

EQUIFAX INC  
Form 10-Q  
July 26, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

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

**For the quarterly period ended June 30, 2012**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission File Number: 001-06605**

**EQUIFAX INC.**

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

Non-accelerated filer

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

Edgar Filing: EQUIFAX INC - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

On July 13, 2012, there were 119,863,893 shares of the registrant's common stock outstanding.

**EQUIFAX INC.**

**QUARTERLY REPORT ON FORM 10-Q**

**QUARTER ENDED JUNE 30, 2012**

**INDEX**

	<b>Page</b>
<b>PART I. Financial Information</b>	<b>4</b>
Item 1. Financial Statements (Unaudited)	4
Consolidated Statements of Income—Three and Six Months Ended June 30, 2012 and 2011	4
Consolidated Statements of Comprehensive Income—Three and Six Months Ended June 30, 2012 and 2011	6
Consolidated Balance Sheets—June 30, 2012 and December 31, 2011	7
Consolidated Statements of Cash Flows—Six Months Ended June 30, 2012 and 2011	8
Consolidated Statements of Equity and Other Comprehensive Income—Six Months Ended June 30, 2012 and 2011	9
Notes to Consolidated Financial Statements	10
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3. Quantitative and Qualitative Disclosures About Market Risk	35
Item 4. Controls and Procedures	35
<b>PART II. Other Information</b>	<b>36</b>
Item 1. Legal Proceedings	36
Item 1A. Risk Factors	36
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 6. Exhibits	38
Signatures	39
Index to Exhibits	40

## **FORWARD-LOOKING STATEMENTS**

This report contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will,” “may” and similar expressions identify forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future, including statements relating to future operating results, are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company’s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part II, “Item 1A. Risk Factors,” and elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2011, and those described from time to time in our future reports filed with the Securities and Exchange Commission. As a result of such risks and uncertainties, we urge you not to place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)****EQUIFAX INC.****CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended	
	June 30,	
	2012	2011
(In millions, except per share amounts)	(Unaudited)	
Operating revenue	\$ 535.8	\$ 487.1
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	203.6	188.7
Selling, general and administrative expenses	158.3	142.7
Depreciation and amortization	41.2	41.1
Total operating expenses	403.1	372.5
Operating income	132.7	114.6
Interest expense	(13.7 )	(13.7 )
Other income, net	2.2	(9.6 )
Consolidated income before income taxes	121.2	91.3
Provision for income taxes	(42.4 )	(54.2 )
Consolidated net income	78.8	37.1
Less: Net income attributable to noncontrolling interests	(2.4 )	(2.6 )
Net income attributable to Equifax	\$ 76.4	\$ 34.5
Basic earnings per common share:	\$ 0.64	\$ 0.28
Weighted-average shares used in computing basic earnings per share	120.3	122.8
Diluted earnings per common share:	\$ 0.62	\$ 0.28
Weighted-average shares used in computing diluted earnings per share	122.8	124.6
Dividends per common share	\$ 0.18	\$ 0.16

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.****CONSOLIDATED STATEMENTS OF INCOME**

	Six Months Ended June 30,	
	2012	2011
	(Unaudited)	
(In millions, except per share amounts)		
Operating revenue	\$ 1,058.5	\$ 959.7
Operating expenses:		
Cost of services (exclusive of depreciation and amortization below)	404.8	380.7
Selling, general and administrative expenses	309.4	271.5
Depreciation and amortization	82.6	83.8
Total operating expenses	796.8	736.0
Operating income	261.7	223.7
Interest expense	(27.5 )	(27.5 )
Other income, net	3.6	(9.3 )
Consolidated income before income taxes	237.8	186.9
Provision for income taxes	(85.3 )	(90.5 )
Consolidated net income	152.5	96.4
Less: Net income attributable to noncontrolling interests	(4.6 )	(4.6 )
Net income attributable to Equifax	\$ 147.9	\$ 91.8
Basic earnings per common share:	\$ 1.23	\$ 0.75
Weighted-average shares used in computing basic earnings per share	120.1	122.8
Diluted earnings per common share:	\$ 1.21	\$ 0.74
Weighted-average shares used in computing diluted earnings per share	122.6	124.6
Dividends per common share	\$ 0.36	\$ 0.32

See Notes to Consolidated Financial Statements.

## EQUIFAX INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30, 2012			2011		
	Equifax Shareholders	Noncontrolling Interests	Total	Equifax Shareholders	Noncontrolling Interests	Total
Net income	\$76.4	\$ 2.4	\$78.8	\$34.5	\$ 2.6	\$37.1
Other comprehensive income:						
Foreign currency translation adjustment, net	(20.3)	(0.5 )	(20.8)	33.2	0.1	33.3
Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans, net	2.8	-	2.8	2.2	-	2.2
Change in cumulative loss from cash flow hedging transactions, net	0.1	-	0.1	-	-	-
Comprehensive income	\$59.0	\$ 1.9	\$60.9	\$69.9	\$ 2.7	\$72.6

	Six Months Ended June 30, 2012			2011		
	Equifax Shareholders	Noncontrolling Interests	Total	Equifax Shareholders	Noncontrolling Interests	Total
Net income	\$147.9	\$ 4.6	\$152.5	\$91.8	\$ 4.6	\$96.4
Other comprehensive income:						
Foreign currency translation adjustment	(5.4 )	(0.3 )	(5.7 )	44.1	0.3	44.4
Change in unrecognized prior service cost and actuarial losses related to our pension and other postretirement benefit plans	6.2	-	6.2	4.4	-	4.4
Change in cumulative loss from cash flow hedging transactions	0.1	-	0.1	0.1	-	0.1
Comprehensive income	\$148.8	\$ 4.3	\$153.1	\$140.4	\$ 4.9	\$145.3

See Notes to Consolidated Financial Statements.





**EQUIFAX INC.****CONSOLIDATED BALANCE SHEETS**

	June 30, 2012	December 31, 2011
(In millions, except par values)		
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 183.1	\$ 127.7
Trade accounts receivable, net of allowance for doubtful accounts of \$6.0 and \$5.9 at June 30, 2012 and December 31, 2011, respectively	293.9	284.4
Prepaid expenses	30.2	24.6
Other current assets	9.8	15.6
Total current assets	517.0	452.3
Property and equipment:		
Capitalized internal-use software and system costs	350.4	332.2
Data processing equipment and furniture	196.6	183.1
Land, buildings and improvements	174.7	178.4
Total property and equipment	721.7	693.7
Less accumulated depreciation and amortization	(433.0)	(400.8)
Total property and equipment, net	288.7	292.9
Goodwill	1,961.3	1,961.2
Indefinite-lived intangible assets	95.6	95.6
Purchased intangible assets, net	505.9	550.2
Other assets, net	152.6	156.4
Total assets	\$ 3,521.1	\$ 3,508.6
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Short-term debt and current maturities	\$ 17.0	\$ 47.2
Accounts payable	30.2	27.5
Accrued expenses	64.1	56.3
Accrued salaries and bonuses	61.2	79.2
Deferred revenue	54.3	55.8
Other current liabilities	67.0	96.8
Total current liabilities	293.8	362.8
Long-term debt	951.8	966.0
Deferred income tax liabilities, net	228.7	227.8
Long-term pension and other postretirement benefit liabilities	167.9	176.4
Other long-term liabilities	51.0	53.5
Total liabilities	1,693.2	1,786.5
Commitments and Contingencies (see Note 5)		
Equifax shareholders' equity:		
Preferred stock, \$0.01 par value: Authorized shares - 10.0; Issued shares - none	-	-

Edgar Filing: EQUIFAX INC - Form 10-Q

Common stock, \$1.25 par value: Authorized shares - 300.0; Issued shares - 189.3 at June 30, 2012 and December 31, 2011; Outstanding shares - 119.8 and 119.6 at June 30, 2012 and December 31, 2011, respectively	236.6	236.6
Paid-in capital	1,125.7	1,118.0
Retained earnings	2,983.6	2,879.2
Accumulated other comprehensive loss	(390.9 )	(391.8 )
Treasury stock, at cost, 68.9 shares and 69.1 shares at June 30, 2012 and December 31, 2011, respectively	(2,143.8 )	(2,133.7 )
Stock held by employee benefits trusts, at cost, 0.6 shares at both June 30, 2012 and December 31, 2011	(5.9 )	(5.9 )
Total Equifax shareholders' equity	1,805.3	1,702.4
Noncontrolling interests	22.6	19.7
Total equity	1,827.9	1,722.1
Total liabilities and equity	\$ 3,521.1	\$ 3,508.6

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six Months Ended June 30, 2012      2011 (Unaudited)	
(In millions)		
Operating activities:		
Consolidated net income	\$ 152.5	\$ 96.4
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Loss on divestiture	-	27.8
Depreciation and amortization	82.4	83.5
Stock-based compensation expense	15.0	11.8
Excess tax benefits from stock-based compensation plans	(0.5 )	(0.6 )
Deferred income taxes	(0.8 )	6.1
Changes in assets and liabilities, excluding effects of acquisitions:		
Accounts receivable, net	(9.8 )	(15.2 )
Prepaid expenses and other current assets	(1.5 )	(8.8 )
Other assets	0.9	8.1
Current liabilities, excluding debt	(36.9 )	(51.3 )
Other long-term liabilities, excluding debt	(0.9 )	(10.8 )
Cash provided by operating activities	200.4	147.0
Investing activities:		
Capital expenditures	(34.5 )	(43.9 )
Acquisitions, net of cash acquired	-	(30.7 )
Cash received from divestitures	2.5	2.5
Investment in unconsolidated affiliates, net	(3.6 )	(2.7 )
Cash used in investing activities	(35.6 )	(74.8 )
Financing activities:		
Net short-term repayments	(31.6 )	(3.4 )
Payments on long-term debt	(15.1 )	(16.7 )
Treasury stock purchases	(51.1 )	(31.3 )
Dividends paid to Equifax shareholders	(43.1 )	(39.2 )
Dividends paid to noncontrolling interests	(1.4 )	(3.6 )
Proceeds from exercise of stock options	33.3	12.3
Excess tax benefits from stock-based compensation plans	0.5	0.6
Other	(0.4 )	(2.6 )
Cash used in financing activities	(108.9)	(83.9 )
Effect of foreign currency exchange rates on cash and cash equivalents	(0.5 )	1.0
Increase (decrease) in cash and cash equivalents	55.4	(10.7 )
Cash and cash equivalents, beginning of period	127.7	119.4
Cash and cash equivalents, end of period	\$ 183.1	\$ 108.7

See Notes to Consolidated Financial Statements.

