome of potential litigation in the United Kingdom and elsewhere in Europe, approximately €23.6 million, or $25.7 million equivalent at February 29, 2016, of the cash consideration could be refundable, and the conversion factor of the preferred shares could be adjusted down such that the number of shares ultimately received could be as low as zero.

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NOTE 6—LONG-TERM DEBT AND CREDIT FACILITIES

As of February 29, 2016 and May 31, 2015, long-term debt consisted of the following (in thousands):

	February 29, 2016	May 31, 2015
Term loan:		
$1,750,000 face amount (less unamortized debt issuance costs of $4,423) at February 29, 2016, and $1,234,375 face amount (less unamortized debt issuance costs of $2,433) at May 31, 2015	$1,745,577	$1,231,942
Revolving credit facility	128,500	508,125
Total long-term debt	1,874,077	1,740,067
Less current portion of long-term debt ($87,500 face amount less unamortized debt issuance cost of $1,098 at February 29, 2016, and $62,500 face amount less unamortized debt issuance costs of $716 at May 31, 2015)	86,402	61,784
Long-term debt, excluding current portion	$1,787,675	$1,678,283

Maturity requirements on long-term debt as of February 29, 2016 by fiscal year are as follows (in thousands):

2016	$—
2017	131,250
2018	175,000
2019	175,000
2020 and thereafter	1,397,250
Total	$1,878,500

July 2015 Refinancing

On July 31, 2015, we entered into a second amended and restated term loan agreement (the "2015 Term Loan Agreement") and a second amended and restated credit agreement (the “2015 Revolving Credit Facility Agreement” and collectively, the “2015 Credit Facility Agreements”) to provide for a $1.75 billion term loan (the "Term A Loan") and a $1.25 billion revolving credit facility (the "Revolving Credit Facility"), each with a syndicate of financial institutions. We used the proceeds of approximately $2.0 billion to repay the then-outstanding balances on our previously existing term loan and revolving credit facility together with accrued interest and fees on each.

We incurred fees and expenses associated with the 2015 Credit Facility Agreements of approximately $4.9 million. The portion of the debt issuance costs related to the 2015 Revolving Credit Facility Agreement are included in other noncurrent assets, and the portion of the debt issuance costs related to the 2015 Term Loan Agreement are reported as a reduction to the carrying amount of the debt at February 29, 2016. Debt issuance costs are amortized as an adjustment to interest expense over the terms of the respective facilities.

February 2016 Refinancing

Concurrently with the signing of the Merger Agreement, we entered into a debt commitment letter, which was amended and restated on January 8, 2016, for secured financing of up to $4.78 billion. On February 26, 2016, as contemplated by the debt commitment letter, we entered into an amendment to the 2015 Credit Facility Agreements (as amended, the "2016 Credit Facility Agreement") to, among other things, (i) accelerate our repayment schedule for the Term A Loan effective as of February 26, 2016, and (ii) subject to the closing of the acquisition of Heartland, provide security for the Term A Loan and the Revolving Credit Facility and modify the applicable financial covenants and interest rate margins. In addition, the 2016 Credit Facility Agreement provides for a new $685 million delayed draw term loan facility (the "Delayed Draw Facility") and allows for the addition of approximately $1.095 billion of term B loans (the "Term B Loans") to be issued in connection with the proposed acquisition of Heartland, resulting in total financing of approximately $4.78 billion as contemplated by the debt commitment letter.

On March 29, 2016, we entered into a Lender Joinder Agreement to the 2016 Credit Facility Agreement (the "Lender Joinder Agreement"). The Lender Joinder Agreement increases the amount of commitments for the Delayed Draw Facility from $685 million to $735 million through the addition of a new member to the syndicate. If drawn at the closing of the Heartland acquisition, this will result in a corresponding decrease in the anticipated initial aggregate principal balance of the Term B Loans from $1.095 billion to $1.045 billion. The funding commitments for the Delayed Draw Facility and the Term B Loans remain subject to the satisfaction of customary closing conditions.