8

## EQUIFAX INC.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended June 30, 2012

(Unaudited)

	Equifax Shareholders							Stock Held By Employee Benefits Trusts	Noncontrolling Interests	Total Equity
	Common Stock Shares Outstanding	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock				
Balance, December 31, 2011	119.6	\$ 236.6	\$ 1,118.0	\$ 2,879.2	\$ (391.8 )	\$(2,133.7)	\$ (5.9 )	\$ 19.7	\$ 1,722.1	
Net income	-	-	-	147.9	-	-	-	4.6	152.5	
Other comprehensive income	-	-	-	-	0.9	-	-	(0.3 )	0.6	
Shares issued under stock and benefit plans, net of minimum tax withholdings	1.3	-	(11.5 )	-	-	41.0	-	-	29.5	
Treasury stock purchased under share repurchase program (\$45.33 per share)*	(1.1 )	-	-	-	-	(51.1 )	-	-	(51.1 )	
Cash dividends (\$0.36 per share)	-	-	-	(43.5 )	-	-	-	-	(43.5 )	
Dividends paid to employee benefits trusts	-	-	0.4	-	-	-	-	-	0.4	
Stock-based compensation expense	-	-	15.0	-	-	-	-	-	15.0	
Tax effects of stock-based	-	-	3.8	-	-	-	-	-	3.8	

compensation plans									
Dividends paid to noncontrolling interests	-	-	-	-	-	-	-	(1.4 )	(1.4 )
Balance, June 30, 2012	119.8	\$ 236.6	\$ 1,125.7	\$ 2,983.6	\$ (390.9 )	\$(2,143.8)	\$ (5.9 )	\$ 22.6	\$ 1,827.9

\* At June 30, 2012, \$261.0 million was authorized for future purchases of common stock under our share repurchase authorization.

**Accumulated Other Comprehensive Loss consists of the following components:**

	June 30, 2012	December 31, 2011
	(In millions)	
Foreign currency translation	\$(94.7 )	\$( 89.3 )
Unrecognized actuarial losses and prior service cost related to our pension and other postretirement benefit plans, net of accumulated tax of \$168.9 and \$172.1 at June 30, 2012 and December 31, 2011, respectively	(294.1)	(300.3 )
Cash flow hedging transactions, net of accumulated tax of \$1.4 at June 30, 2012 and December 31, 2011	(2.1 )	(2.2 )
Accumulated other comprehensive loss	\$(390.9)	\$(391.8 )

See Notes to Consolidated Financial Statements.

**EQUIFAX INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**June 30, 2012**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations.* We collect, organize and manage various types of financial, demographic, employment and marketing information. Our products and services enable businesses to make credit and service decisions, manage their portfolio risk, automate or outsource certain human resources, employment tax and payroll-related business processes, and develop marketing strategies concerning consumers and commercial enterprises. We serve customers across a wide range of industries, including the financial services, mortgage, retail, telecommunications, utilities, automotive, brokerage, healthcare and insurance industries, as well as government agencies. We also enable consumers to manage and protect their financial health through a portfolio of products offered directly to consumers. As of June 30, 2012, we operated in the following countries: Argentina, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Paraguay, Peru, Portugal, Spain, the United Kingdom, or U.K., Uruguay, and the United States of America, or U.S. We also maintain support operations in the Republic of Ireland. We have an investment in a consumer and commercial credit information company in Brazil and offer credit services in Russia and India through joint ventures.

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

*Basis of Presentation.* The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, the instructions to Form 10-Q and applicable sections of Regulation S-X. To understand our complete financial position and results, as defined by



GAAP, this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2011 (“2011 Form 10-K”).

Our unaudited Consolidated Financial Statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the periods presented and are of a normal recurring nature. Certain prior year amounts have been reclassified to conform to current period presentation.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

	Three Months Ended June		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Weighted-average shares outstanding (basic)	120.3	122.8	120.1	122.8
Effect of dilutive securities:				
Stock options and restricted stock units	2.5	1.8	2.5	1.8
Weighted-average shares outstanding (diluted)	122.8	124.6	122.6	124.6

For the three and six months ended June 30, 2012, the stock options that were anti-dilutive were not material. For the three and six months ended June 30, 2011, 1.3 million and 1.4 million stock options, respectively, were anti-dilutive and therefore excluded from this calculation.

**Financial Instruments.** Our financial instruments consist primarily of cash and cash equivalents, accounts and notes receivable, accounts payable and short- and long-term debt. The carrying amounts of these items, other than long-term debt, approximate their fair market values due to the short-term nature of these instruments. The fair value of our fixed-rate debt is determined using quoted market prices for publicly traded instruments, and for non-publicly traded instruments through valuation techniques depending on the specific characteristics of the debt instrument. As of June 30, 2012 and December 31, 2011, the fair value of our long-term debt, based on observable inputs, was \$1.10 billion and \$1.09 billion, respectively, compared to its carrying value of \$0.97 billion.

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

**Fair Value Hedges.** In conjunction with our November 2009 sale of five-year Senior Notes, we entered into five-year interest rate swaps, designated as fair value hedges, which convert the debt's fixed interest rate to a variable rate. These swaps involve the receipt of fixed rate amounts for floating interest rate payments over the life of the swaps without exchange of the underlying principal amount. Changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed-rate Senior Notes they hedge due to changes in the designated benchmark interest rate and are recorded in interest expense. The fair value of these interest rate swaps was an asset of \$14.0 million and \$14.8

million at June 30, 2012 and December 31, 2011, respectively, and was recorded in other long-term assets on our Consolidated Balance Sheets.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Description	Fair Value of Assets (Liabilities) at June 30, 2012	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In millions)			
Fair Value Interest Rate Swaps <sup>(1)</sup>	\$ 14.0	\$ -	\$ 14.0	\$ -
Notes, due 2014 <sup>(1)</sup>	(289.0)	-	(289.0)	-
Deferred Compensation Plan <sup>(2)</sup>	(15.2)	-	(15.2)	-
Total	\$(290.2)	\$ -	\$ (290.2)	\$ -

(1) The fair value of our interest rate swaps, which are designated as fair value hedges, and notes, due in 2014 are based on the present value of expected future cash flows using zero coupon rates and are classified within Level 2 of the fair value hierarchy.

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

**Variable Interest Entities.** We hold interests in certain entities, including credit data and information solutions ventures, that are considered variable interest entities, or VIEs. These variable interests relate to ownership interests that require financial support for these entities. Our investments related to these VIEs totaled \$11.4 million at June 30, 2012, representing our maximum exposure to loss. We are not the primary beneficiary and are not required to consolidate any of these VIEs.

**Recent Accounting Pronouncements.** *Testing Goodwill for Impairment.* In September 2011, the FASB issued Accounting Standards Update, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (the revised standard). The revised standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a “qualitative” assessment to determine whether further impairment testing is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We will implement the new standard in our 2012 annual goodwill impairment testing. This guidance is not expected to have a material effect on our financial condition or results of operations.

*Comprehensive Income.* In the first quarter of 2012, we adopted Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income*, which changed our financial statement presentation but did not have an effect on our financial condition or results of operations.

For additional information about recent accounting pronouncements adopted or pending adoption, see Note 1 of the Notes to Consolidated Financial Statements in our 2011 Form 10-K.

## 2. MERGER OF BRAZILIAN BUSINESS

On May 31, 2011, we completed the merger of our Brazilian business with Boa Vista Serviços S.A. (“BVS”) in exchange for a 15% equity interest in BVS, which was accounted for as a sale and deconsolidated (the “Brazilian Transaction”). BVS, an unrelated third party whose results we do not consolidate, is the second largest consumer and commercial credit information company in Brazil. Our investment in BVS was valued at 130 million Brazilian Reais (\$62.6 million and \$82.3 million at June 30, 2012 and May 31, 2011, respectively) is recorded in Other assets, net on the Consolidated Balance Sheets and is accounted for using the cost method. The initial fair value was determined by a third-party using income and market approaches and has not changed materially as of June 30, 2012. In accounting for the transaction, we wrote off \$33.2 million of goodwill and \$27.0 million of cumulative foreign currency translation adjustments. In addition, as part of the agreement with BVS, we have retained certain contingent liabilities. A pre-tax loss of \$10.3 million was recognized during the second quarter of 2011 related to the Brazilian Transaction and is included in other expense in the Consolidated Statements of Income. Tax expense of \$17.5 million was also recorded in conjunction with the Brazilian Transaction.

Equifax has committed to make certain additional funding available to BVS. Until May 31, 2013, BVS will have the right to borrow up to \$55 million from Equifax for general corporate purposes; any borrowings would be due and payable on May 31, 2015. Payments for principal and interest on any borrowings will be convertible, at Equifax’s option, into additional shares of BVS nonvoting preferred stock. Preferred shares issued as a result of any borrowings will be convertible to common shares under specific conditions. There were no borrowings outstanding as of June 30, 2012.

## 3. GOODWILL AND INTANGIBLE ASSETS

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

Changes in the amount of goodwill for the six months ended June 30, 2012, are as follows:

U.S. Consumer Information Solutions	Workforce International Solutions	North America Personal Solutions	North America Commercial Solutions	Total
(In millions)				

Edgar Filing: EQUIFAX INC - Form 10-Q

Balance, December 31, 2011	\$638.4	\$ 348.5	\$ 935.0	\$ 1.8	\$ 37.5	\$1,961.2
Adjustments to initial purchase price allocation	-	-	0.2	-	-	0.2
Foreign currency translation	-	1.1	-	-	-	1.1
Tax benefits of stock options exercised	-	-	(1.2 )	-	-	(1.2 )
Balance, June 30, 2012	\$638.4	\$ 349.6	\$ 934.0	\$ 1.8	\$ 37.5	\$1,961.3

**3. GOODWILL AND INTANGIBLE ASSETS (Continued)**

**Indefinite-Lived Intangible Assets.** Indefinite-lived intangible assets consist of contractual/territorial rights representing the estimated acquisition date fair value of rights to operate in certain territories acquired through the purchase of independent credit reporting agencies in the U.S. and Canada. Our contractual/territorial rights are perpetual in nature and, therefore, the useful lives are considered indefinite. Indefinite-lived intangible assets are not amortized. We are required to test indefinite-lived intangible assets for impairment annually and whenever events or circumstances indicate that there may be an impairment of the asset value. We perform our annual indefinite-lived intangible asset impairment test as of September 30. Our contractual/territorial rights carrying amounts did not change materially during the six months ended June 30, 2012.

**Purchased Intangible Assets.** Purchased intangible assets represent the estimated acquisition date fair value of acquired intangible assets used in our business. Purchased data files represent the estimated acquisition date fair value of consumer credit files acquired primarily through the purchase of independent credit reporting agencies in the U.S. and Canada. We expense the cost of modifying and updating credit files in the period such costs are incurred. We amortize purchased data files, which primarily consist of acquired consumer credit files, on a straight-line basis. Primarily all of our other purchased intangible assets are also amortized on a straight-line basis. For additional information about the useful lives related to our purchased intangible assets, see Note 1 of the Notes to Consolidated Financial Statements in our 2011 Form 10-K.

Purchased intangible assets at June 30, 2012 and December 31, 2011 consisted of the following:

	June 30, 2012			December 31, 2011		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In millions)					
Definite-lived intangible assets:						
Purchased data files	\$294.2	\$ (228.1)	) \$66.1	\$316.2	\$ (240.5)	) \$75.7
Acquired software and technology	34.7	(10.9)	) 23.8	68.3	(41.1)	) 27.2
Customer relationships	517.2	(146.7)	) 370.5	518.2	(130.3)	) 387.9
Proprietary database	125.0	(105.7)	) 19.3	125.0	(95.5)	) 29.5
Non-compete agreements	9.0	(4.3)	) 4.7	9.0	(3.1)	) 5.9
Trade names and other intangible assets	40.7	(19.2)	) 21.5	40.7	(16.7)	) 24.0
Total definite-lived intangible assets	\$1,020.8	\$ (514.9)	) \$505.9	\$1,077.4	\$ (527.2)	) \$550.2

Amortization expense related to purchased intangible assets was \$22.2 million and \$22.5 million during the three months ended June 30, 2012 and 2011, respectively. Amortization expense related to purchased intangible assets was \$44.6 million and \$46.1 million during the six months ended June 30, 2012 and 2011, respectively.





**4. DEBT**

Debt outstanding at June 30, 2012 and December 31, 2011 was as follows:

	June 30, 2012	December 31, 2011
	(In millions)	
Commercial paper	\$-	\$ 30.0
Notes, 7.34%, due in installments through May 2014	30.0	45.0
Notes, 4.45%, due December 2014	275.0	275.0
Notes, 6.30%, due July 2017	272.5	272.5
Debentures, 6.90%, due July 2028	125.0	125.0
Notes, 7.00%, due July 2037	250.0	250.0
Capitalized lease obligation	2.9	1.1
Other	0.5	0.6
Total debt	955.9	999.2
Less short-term debt and current maturities	(17.0 )	(47.2 )
Less unamortized discounts	(1.8 )	(1.8 )
Plus fair value adjustments	14.7	15.8
Total long-term debt, net	\$951.8	\$ 966.0

**Senior Credit Facility.** We are party to a \$500.0 million unsecured revolving credit facility, which we refer to as the Senior Credit Facility, with a group of financial institutions. The Senior Credit Facility also has an accordion feature that allows us to request an increase in the total commitment to \$750.0 million should we so choose. Borrowings may be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchase programs. The Senior Credit Facility is scheduled to expire in February 2015. Availability of the Senior Credit Facility for borrowings is reduced by the outstanding face amount of any letters of credit issued under the facility and, pursuant to our existing Board of Directors authorization, by the outstanding principal amount of our commercial paper notes. As of June 30, 2012, there were no outstanding borrowings under this facility and \$498.6 million was available for borrowing.

**Commercial Paper Program.** Our \$500.0 million commercial paper program has been established through the private placement of commercial paper notes from time-to-time. Maturities of commercial paper can range from overnight to 397 days. The commercial paper program is supported by our Senior Credit Facility and, pursuant to our existing Board of Directors authorization, the total amount of commercial paper which may be issued is reduced by the amount of any outstanding borrowings under our Senior Credit Facility. At June 30, 2012, there were no commercial paper notes outstanding.

For additional information about our debt agreements, see Note 6 of the Notes to Consolidated Financial Statements in our 2011 Form 10-K.

## 5. COMMITMENTS AND CONTINGENCIES

**Data Processing, Outsourcing Services and Other Agreements.** We have separate agreements with IBM, TCS and others to outsource portions of our computer data processing operations, applications development, maintenance and related functions and to provide certain other administrative and operational services. The agreements expire between 2012 and 2018. The estimated aggregate minimum contractual obligation remaining under these agreements is approximately \$70 million as of December 31, 2011, with no future year's minimum contractual obligation expected to exceed approximately \$30 million. Annual payment obligations in regard to these agreements vary due to factors such as the volume of data processed; changes in our servicing needs as a result of new product offerings, acquisitions or divestitures; the introduction of significant new technologies; foreign currency; or the general rate of inflation. In certain circumstances (e.g., a change in control or for our convenience), we may terminate these data processing and outsourcing agreements, and, in doing so, certain of these agreements require us to pay a significant penalty.

**Agreement with Computer Sciences Corporation.** We have an agreement with Computer Sciences Corporation, or CSC, and certain of its affiliates, collectively CSC, under which CSC-owned credit reporting agencies utilize our computerized credit database services. CSC retains ownership of its credit files and the revenues generated by its credit reporting activities. We receive a processing fee for maintaining the database and for each report supplied. The current term of the agreement will expire on July 31, 2018 and renews, unless terminated by CSC, for successive ten-year periods. The agreement provides us with an option to purchase CSC's credit reporting business if, on or prior to August 1, 2013, (a) CSC gives us written notice of their intention to terminate the agreement at the end of the current term, or (b) there is a change in control of CSC while the agreement is in effect. Under the agreement CSC also has an option, exercisable at any time prior to August 1, 2013, to sell its credit reporting business to us. The option exercise price will be determined by a third-party appraisal process and would be due in cash within 180 days after the exercise of the option. We estimate that if the option were exercised at December 31, 2011, the price range would have been approximately \$650 million to \$750 million. This estimate is based solely on our internal analysis of the value of the business, current market conditions and other factors, all of which are subject to constant change. Therefore, the actual option exercise price could be materially higher or lower than the estimated amount.

**Guarantees and General Indemnifications.** We may issue standby letters of credit, performance bonds or other guarantees in the normal course of business. The aggregate notional amount of all performance bonds and standby letters of credit was not material at June 30, 2012, and all have a remaining maturity of one year or less. The maximum potential future payments we could be required to make under the guarantees is not material at June 30, 2012.

We have agreed to standard indemnification clauses in many of our lease agreements for office space, covering such things as tort, environmental and other liabilities that arise out of or relate to our use or occupancy of the leased premises. Certain of our credit agreements include provisions which require us to make payments to preserve an expected economic return to the lenders if that economic return is diminished due to certain changes in law or regulations. In conjunction with certain transactions, such as sales or purchases of operating assets or services in the ordinary course of business, or the disposition of certain assets or businesses, we sometimes provide routine

indemnifications, the terms of which range in duration and sometimes are not limited. Additionally, the Company has entered into indemnification agreements with its directors and executive officers to indemnify such individuals to the fullest extent permitted by applicable law against liabilities that arise by reason of their status as directors or officers. The Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations.