The 2016 Credit Facility Agreement provides for an interest rate, at our election, of either London Interbank Offered Rate ("LIBOR") or a base rate, in each case plus a leverage-based margin. As of February 29, 2016, the interest rates on the Term A Loan and the Revolving Credit Facility were 1.94% and 1.90%, respectively.

Pursuant to the 2016 Credit Facility Agreement, the Term A Loan must be repaid in equal quarterly installments of $43.8 million commencing in November 2016 and ending in May 2020, with the remaining principal balance due upon maturity in July 2020. The Delayed Draw Facility and the Revolving Credit Facility also mature and expire, respectively, in July 2020.

As of February 29, 2016, the outstanding balance on the Revolving Credit Facility was $128.5 million. The 2016 Credit Facility Agreement allows us to issue standby letters of credit of up to $100 million in the aggregate under the Revolving Credit Facility. Outstanding letters of credit under the Revolving Credit Facility reduce the amount of borrowings available to us. Borrowings available to us under the Revolving Credit Facility are further limited by the covenants described below under "Compliance with Covenants." At February 29, 2016, we had outstanding issued standby letters of credit of $9.2 million under the Revolving Credit Facility. The total available commitments under the Revolving Credit Facility at February 29, 2016 was $488.2 million. We are required to pay a quarterly commitment fee on the unused portion of the Revolving Credit Facility.

The 2016 Credit Facility Agreement contains customary affirmative and restrictive covenants, including, among others, financial covenants based on our leverage and fixed charge coverage ratios. See "Compliance with Covenants" below. The 2016 Credit Facility Agreement includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations to be immediately due and payable.

Lines of Credit

We have lines of credit with banks in the United States and Canada as well as several countries in Europe and in the Asia-Pacific region where we do business. The lines of credit, which are restricted for use in funding settlement, generally have variable interest rates and are subject to annual review. The credit facilities are generally denominated in local currency but may, in some cases, facilitate borrowings in multiple currencies. For certain of our lines of credit, the line of credit balance is reduced by the amount of cash we have on deposit in specific accounts with the lender when determining the available credit. Accordingly, the amount of the outstanding line of credit may exceed the stated credit limit, while the net position is less than the credit limit. As of February 29, 2016 and May 31, 2015, a total of $69.5 million and $193.2 million, respectively, of cash on deposit was used to determine the available credit.

As of February 29, 2016 and May 31, 2015, respectively, we had $189.9 million and $592.6 million outstanding under these lines of credit with additional capacity of $1,119.7 million as of February 29, 2016 to fund settlement. The weighted-average interest rate on these borrowings was 1.67% and 1.50% at February 29, 2016 and May 31, 2015, respectively.

Compliance with Covenants

The 2016 Credit Facility Agreement includes financial covenants requiring (i) a leverage ratio no greater than 3.50 to 1.00, or up to 3.75 to 1.00 if we were to complete an acquisition, subject to certain conditions, and (ii) a fixed charge coverage ratio no less than 2.50 to 1.00. The financial covenants under the 2016 Credit Facility Agreement are subject to change upon the closing of the acquisition of Heartland. The 2016 Credit Facility Agreement and lines of credit also include various other covenants that are customary in such borrowings. We were in compliance with all applicable covenants as of and for the nine months ended February 29, 2016.

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Interest Rate Swap Agreements

We have interest rate swap agreements with financial institutions to hedge changes in cash flows attributable to interest rate risk on a portion of our variable-rate debt instruments. A $500 million notional interest rate swap agreement, which became effective on October 31, 2014, effectively converted $500 million of our variable-rate debt to a fixed rate of 1.52% plus a leverage-based margin and will mature on February 28, 2019. A $250 million notional interest rate swap, which became effective on August 28, 2015, effectively converted $250 million of our variable-rate debt to a fixed rate of 1.34% plus a leverage-based margin and will mature on July 31, 2020.