## 5. COMMITMENTS AND CONTINGENCIES (Continued)

We cannot reasonably estimate our potential future payments under the indemnities and related provisions described above because we cannot predict when and under what circumstances these provisions may be triggered. We had no accruals related to indemnifications on our Consolidated Balance Sheets at June 30, 2012 or December 31, 2011.

**Contingencies.** We are involved in legal proceedings, claims and litigation arising in the ordinary course of business. We periodically assess our exposure related to these matters based on the information which is available. We have recorded accruals in our Consolidated Financial Statements for those matters in which it is probable that we have incurred a loss and the amount of the loss, or range of loss, can be reasonably estimated.

For other legal proceedings, claims and litigation, we have recorded loss contingencies that are immaterial, or we cannot reasonably estimate the potential loss because of uncertainties about the outcome of the matter and the amount of the loss or range of loss. Although the final outcome of these other matters cannot be predicted with certainty, any possible adverse outcome arising from these matters is not expected to have a material impact on our Consolidated Financial Statements, either individually or in the aggregate. However, our evaluation of the likely impact of these matters may change in the future.

For additional information about these and other commitments and contingencies, see Note 7 of the Notes to Consolidated Financial Statements in our 2011 Form 10-K. For additional information about commitments related to the Brazilian Transaction, see Note 2 of the Notes to Consolidated Financial Statements in this 10-Q.

## 6. INCOME TAXES

We are subject to U.S. federal, state and international income taxes. We are generally no longer subject to federal, state, or international income tax examinations by tax authorities for years ending prior to December 31, 2004, with few exceptions. Due to the potential for resolution of state and foreign examinations, and the expiration of various statutes of limitations, it is reasonably possible that our gross unrecognized tax benefit balance may change within the next twelve months by a range of \$0 to \$5.1 million.

**Effective Tax Rate.** Our effective income tax rate was 35.0% for the three months ended June 30, 2012, down from 59.4% for the same period in 2011 due primarily to the impact of recording \$17.5 million of tax expense associated with the Brazilian Transaction in 2011. The impact of the Brazilian Transaction increased our effective rate 23.2% for the quarter in 2011. The effective income tax rate on the Brazilian Transaction was higher than the statutory rate

primarily due to the recognition of tax impacts related to foreign currency changes for which we had not previously recorded tax expense because we have historically been permanently invested in Brazil with respect to foreign currency fluctuations. The remainder of the rate decrease is due to the impact of lower foreign income taxes and the reversal of certain contingent tax liabilities. The effective income tax rate was 35.9% for the six months ended June 30, 2012, down from 48.4% for the same period in 2011 with the decrease primarily due to the Brazilian Transaction. The impact of the Brazilian Transaction increased our effective rate 11.4% for the six months ended June 30, 2011. The six month effective income tax rate also decreased due to the impact of lower foreign income taxes and the reversal of certain contingent tax liabilities.

**7. BENEFIT PLANS**

We sponsor defined benefit pension plans and defined contribution plans. For additional information about our benefit plans, see Note 11 of the Notes to Consolidated Financial Statements in our 2011 Form 10-K.

The following table provides the components of net periodic benefit cost for the three and six months ended June 30, 2012 and 2011:

	Pension Benefits		Other Benefits	
	2012	2011	2012	2011
	Three Months Ended June 30,			
	(In millions)			
Service cost	\$1.6	\$1.6	\$0.1	\$0.2
Interest cost	8.3	8.6	0.3	0.4
Expected return on plan assets	(11.6)	(11.7)	(0.4)	(0.4)
Amortization of prior service cost	0.2	0.2	(0.1)	(0.1)
Recognized actuarial loss	4.0	3.0	0.3	0.3
Total net periodic benefit cost	\$2.5	\$1.7	\$0.2	\$0.4

	Pension Benefits		Other Benefits	
	2012	2011	2012	2011
	Six Months Ended June 30,			
	(In millions)			
Service cost	\$3.2	\$3.2	\$0.2	\$0.3
Interest cost	16.6	17.2	0.6	0.8
Expected return on plan assets	(23.2)	(23.3)	(0.8)	(0.8)
Amortization of prior service cost	0.4	0.4	(0.2)	(0.1)
Recognized actuarial loss	8.0	6.0	0.6	0.6
Total net periodic benefit cost	\$5.0	\$3.5	\$0.4	\$0.8



## 8. SEGMENT INFORMATION

**Reportable Segments.** We manage our business and report our financial results through the following five reportable segments, which are the same as our operating segments:

- U.S. Consumer Information Solutions
- International
- Workforce Solutions
- North America Personal Solutions
- North America Commercial Solutions

The accounting policies of the reportable segments are the same as those described in our summary of significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements in our 2011 Form 10-K. We evaluate the performance of these reportable segments based on their operating revenues, operating income and operating margins, excluding unusual or infrequent items, if any. Inter-segment sales and transfers are not material for all periods presented. The measurement criteria for segment profit or loss and segment assets are substantially the same for each reportable segment. All transactions between segments are accounted for at cost, and no timing differences occur between segments.

A summary of segment products and services is as follows:

**U.S. Consumer Information Solutions.** This segment includes consumer information services (such as credit information and credit scoring, credit modeling services, locate services, fraud detection and prevention services, identity verification services and other consulting services); mortgage loan origination information, appraisal, title and closing services; consumer financial marketing services; and identity management.

***International.*** This segment includes information services products, which includes consumer and commercial services (such as credit and financial information, credit scoring and credit modeling services), credit and other marketing products and services, and products and services sold directly to consumers similar to those sold by North America Personal Solutions.

***Workforce Solutions.*** This segment includes employment, income and social security number verification services as well as complementary payroll-based transaction services and employment tax and talent management services.

***North America Personal Solutions.*** This segment includes credit information, credit monitoring and identity theft protection products sold directly to consumers via the internet.

***North America Commercial Solutions.*** This segment includes commercial products and services such as business credit and demographic information, credit scores and portfolio analytics (decisioning tools), which are derived from our databases of business credit and financial information.

**8. SEGMENT INFORMATION (Continued)**

Operating revenue and operating income by operating segment during the three and six months ended June 30, 2012 and 2011 are as follows:

(In millions)	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Operating revenue:				
U.S. Consumer Information Solutions	\$230.1	\$194.0	\$447.8	\$375.0
International	119.5	130.8	240.5	258.0
Workforce Solutions	115.2	96.3	228.9	195.7
North America Personal Solutions	50.7	45.2	100.2	89.6
North America Commercial Solutions	20.3	20.8	41.1	41.4
Total operating revenue	\$535.8	\$487.1	\$1,058.5	\$959.7

(In millions)	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Operating income:				
U.S. Consumer Information Solutions	\$88.1	\$70.8	\$167.5	\$132.5
International	35.0	34.2	73.5	64.0
Workforce Solutions	26.9	20.8	53.1	42.5
North America Personal Solutions	15.1	12.5	29.1	25.2
North America Commercial Solutions	2.8	4.4	6.3	9.5
General Corporate Expense	(35.2)	(28.1)	(67.8)	(50.0)
Total operating income	\$132.7	\$114.6	\$261.7	\$223.7

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

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

All references to earnings per share data in Management's Discussion and Analysis, or MD&A, are to diluted earnings per share, or EPS, unless otherwise noted. Diluted EPS is calculated to reflect the potential dilution that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common shares outstanding.

### **BUSINESS OVERVIEW**

We are a leading global provider of information solutions, employment and income verifications and human resources business process outsourcing services. We leverage some of the largest sources of consumer and commercial data, along with advanced analytics and proprietary technology, to create customized insights which enable our business customers to grow faster, more efficiently and more profitably, and to inform and empower consumers.

Businesses rely on us for consumer and business credit intelligence, credit portfolio management, fraud detection, decisioning technology, marketing tools, and human resources-related services. We also offer a portfolio of products that enable individual consumers to manage their financial affairs and protect their identity. Our revenue stream is diversified among individual consumers and among businesses across a wide range of industries and international geographies.

### **Segment and Geographic Information**

**Segments.** The U.S. Consumer Information Solutions, or USCIS, segment, the largest of our five segments, consists of three product and service lines: Online Consumer Information Solutions, or OCIS; Mortgage Solutions; and Consumer Financial Marketing Services. OCIS and Mortgage Solutions revenue is principally transaction-based and is derived from our sales of products such as consumer credit reporting and scoring, mortgage settlement services, identity management, fraud detection and modeling services. USCIS also markets certain decisioning software services which facilitate and automate a variety of consumer credit-oriented decisions. Consumer Financial Marketing Services revenue is principally project- and subscription-based and is derived from our sales of batch credit and consumer wealth information such as those that assist clients in acquiring new customers, cross-selling to existing

customers and managing portfolio risk.

The International segment consists of Canada Consumer, Europe and Latin America. Canada Consumer's products and services are similar to our USCIS offerings, while Europe and Latin America are made up of varying mixes of product lines that are in our USCIS, North America Commercial Solutions and North America Personal Solutions reportable segments.

The Workforce Solutions segment consists of the Verification Services and Employer Services business lines. Verification Services revenue is transaction-based and is derived primarily from employment and income verification. Employer Services revenues are derived from our provision of certain human resources business process outsourcing services that include both transaction- and subscription-based product offerings. These services include unemployment claims management, employment-based tax credit services, complementary payroll-based transaction services, and the management of assessments of new hires.

North America Personal Solutions revenue is primarily subscription-based supplemented by some transaction-based services, and is derived from the sale of credit monitoring, debt management and identity theft protection products, which we deliver to consumers electronically via the internet.

North America Commercial Solutions revenue is principally transaction-based, with the remainder project-based, and is derived from the sale of business information, credit scores and portfolio analytics that enable customers to utilize our reports to make financing, marketing and purchasing decisions related to businesses.

**Geographic Information.** We currently operate in the following countries: Argentina, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Paraguay, Peru, Portugal, the Republic of Ireland, Spain, the U.K., Uruguay, and the U.S. Our operations in the Republic of Ireland focus on data handling and customer support activities. We have an investment in a consumer and commercial credit information company in Brazil and offer consumer credit services in India and Russia through joint ventures.

**Key Performance Indicators.** Management focuses on a variety of key indicators to monitor operating and financial performance. These performance indicators include operating revenue, change in operating revenue, operating income, operating margin, net income attributable to Equifax, diluted earnings per share, cash provided by operating activities and capital expenditures. The key performance indicators for the three and six months ended June 30, 2012 and 2011 were as follows:

## Key Performance Indicators

	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
	(Dollars in millions, except per share data)			
Operating revenue	\$535.8	\$487.1	\$1,058.5	\$959.7
Operating revenue change	10 %	6 %	10 %	6 %
Operating income	\$132.7	\$114.6	\$261.7	\$223.7
Operating margin	24.8 %	23.5 %	24.7 %	23.3 %
Net income attributable to Equifax	\$76.4	\$34.5	\$147.9	\$91.8
Diluted earnings per share attributable to Equifax	\$0.62	\$0.28	\$1.21	\$0.74
Cash provided by operating activities	\$152.1	\$123.9	\$200.4	\$147.0
Capital expenditures	\$14.3	\$17.7	\$34.5	\$43.9

**Business Environment and Company Strategy**

Consumer and small business lending activity is one of the key drivers of demand for our services. Lending activity has continued to grow at a moderate rate in most loan categories and markets we serve around the world, but lenders continue to demonstrate caution in loan decisions due to continuing concerns about consumer and small business credit quality and, in the U.S., about home values. Mortgage lending activity, which is an important lending category for our company, is cyclical, based on fluctuations in both home sales and refinancing activity. Mortgage activity associated with home sales remains weak, in part due to depressed home values which have yet to improve, while mortgage refinancing activity increased significantly beginning in the fourth quarter of 2011 and continued into the first half of 2012 due to very low interest rates. While mortgage refinancing activity continues to be strong, we do expect that it will begin to decline later in 2012 as the population of qualifying consumers diminishes. Furthermore, we have yet to see any indication of any near-term recovery in mortgage originations from home sales activity. These market and economic trends affect both our USCIS and Workforce Solutions segments. In addition, new financial regulations are increasing the compliance requirements for many of our customers and will likely introduce new challenges as well as opportunities in the marketing of our product and service offerings to our customers. Real time decision-making for many of our customers has become more complex and reliant on quality data assets with broad market coverage. Our proprietary technology is efficient and sufficiently flexible to adapt to a broad array of decisioning applications. By linking data assets, we are able to develop high value solutions that improve the effectiveness of our customers' decision-making activities. In an effort to respond to these market conditions, we have focused on the following activities:

- Further diversification of our revenues by pursuing and investing in key strategic initiatives including new product innovation, differentiated decisioning solutions and analytics, leveraging and broadening our diverse data assets and enhancing our technology platforms.

- Intensifying our sales force focus on key customer accounts and broadening our product offerings to address the needs of our medium-to-smaller customers.

- Acquiring new data assets and technologies both domestically and internationally.

Investing in broadening and enriching our analytical resources to enhance the quality and value of our decisioning solutions.

- Expanding and investing in attractive international markets, including Russia, India and Brazil.
- Continuing our focus on managing expenses through the use of LEAN and other process improvement initiatives.

For the remainder of 2012, we expect a continuation of modest economic growth in most of our served markets. The environment will continue to be challenging as various countries deal with their particular political, budgetary, and economic issues. However, we continue to expect that our ongoing investments in new product innovation, technology infrastructure, strategic acquisitions, enterprise growth initiatives, and continuous process improvement will enable us, in a modestly growing economy, to deliver long term average organic revenue growth ranging between 6% and 8% with additional growth of 1% to 2% derived from strategic acquisitions. We also expect to grow earnings per share at a somewhat faster rate than revenue as a result of both operating and financial leverage. The diversity of our data assets, the strength of our analytical capabilities, and our proprietary decisioning technology has enabled us to consistently deliver high value solutions that our clients integrate into their business operations. As our clients' business environment becomes more difficult and competitive, these high value solutions will increasingly enable them to operate their businesses more efficiently and effectively.

**RESULTS OF OPERATIONS—THREE AND SIX MONTHS JUNE 30, 2012 AND 2011****Consolidated Financial Results****Operating Revenue**

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012	2011	Change		2012	2011	Change	
Consolidated Operating Revenue	(Dollars in millions)				(Dollars in millions)			
U.S. Consumer Information Solutions	\$230.1	\$194.0	\$36.1	19%	\$447.8	\$375.0	\$72.8	19%
International	119.5	130.8	(11.3)	-9%	240.5	258.0	(17.5)	-7%
Workforce Solutions	115.2	96.3	18.9	20%	228.9	195.7	33.2	17%
North America Personal Solutions	50.7	45.2	5.5	12%	100.2	89.6	10.6	12%
North America Commercial Solutions	20.3	20.8	(0.5)	-2%	41.1	41.4	(0.3)	-1%
Consolidated operating revenue	\$535.8	\$487.1	\$48.7	10%	\$1,058.5	\$959.7	\$98.8	10%

Revenue increased by 10% in the second quarter and first six months of 2012 compared to the same periods in 2011. The deconsolidation of our Brazilian business, which resulted from the merger of our business into a larger entity during the second quarter of 2011, negatively impacted revenue growth by \$16.1 million for the second quarter of 2012 and \$35.4 million for the first six months of 2012, compared to the prior year, while all other revenue increased by 14% in the second quarter of 2012 and 15% in the first six months compared to the same period in 2011, driven by strong execution of key strategic initiatives and the impact of increased mortgage refinancing activity in the U.S. The effect of foreign exchange rates, in locations other than Brazil, reduced revenue by \$6.0 million in the second quarter and \$9.0 million in the first six months of 2012 compared to the year ago periods.

**Operating Expenses**

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012	2011	Change		2012	2011	Change	
Consolidated Operating Expenses	(Dollars in millions)				(Dollars in millions)			
Consolidated cost of services	\$203.6	\$188.7	\$14.9	8%	\$404.8	\$380.7	\$24.1	6%
Consolidated selling, general and administrative expenses	158.3	142.7	15.6	11%	309.4	271.5	37.9	14%



Edgar Filing: EQUIFAX INC - Form 10-Q

Consolidated depreciation and amortization expense	41.2	41.1	0.1	0 %	82.6	83.8	(1.2 )	-1 %
Consolidated operating expenses	\$ 403.1	\$ 372.5	\$ 30.6	8 %	\$ 796.8	\$ 736.0	\$ 60.8	8 %

The increase in cost of services, when compared to the second quarter and first six months of 2011, was due primarily to the impact of increased salary expense, direct production expenses and contract service expenses of \$22.8 million for the second quarter and \$42.1 million for the first six months, partially offset by decreases related to the deconsolidation of our Brazilian business, and also by the impact of changes in foreign currency exchange rates of \$1.8 million for the second quarter of 2012 and \$2.6 million for the first six months of 2012.

Selling, general and administrative expense increased \$15.6 million in the second quarter compared to the year ago quarter. The increase was primarily due to increased salary and incentive expense of \$15.4 million and higher professional services expenses, partially offset by decreases related to the deconsolidation of our Brazilian business. The \$37.9 million increase for the first six months of 2012 as compared to the prior year period was primarily due to increased salary and incentive expense of \$34.8 million, and higher marketing and professional services expenses, partially offset by decreases in expenses related to the deconsolidation of our Brazilian business. The impact of changes in foreign currency exchange rates decreased our selling, general and administrative expense by \$1.6 million for the second quarter and \$2.3 million for the first six months of 2012.

The change in depreciation and amortization expense in 2012 over the same three and six month periods in 2011, is primarily due to the decline in amortization of certain purchased intangibles acquired as part of the TALX acquisition in 2007 which fully amortized during the second quarter of 2011 and the amortization and depreciation decrease resulting from the deconsolidation of our Brazilian business. This decrease was fully offset in the second quarter of 2012 and partially offset in the first six months of 2012 by our two 2011 acquisitions within Workforce Solutions that contributed \$1.2 million for the second quarter and \$2.5 million for the first six months of 2012 of incremental depreciation and amortization expense.

### *Operating Income and Operating Margin*

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2012	2011	\$	%	2012	2011	\$	%
Consolidated Operating Income	(Dollars in millions)				(Dollars in millions)			
Consolidated operating revenue	\$535.8	\$487.1	\$48.7	10 %	\$1,058.5	\$959.7	\$98.8	10 %
Consolidated operating expenses	(403.1)	(372.5)	(30.6)	8 %	(796.8 )	(736.0)	(60.8)	8 %
Consolidated operating income	\$132.7	\$114.6	\$18.1	16 %	\$261.7	\$223.7	\$38.0	17 %
Consolidated operating margin	24.8 %	23.5 %		1.3%pts	24.7 %	23.3 %		1.4%pts

Operating income for the second quarter and first six months of 2012 increased faster than revenue and operating margins increased by 130 basis points in the second quarter and 140 basis points in the first six months of 2012 compared to the prior year periods due primarily to the deconsolidation of Brazil, which had negatively impacted company margins a year ago, and improvements in margins in our USCIS, Workforce Solutions and Personal Solutions businesses driven by revenue growth, partially offset by the impact of higher corporate expenses.