Net amounts to be received or paid under the swap agreements are reflected as adjustments to interest expense. Since we have designated the interest rate swap agreements as cash flow hedges, unrealized gains or losses resulting from adjusting the swaps to fair value are recorded as components of other comprehensive income, except for any ineffective portion of the change in fair value, which would be immediately recorded in interest expense. During the three and nine months ended February 29, 2016, there was no ineffectiveness. The fair values of the interest rate swaps were determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date. These derivative instruments were classified within Level 2 of the valuation hierarchy.

The table below presents the fair values of our derivative financial instruments designated as cash flow hedges included within the consolidated balance sheets (in thousands):

	Consolidated Balance Sheet Location	February 29, 2016	May 31, 2015
Interest rate swaps ($750 million notional)	Accounts payable and accrued liabilities	$15,818	$6,157

The table below presents the effects of our interest rate swaps on the consolidated statements of income and other comprehensive income for the three and nine months ended February 29, 2016 and 2015 (in thousands):

	Three Months Ended		Nine Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Derivatives in cash flow hedging relationships:				
Amount of loss recognized in other comprehensive income	$11,946	$1,859	$15,946	$6,278
Amount of loss recognized in interest expense	$2,083	$1,750	$6,284	$2,281

At February 29, 2016, the amount in accumulated other comprehensive income related to our interest rate swaps that is expected to be reclassified into interest expense during the next 12 months was approximately $6.3 million.

Interest Expense

Interest expense was $13.5 million and $12.2 million for the three months ended February 29, 2016 and 2015, respectively. Interest expense was $40.3 million and $31.1 million for the nine months ended February 29, 2016 and 2015, respectively. Interest expense is comprised primarily of interest payable on our long-term debt and lines of credit and also includes settlements on our interest rate swaps, amortization of deferred debt issuance costs and commitment fees on the unused portions of our Revolving Credit Facility.

NOTE 7—INCOME TAX

Our effective income tax rates were 23.7% and 24.9% for the three months ended February 29, 2016 and February 28, 2015, respectively. Our effective income tax rates were 24.9% and 25.7% for the nine months ended February 29, 2016 and February 28, 2015, respectively. Our effective income tax rates differ from the U.S. statutory rate primarily due to income generated in international jurisdictions with lower income tax rates.

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We conduct business globally and file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities around the world, including, without limitation, the United States, the United Kingdom and Canada. We are no longer subject to state income tax examinations for years ended on or before May 31, 2008; U.S. federal income tax examinations for fiscal years prior to 2012; U.K. federal income tax examinations for years ended on or before May 31, 2013; and Canada federal income tax examinations for years ended on or before May 31, 2012.

NOTE 8—SHAREHOLDERS' EQUITY

On April 10, 2015, we entered into an accelerated share repurchase program (the "ASR") with a financial institution to repurchase an aggregate of $100 million of our common stock. In exchange for an up-front payment of $100 million, the financial institution committed to deliver a number of shares during the ASR's purchase period, which ended on June 16, 2015. On April 14, 2015, 1,630,988 shares were initially delivered to us. At May 31, 2015, we accounted for the variable component of remaining shares to be delivered under the ASR as a forward contract indexed to our common stock which met all of the applicable criteria for equity classification. On June 16, 2015, an additional 324,742 shares were delivered to us. The total number of shares delivered under the ASR was 1,955,730 shares at an average price of $51.13 per share.

In addition to the ASR, we repurchased and retired 120,327 and 1,440,890 shares of our common stock at a cost of $8.0 million and $83.3 million, or an average cost of $66.18 and $57.83 per share, including commissions, during the three and nine months ended February 29, 2016, respectively. During the three and nine months ended February 28, 2015, we repurchased and retired 1,275,748 and 6,154,760 shares of our common stock at a cost of $56.6 million and $228.5 million, or an average cost of $44.37 and $37.13 per share, including commissions. As of February 29, 2016, we had a remaining authorized amount of $319.5 million for share repurchases.