### *Other Expense, Net*

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2012	2011	\$	%	2012	2011	\$	%
Consolidated Other Expense, Net	(Dollars in millions)				(Dollars in millions)			
Consolidated interest expense	\$13.7	\$13.7	\$-	-1 %	\$27.5	\$27.5	\$-	0 %
Consolidated other (income) expense, net	(2.2 )	9.6	(11.8)	nm	(3.6 )	9.3	(12.9)	nm
Consolidated other expense, net	\$11.5	\$23.3	\$(11.8)	-50%	\$23.9	\$36.8	\$(12.9)	-35%
Average cost of debt	5.6 %	5.5 %			5.6 %	5.5 %		
Total consolidated debt, net, at quarter end	\$968.8	\$981.5	\$(12.7)	-1 %	\$968.8	\$981.5	\$(12.7)	-1 %

nm - not meaningful

Interest expense was flat for the second quarter and first six months of 2012, when compared to the same periods in 2011. Our consolidated debt balance has decreased at June 30, 2012, as a result of less borrowings in the form of commercial paper, on which interest rates and accordingly interest expense are currently very low. As a result the average cost of debt for the second quarter and first six months of 2012 as compared to the same periods in 2011 was higher.

Other expense, net, for the three and six month periods ending June 30, 2012 decreased \$11.8 million and \$12.9 million, respectively, as compared to the prior year periods. The decrease is primarily due to the merger of our Brazilian business during the second quarter of 2011. On May 31, 2011, we completed the merger of our Brazilian business with Boa Vista Servicos S.A. ("BVS"), which was accounted for as a sale and deconsolidated, in exchange for a 15% equity interest in BVS ("the Brazilian Transaction"). We recorded a \$10.3 million pre-tax loss on the Brazilian Transaction in other expense (income), net. Other expense, net, was also reduced in the three and six month periods by higher income from our minority investment in Russia.

**Income Taxes**

	Three Months				Six Months			
	Ended June 30,		Change		Ended June 30,		Change	
Consolidated Provision for Income Taxes	2012	2011	\$	%	2012	2011	\$	%
	(Dollars in millions)				(Dollars in millions)			
Consolidated provision for income taxes	\$42.4	\$54.2	\$(11.8)	-22%	\$85.3	\$90.5	\$(5.2)	-6%
Effective income tax rate	35.0%	59.4%			35.9%	48.4%		

Our effective income tax rate was 35.0% for the three months ended June 30, 2012, down from 59.4% for the same period in 2011 due primarily to the impact of recording \$17.5 million of tax expense associated with the Brazilian Transaction in 2011. The impact of the Brazilian Transaction increased our effective rate 23.2% for the quarter in 2011. The effective income tax rate on the Brazilian Transaction was higher than the statutory rate primarily due to the recognition of tax impacts related to foreign currency changes for which we had not previously recorded tax expense because we have historically been permanently invested in Brazil with respect to foreign currency fluctuations. The remainder of the rate decrease is due to the impact of lower foreign income taxes and the reversal of certain contingent tax liabilities. The effective income tax rate was 35.9% for the six months ended June 30, 2012, down from 48.4% for the same period in 2011 with the decrease primarily due to the Brazilian Transaction. The impact of the Brazilian Transaction increased our effective rate 11.4% for the six months ended June 30, 2011. The six month effective income tax rate also decreased due to the impact of lower foreign income taxes and the reversal of certain contingent tax liabilities.

**Net Income**

	Three Months				Six Months Ended			
	Ended June 30,		Change		June 30,		Change	
Consolidated Net Income	2012	2011	\$	%	2012	2011	\$	%
	(In millions, except per share amounts)				(In millions, except per share amounts)			
Consolidated operating income	\$ 132.7	\$ 114.6	\$ 18.1	16 %	\$ 261.7	\$ 223.7	\$ 38.0	17 %
Consolidated other expense, net	(11.5 )	(23.3 )	11.8	-50 %	(23.9 )	(36.8 )	12.9	-35 %
Consolidated provision for income taxes	(42.4 )	(54.2 )	11.8	-22 %	(85.3 )	(90.5 )	5.2	-6 %
Consolidated net income	78.8	37.1	41.7	113 %	152.5	96.4	56.1	58 %
Net income attributable to noncontrolling interests	(2.4 )	(2.6 )	0.2	-7 %	(4.6 )	(4.6 )	-	0 %
Net income attributable to Equifax	\$ 76.4	\$ 34.5	\$ 41.9	122 %	\$ 147.9	\$ 91.8	\$ 56.1	61 %
	\$ 0.62	\$ 0.28	\$ 0.34	125 %	\$ 1.21	\$ 0.74	\$ 0.47	64 %

Diluted earnings per common share attributable to Equifax				
Weighted-average shares used in computing diluted earnings per share	122.8	124.6	122.6	124.6

Consolidated net income increased \$41.7 million, or 113%, in the second quarter of 2012, and \$56.1 million, or 58%, in the first six months of 2012 due to the \$27.8 million loss recorded on the Brazilian Transaction (reflected in other expense and income tax expense) along with higher operating income in four of our five business segments as compared to the same periods in 2011.

**Segment Financial Results****USCIS**

U.S. Consumer Information Solutions	Three Months Ended June 30,				Six Months Ended June 30,			
	2012	2011	Change		2012	2011	Change	
	(Dollars in millions)				(Dollars in millions)			
Operating revenue:								
Online Consumer Information Solutions (OCIS)	\$153.4	\$127.6	\$25.8	20 %	\$302.7	\$247.8	\$54.9	22 %
Mortgage Solutions	40.6	26.9	13.7	51 %	74.9	54.2	20.7	38 %
Consumer Financial Marketing Services	36.1	39.5	(3.4)	-9 %	70.2	73.0	(2.8)	-4 %
Total operating revenue	\$230.1	\$194.0	\$36.1	19 %	\$447.8	\$375.0	\$72.8	19 %
% of consolidated revenue	43 %	40 %			42 %	39 %		
Total operating income	\$88.1	\$70.8	\$17.3	24 %	\$167.5	\$132.5	\$35.0	26 %
Operating margin	38.3 %	36.5 %		1.8 %pts	37.4 %	35.3 %		2.1 %pts

U.S. Consumer Information Solutions revenue increased 19% in the second quarter and first six months of 2012 as compared to the prior year periods. This strong growth includes the impact of a high level of mortgage activity as well as certain business initiatives implemented in the first half of 2012. As we anniversary those initiatives and begin comparing to the second half of 2011 when mortgage activity was also strong, we will report lower growth rates than experienced in the first half.

**OCIS**

Revenue for the second quarter and first six months of 2012 increased 20% and 22%, respectively, when compared to the prior year periods. These increases were primarily driven by a 9% and 13% increase in core credit decision transaction volume for the three and six month periods, respectively. The rise in transaction volume is primarily due to increases in the mortgage industry as well as the automotive industry. Revenue in both periods also benefitted from a shift in product mix to higher priced products and new products billed on a subscription basis.

**Mortgage Solutions**

Revenue increased 51% and 38% for the three and six month periods ended June 30, 2012, respectively, when compared to the prior year periods due primarily to increased sales in core mortgage reporting services as a result of higher mortgage refinancings due to mortgage interest rates being at an all time low during the first half of 2012. Revenue in settlement services also increased during the first half of 2012 as a result of the favorable market conditions as well as increased market share from existing customers.

***Consumer Financial Marketing Services***

Revenue decreased for the three and six month periods ending June 30, 2012, as compared to 2011, due to a decline in project-based revenue and a decline in demand for wealth-based consumer information services due to reductions in their use for credit marketing by some large financial institutions. The decrease in revenue for the first six months of 2012, as compared to 2011, was partially offset in the first six months of 2012 by growth in traditional credit-based pre-screen and portfolio management revenue during the first quarter.

***USCIS Operating Margin***

USCIS operating margins increased 180 basis points to 38.3% in the second quarter of 2012 and 210 basis points to 37.4% in the first six months of 2012 due to the benefits of strong revenue growth in a business with significant fixed costs.

**International**

International	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2012	2011	\$	%	2012	2011	\$	%
	(Dollars in millions)				(Dollars in millions)			
Operating revenue:								
Latin America	\$46.3	\$59.3	\$(13.0)	-22 %	\$92.8	\$119.2	\$(26.4)	-22 %
Europe	41.3	38.9	2.4	6 %	84.4	76.3	8.1	11 %
Canada Consumer	31.9	32.6	(0.7 )	-2 %	63.3	62.5	0.8	1 %
Total operating revenue	\$119.5	\$130.8	\$(11.3)	-9 %	\$240.5	\$258.0	\$(17.5)	-7 %
% of consolidated revenue	22 %	27 %			23 %	27 %		
Total operating income	\$35.0	\$34.2	\$0.8	2 %	\$73.5	\$64.0	\$9.5	15 %
Operating margin	29.2 %	26.1 %		3.1 %pts	30.5 %	24.8 %		5.7 %pts

International revenue decreased by 9% and 7% in the three and six month periods respectively, compared to the same periods in 2011. While the deconsolidation of Brazil negatively impacted revenue by \$16.1 million and \$35.4 million in the three and six month periods of 2012, respectively, revenue in our other geographies increased by 4% in the three month period and 8% in the six month period as compared to 2011. Local currency revenue, excluding Brazil, increased 9% in the second quarter of 2012 and 12% for the first half of 2012 due to solid growth in Europe and other Latin American countries. Local currency fluctuations against the U.S. dollar, excluding Brazil, negatively impacted our International revenue by \$5.7 million, or 5%, in the second quarter, and \$8.6 million, or 4%, in the first six months of the year.

**Latin America**

Revenue decreased by 22% in the second quarter and first six months of 2012 as compared to the prior year periods. While the deconsolidation of Brazil negatively impacted revenue by \$16.1 million and \$35.4 million in the second quarter and first six months of 2012, respectively, revenue in our other Latin American countries increased 7% in the second quarter and 11% in the first six months of 2012 as compared to 2011. Local currency revenue, excluding Brazil, increased by 12% in the second quarter and 15% in the first six months of 2012 due most particularly to strong growth in Argentina, slightly offset by a small decline in Chile due to a regulatory change in allowable uses of credit reports. Local currency fluctuations against the U.S. dollar, excluding Brazil, negatively impacted revenue by \$2.3 million, or 5%, in the second quarter, and \$3.6 million, or 4%, in the first six months of 2012 compared to a year ago.

**Europe**



Revenue increased 6% and 11% in the three and six month periods, respectively, compared to the same periods in 2011. In local currency, revenue growth was 11% in the second quarter and 15% in the first six months of 2012 driven in both periods primarily by increased sales in most product segments. Local currency fluctuations against the U.S. dollar negatively impacted revenue by \$2.0 million, or 5%, in the second quarter, and \$3.1 million, or 4%, in the first six months of 2012.

### ***Canada Consumer***

Local currency revenue increased 2% and 4% in the three and six month periods, respectively, compared to the prior year periods in 2011 primarily due to increased volumes for our analytical services products. Local currency fluctuations against the U.S. dollar negatively impacted revenue by \$1.4 million, or 4%, in the second quarter, and \$1.9 million, or 3%, in the first six months of 2012, resulting in a 2% decline in reported nominal revenue in the second quarter and 1% growth year to date.

### ***International Operating Margin***

Operating margin increased in the second quarter and first six months of 2012 as compared to the prior year periods primarily due to the deconsolidation of our Brazilian business, whose margins had declined in recent periods.

**Workforce Solutions**

Workforce Solutions	Three Months Ended June 30,				Six Months Ended June 30,			
	2012	2011	Change		2012	2011	Change	
	(Dollars in millions)				(Dollars in millions)			
Operating revenue:								
Verification Services	\$63.3	\$44.4	\$18.9	42 %	\$120.1	\$85.8	\$34.3	40 %
Employer Services	51.9	51.9	-	0 %	108.8	109.9	(1.1)	-1 %
Total operating revenue	\$115.2	\$96.3	\$18.9	20 %	\$228.9	\$195.7	\$33.2	17 %
% of consolidated revenue	22 %	20 %			22 %	21 %		
Total operating income	\$26.9	\$20.8	\$6.1	30 %	\$53.1	\$42.5	\$10.6	25 %
Operating margin	23.4 %	21.6 %		1.8 %pts	23.2 %	21.7 %		1.5 %pts

**Verification Services**

Revenue from Verification Services increased 42% and 40% in the second quarter and first six months of 2012, respectively, compared to the prior year periods, due to 40% and 34% growth, respectively, in mortgage-related verification revenue due to the strong level of mortgage refinancing activity during the second quarter and first half of 2012, 16% growth in non-mortgage verification revenue in both periods, and the benefit of our third quarter 2011 acquisition of DataVision Resources. As we anniversary the DataVision Resources acquisition and particularly if current mortgage activity begins to decline, growth in the second half of 2012 will trend down.

**Employer Services**

Revenue was flat during the second quarter and slightly decreased in the first six months of 2012, as compared to the same periods in 2011, as revenue growth achieved in our transaction-based complementary services offset declines in our Tax Management Services business, related to unemployment cost management due to lower overall claims activity, and a decline in our Talent Management Services business due to decreased government hiring activity.

**Workforce Solutions Operating Margin**

Operating margin for the second quarter and first six months of 2012 increased as compared to the prior year period. The increase in margin was driven by the revenue growth during the quarter.

**North America Personal Solutions**

North America Personal Solutions	Three Months Ended June 30,				Six Months Ended June 30,			
	2012	2011	Change		2012	2011	Change	
	(Dollars in millions)				(Dollars in millions)			
Total operating revenue	\$ 50.7	\$ 45.2	\$ 5.5	12 %	\$ 100.2	\$ 89.6	\$ 10.6	12 %
% of consolidated revenue	9 %	9 %			9 %	9 %		
Total operating income	\$ 15.1	\$ 12.5	\$ 2.6	21 %	\$ 29.1	\$ 25.2	\$ 3.9	16 %
Operating margin	29.8 %	27.7 %		2.1 %pts	29.1 %	28.2 %		<b>0.9 %pts</b>

Revenue increased 12% for the three and six month periods ended June 30, 2012 respectively, as compared to the same periods in the prior year primarily due to increased direct to consumer, Equifax-branded subscription service revenue which was up 16% in the second quarter and 18% in the first six months of 2012. The increase was driven by higher average revenue per subscriber due to new product offerings and better market segmentation and to a lesser extent by higher subscription sales resulting in higher average subscriber counts. Operating margin increased in the second quarter and first six months of 2012, as compared to the prior year periods, primarily due to higher revenue partially offset by an increase in marketing.

**North America Commercial Solutions**

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012	2011	Change		2012	2011	Change	
North America Commercial Solutions	(Dollars in millions)				(Dollars in millions)			
Total operating revenue	\$20.3	\$20.8	\$ (0.5)	-2 %	\$41.1	\$41.4	\$ (0.3)	-1 %
% of consolidated revenue	4 %	4 %			4 %	4 %		
Total operating income	\$2.8	\$4.4	\$ (1.6)	-35 %	\$6.3	\$9.5	\$ (3.2)	-33 %
Operating margin	14.0%	20.9%		-6.9%pts	15.4%	22.9%		-7.5%pts

Revenue decreased for the three and six months ended June 30, 2012, as compared to the same periods in the prior year, by 2% and 1%, respectively. In local currency, revenue decreased 1% for the second quarter of 2012 and was flat for the first six months of 2012 as compared to the prior year periods. Transaction-based revenue serving credit risk needs of our customers, which represents approximately 60% of our revenue, was flat in the second quarter of 2012 and grew 5% in the first six months of 2012 as compared to the prior year. This growth was more than offset by a 2% decline in the second quarter and a 6% decline in the first six months of 2012 in project-oriented revenue as customers delayed or canceled certain small business marketing programs given the uncertain environment for small businesses. Operating margin decreased in the second quarter and first six months of 2012 due to a 6% and 9% increase, respectively, in operating expenses as the business continues to invest in its longer term strategy despite the current slowdown in demand for marketing services.

**General Corporate Expense**

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012	2011	Change		2012	2011	Change	
General Corporate Expense	(Dollars in millions)				(Dollars in millions)			
General corporate expense	\$ 35.2	\$ 28.1	\$ 7.1	25 %	\$ 67.8	\$ 50.0	\$ 17.8	36 %

Our general corporate expenses are unallocated costs that are incurred at the corporate level and include those expenses impacted by corporate direction, such as shared services, administrative, legal, restructuring and equity compensation costs. General corporate expenses increased by \$7.1 million and \$17.8 million for the second quarter of 2012 and first six months of 2012, respectively, compared to the same periods in 2011, primarily due to increased incentive compensation due to stronger first half results than is our normal pattern, and increased investment in corporate infrastructure initiatives.

## **LIQUIDITY AND FINANCIAL CONDITION**

Management assesses liquidity in terms of our ability to generate cash to fund operating, investing and financing activities. We continue to generate substantial cash from operating activities and remain in a strong financial position, with resources available for reinvestment in existing businesses, strategic acquisitions and managing our capital structure to meet short- and long-term objectives.

### **Sources and Uses of Cash**

Funds generated by operating activities and our credit facilities continue to be our most significant sources of liquidity. We expect that funds generated from results of operations will be sufficient to finance our anticipated working capital and other cash requirements (such as capital expenditures, interest payments, potential pension funding contributions and dividend payments) for the foreseeable future. If borrowings were needed, we would expect to borrow in the commercial paper or corporate bond markets; or in the event that credit market conditions were to deteriorate, we would rely more heavily on borrowings from the Senior Credit Facility as described below. At June 30, 2012, \$498.6 million was available to borrow under our Senior Credit Facility. Our Senior Credit Facility does not include a provision under which lenders could refuse to allow us to borrow under this facility in the event of a material adverse change in our financial condition, as long as we are in compliance with the covenants contained in the lending agreement.