NOTE 9—SHARE-BASED AWARDS AND OPTIONS

The following table summarizes share-based compensation expense and the related income tax benefit recognized for our share-based awards and stock options (in thousands):

	Three Months Ended		Nine Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Share-based compensation expense	$7,000	$5,682	$20,472	$14,827
Income tax benefit	$2,191	$1,945	$6,828	$4,769

Share-Based Awards

The following table summarizes the changes in unvested share-based awards for the nine months ended February 29, 2016 (shares in thousands):

	Shares	Weighted-Average Grant-Date Fair Value
Unvested at May 31, 2015	1,848	$ 29
Granted	450	57
Vested	(623)	27
Forfeited	(51)	34
Unvested at February 29, 2016	1,624	$ 37

The total fair value of share-based awards vested during the nine months ended February 29, 2016 and February 28, 2015 was $17.0 million and $14.9 million, respectively.

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For these share-based awards, we recognized compensation expense of $6.5 million and $5.4 million during the three months ended February 29, 2016 and February 28, 2015, respectively. We recognized compensation expense of $19.0 million and $13.8 million during the nine months ended February 29, 2016 and February 28, 2015, respectively. As of February 29, 2016, there was $43.4 million of unrecognized compensation expense related to unvested share-based awards that we expect to recognize over a weighted-average period of 2.1 years. Our share-based award plans provide for accelerated vesting under certain conditions.

Employee Stock Purchase Plan

We have an employee stock purchase plan under which the sale of 4.8 million shares of our common stock has been authorized. Employees may designate up to the lesser of $25,000 or 20% of their annual compensation for the purchase of our common stock. The price for shares purchased under the plan is 85% of the market value on the last day of each calendar quarter. As of February 29, 2016, 2.3 million shares had been issued under this plan, with 2.5 million shares reserved for future issuance. We recognized compensation expense for the plan of $0.2 million and $0.1 million in the three months ended February 29, 2016 and February 28, 2015, respectively. We recognized compensation expense for the plan of $0.5 million and $0.5 million in the nine months ended February 29, 2016 and February 28, 2015, respectively.

The weighted-average grant-date fair value of each designated share purchased under this plan during the nine months ended February 29, 2016 and February 28, 2015 was approximately $8 and $4, respectively, which represents the fair value of the 15% discount.

Stock Options

Stock options are granted with an exercise price equal to 100% of fair market value on the date of grant and have a term of ten years. Stock options granted before fiscal 2015 vest in equal installments on each of the first four anniversaries of the grant date. Stock options granted during fiscal 2015 and thereafter vest in equal installments on each of the first three anniversaries of the grant date. During the nine months ended February 29, 2016 and February 28, 2015, we granted 0.1 million and 0.4 million stock options, respectively. Our stock option plans provide for accelerated vesting under certain conditions.

The following is a summary of our stock option activity as of and for the nine months ended February 29, 2016:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in millions)
Outstanding at May 31, 2015	894	$ 26	5.2	$23.9
Granted	145	56		
Forfeited	(6)	16		
Exercised	(138)	23		
Outstanding at February 29, 2016	895	$ 31	5.6	$27.3
Options vested and exercisable at February 29, 2016	575	$ 23	3.8	$22.0

We recognized compensation expense for stock options of $0.4 million and $0.2 million during the three months ended February 29, 2016 and February 28, 2015, respectively. We recognized compensation expense for stock options of $1.0 million and $0.5 million during the nine months ended February 29, 2016 and February 28, 2015, respectively. The aggregate intrinsic value of stock options exercised during the nine months ended February 29, 2016 and February 28, 2015 was $5.2 million and $11.7 million, respectively. As of February 29, 2016, we had $3.3 million of unrecognized compensation expense related to unvested stock options that we expect to recognize over a weighted-average period of 2.1 years.

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The weighted-average grant-date fair value of each stock option granted during the nine months ended February 29, 2016 and February 28, 2015 was $16 and $9, respectively. Fair value was estimated on the date of grant using the Black-Scholes valuation model with the following weighted-average assumptions:

	Nine Months Ended	
	February 29, 2016	February 28, 2015
Risk-free interest rate	1.62%	1.57%
Expected volatility	28.65%	23.65%
Dividend yield	0.10%	0.13%
Expected life (years)	5	5

The risk-free interest rate is based on the yield of a zero coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. Our assumption on expected volatility is based on our historical volatility. The dividend yield assumption is calculated using our average stock price over the preceding year and the annualized amount of our most current quarterly dividend per share. We based our assumptions on the expected lives of the options on our analysis of the historical exercise patterns of the options and our assumption on the future exercise pattern of options.

NOTE 10—EARNINGS PER SHARE

Basic earnings per share is computed by dividing reported net income attributable to Global Payments by the weighted-average number of shares outstanding during the period. Earnings available to common shareholders is the same as reported net income attributable to Global Payments for all periods presented.

Diluted earnings per share is computed by dividing net income attributable to Global Payments by the weighted-average number of shares outstanding during the period, including the effect of share-based awards that would have a dilutive effect on earnings per share. All stock options with an exercise price lower than the average market share price of our common stock for the period are assumed to have a dilutive effect on earnings per share. For the three and nine months ended February 29, 2016, the diluted share base excluded zero and 0.1 million shares related to stock options that would have an antidilutive effect on the computation of diluted earnings per share. There were no such antidilutive stock options for the three months ended February 28, 2015. For the nine months ended February 28, 2015, the diluted share base excluded 0.6 million shares related to stock options that would have an antidilutive effect on the computation of diluted earnings per share.

The following table sets forth the computation of diluted weighted-average shares outstanding for the three and nine months ended February 29, 2016 and February 28, 2015 (in thousands):

	Three Months Ended		Nine Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Basic weighted-average shares outstanding	129,287	133,780	129,709	134,952
Plus: Dilutive effect of stock options and other share-based awards	873	832	846	830
Diluted weighted-average shares outstanding	130,160	134,612	130,555	135,782

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NOTE 11—ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in the accumulated balances for each component of other comprehensive loss were as follows for the three months ended February 29, 2016 and February 28, 2015 (in thousands):

	Foreign Currency Translation	Unrealized Gains (Losses) on Hedging Activities	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss
Balance at November 30, 2014	$(96,922)	$(2,445)	$(3,359)	$(102,726)
Other comprehensive loss, net of income tax	(81,432)	(68)	—	(81,500)
Balance at February 28, 2015	$(178,354)	$(2,513)	$(3,359)	$(184,226)
Balance at November 30, 2015	$(237,692)	$(3,733)	$(3,809)	$(245,234)
Other comprehensive loss, net of income tax	(25,885)	(6,182)	—	(32,067)
Balance at February 29, 2016	$(263,577)	$(9,915)	$(3,809)	$(277,301)

Other comprehensive (income) loss attributable to noncontrolling interest, which relates only to foreign currency translation, was $(2.2) million and $13.9 million for the three months ended February 29, 2016 and February 28, 2015, respectively.

The changes in the accumulated balances for each component of other comprehensive loss were as follows for the nine months ended February 29, 2016 and February 28, 2015 (in thousands):

	Foreign Currency Translation	Unrealized Gains (Losses) on Hedging Activities	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss
Balance at May 31, 2014	$1,583	$—	$(3,359)	$(1,776)
Other comprehensive loss, net of income tax	(179,937)	(2,513)	—	(182,450)
Balance at February 28, 2015	$(178,354)	$(2,513)	$(3,359)	$(184,226)
Balance at May 31, 2015	$(178,309)	$(3,874)	$(3,809)	$(185,992)
Other comprehensive income (loss), net of income tax	(85,268)	(6,041)	—	(91,309)
Balance at February 29, 2016	$(263,577)	$(9,915)	$(3,809)	$(277,301)

Other comprehensive loss attributable to noncontrolling interest, which relates only to foreign currency translation, was $2.2 million and $26.0 million for the nine months ended February 29, 2016 and February 28, 2015, respectively.

NOTE 12—SEGMENT INFORMATION

Commencing with fiscal 2016, we began reporting based on realigned segments (North America, Europe and Asia-Pacific) due to international investment and a realigned management structure. As a result, we have presented prior year segment data in a m