The following table summarizes our cash flows for the six months ended June 30, 2012 and 2011:

	Six Months Ended		Change
	June 30,		
Net cash provided by (used in):	2012	2011	2012 vs. 2011
	(Dollars in millions)		
Operating activities	\$ 200.4	\$ 147.0	\$ 53.4
Investing activities	\$(35.6 )	\$(74.8 )	\$ 39.2
Financing activities	\$(108.9 )	\$(83.9 )	\$ (25.0 )

### ***Operating Activities***

Cash provided by operating activities in the six months ended June 30, 2012 increased by \$53.4 million over the prior year. Cash provided from net income, excluding the impact of the 2011 divestiture, increased \$28.3 million. The remaining increase in cash from operations was driven primarily by changes in net working capital and other balance sheet changes, most notably a \$10 million pension contribution in the first quarter of 2011 that did not recur in 2012 and other changes in liabilities.

*Fund Transfer Limitations.* The ability of certain of our subsidiaries and associated companies to transfer funds to us is limited, in some cases, by certain restrictions imposed by foreign governments. These restrictions do not, individually or in the aggregate, materially limit our ability to service our indebtedness, meet our current obligations or pay dividends. We currently hold \$108.1 million of cash in our foreign subsidiaries.

### ***Investing Activities***

### **Capital Expenditures**

	Six Months Ended		Change
	June 30,		
Net cash provided by (used in):	2012	2011	2012 vs. 2011
	(In millions)		
Capital expenditures	\$(34.5 )	\$(43.9 )	\$ 9.4

Our capital expenditures are used for developing, enhancing and deploying new and existing software in support of our expanding product set, replacing or adding facilities and equipment, updating systems for regulatory compliance, the licensing of software applications and investing in system reliability, security and disaster recovery enhancements. Capital expenditures in 2011 were higher than 2012 primarily due to the purchase of a building in our Workforce Solutions segment during the first quarter of 2011.

**Acquisitions, Divestitures and Investments**

Net cash provided by (used in):	Six Months Ended June 30,		Change 2012 vs. 2011
	2012	2011	
	(In millions)		
Acquisitions, net of cash acquired	\$ -	\$ (30.7 )	\$ 30.7
Cash received from divestiture	\$ 2.5	\$ 2.5	\$ -
Investment in unconsolidated affiliates, net	\$ (3.6 )	\$ (2.7 )	\$ (0.9 )

During the first quarter of 2011, we invested \$30.7 million in acquisitions, net of cash acquired. We acquired information services businesses in the European and Latin American regions of our International segment.

During the second quarter of 2010, we sold our APPRO product line, generating cash proceeds of approximately \$67 million. Approximately \$5 million of the purchase price was paid by the acquirer into an escrow account that released to us, upon the satisfaction of certain conditions, over the two year period following the sale. We received \$2.5 million from the escrow account in the second quarter of both 2012 and 2011.

During the second quarter of 2012, we invested \$3.6 million in our joint venture in Russia compared to the first half of 2011 in which we invested \$2.7 million in our joint venture in India.

***Financing Activities*****Borrowings and Credit Facility Availability**

Net cash provided by (used in):	Six Months Ended June 30,		Change 2012 vs. 2011
	2012	2011	
	(In millions)		
Net short-term repayments	\$ (31.6 )	\$ (3.4 )	\$ (28.2 )
Payments on long-term debt	\$ (15.1 )	\$ (16.7 )	\$ 1.6



*Credit Facility Availability*

Our principal unsecured revolving credit facility with a group of banks, which we refer to as the Senior Credit Facility, permits us to borrow up to \$500.0 million through February 2015. The Senior Credit Facility may be used for general corporate purposes. Availability of the Senior Credit Facility for borrowings is reduced by the outstanding face amount of any letters of credit issued under the facility and, pursuant to our existing Board of Directors authorization, by the outstanding principal amount of our commercial paper notes, or CP.

Our \$500.0 million CP program has been established to allow for borrowing through the private placement of CP with maturities ranging from overnight to 397 days. We may use the proceeds of CP for general corporate purposes. The CP program is supported by our Senior Credit Facility and, pursuant to our existing Board of Directors authorization, the total amount of CP which may be issued is reduced by the amount of any outstanding borrowings under our Senior Credit Facility.

At June 30, 2012, there were no borrowings outstanding under our Senior Credit Facility and CP program. At June 30, 2012, a total of \$498.6 million was available under our Senior Credit Facility.

At June 30, 2012, 70% of our debt was fixed-rate debt and 30% was effectively variable-rate debt. Our variable-rate debt, consisting of our five-year senior notes due 2014 (against which we have executed interest rate swaps to convert interest expense from fixed rates to floating rates), generally bears interest based on a specified margin plus a base rate (LIBOR). The interest rates reset periodically, depending on the terms of the respective financing arrangements. At June 30, 2012, the interest rate on our variable-rate debt was 2.2%.

### ***Borrowing and Repayment Activity***

Net short-term repayments primarily represent activity under our CP program. We primarily borrow under our CP program, when available.

The increase in net short-term repayments primarily reflects the net repayment of CP notes outstanding as of the end of 2011 during the first half of 2012.

The payments on long-term debt primarily reflect \$15 million payments made in the second quarter of both 2012 and 2011 on our 7.34% Notes.

***Debt Covenants.*** A downgrade in our credit ratings would increase the cost of borrowings under our CP program and credit facilities, and could limit or, in the case of a significant downgrade, preclude our ability to issue CP. Our outstanding indentures and comparable instruments also contain customary covenants including, for example, limits on the incurrence of secured debt and sale/leaseback transactions. In addition, our Senior Credit Facility requires us to maintain a maximum leverage ratio of not more than 3.5. Our leverage ratio was 1.45 at June 30, 2012. None of these covenants are considered restrictive to our operations and, as of June 30, 2012, we were in compliance with all of our debt covenants.

We do not have any credit rating triggers that would accelerate the maturity of a material amount of our outstanding debt; however, our 6.3% Senior Notes due 2017 and 7.0% Senior Notes due 2037 (together, the “Senior Notes”) contain change of control provisions. If we experience a change of control or publicly announce our intention to effect a change of control and the rating on the Senior Notes is lowered by each of Standard & Poor’s, or S&P, and Moody’s Investors Service, or Moody’s, below an investment grade rating within 60 days of such change of control or notice thereof, we will be required to offer to repurchase the Senior Notes at a price equal to 101% of the aggregate principal amount of the Senior Notes plus accrued and unpaid interest.

For additional information about our debt, including the terms of our financing arrangements, basis for variable interest rates and debt covenants, see Note 5 of the Notes to Consolidated Financial Statements in our 2011 Form 10-K.

**Equity Transactions**

Net cash provided by (used in):	Six Months Ended June 30,		Change 2012 vs. 2011
	2012	2011	
	(In millions)		
Treasury stock repurchases	\$ (51.1 )	\$ (31.3 )	\$ (19.8 )
Dividends paid to Equifax shareholders	\$ (43.1 )	\$ (39.2 )	\$ (3.9 )
Dividends paid to noncontrolling interests	\$ (1.4 )	\$ (3.6 )	\$ 2.2
Proceeds from exercise of stock options	\$ 33.3	\$ 12.3	\$ 21.0
Excess tax benefits from stock-based compensation plans	\$ 0.5	\$ 0.6	\$ (0.1 )

Sources and uses of cash related to equity during the six months ended June 30, 2012 and 2011 were as follows:

During the first six months of 2012, we repurchased 1.1 million of our common shares on the open market for \$51.1 million at an average price of \$45.33 per share. During the first six months of 2011, we repurchased 0.8 million of our common shares for \$31.3 million at an average price of \$37.32. At June 30, 2012, we had approximately \$261.0 million remaining for stock repurchases under the existing Board authorization.

We increased our quarterly dividend from \$0.16 per share previously to \$0.18 per share as announced in the first quarter of 2012. Accordingly, our dividends per share were \$0.36 and \$0.32 per share for the six month periods ended June 30, 2012 and 2011, respectively. We paid cash dividends to Equifax shareholders of \$43.1 million and \$39.2 million during the six months ended June 30, 2012 and 2011, respectively.

We received cash of \$33.3 million and \$12.3 million during the first six months of 2012 and 2011, respectively, from the exercise of stock options.

**Contractual Obligations, Commercial Commitments and Other Contingencies**

Our contractual obligations have not changed materially from those reported in our 2011 Form 10-K. For additional information about certain obligations and contingencies, including those related to Computer Sciences Corporation and the Brazilian Transaction, see Note 2 and Note 6 of the Notes to Consolidated Financial Statements in this Form 10-Q.

**Off-Balance Sheet Arrangements**

There have been no material changes with respect to our off-balance sheet arrangements from those presented in our 2011 Form 10-K.

### **Related Party Transactions**

We engage in various transactions and arrangements with related parties. We believe the terms of the transactions and arrangements do not differ from those that would have been negotiated with an independent party.

### **Benefit Plans**

At December 31, 2011, our U.S. Retirement Income Plan, or USRIP, met or exceeded ERISA's minimum funding requirements. In the future, we expect to make minimum funding contributions as required and may make discretionary contributions, depending on certain circumstances, including market conditions and our liquidity needs. We believe additional funding contributions, if any, would not prevent us from continuing to meet our liquidity needs, which are primarily funded from cash flows generated by operating activities, available cash and cash equivalents, and our committed credit facilities.

For our non-U.S., tax-qualified retirement plans, we fund an amount sufficient to meet minimum funding requirements but no more than allowed as a tax deduction pursuant to applicable tax regulations. For our non-qualified supplementary retirement plans, we fund the benefits as they are paid to retired participants, but accrue the associated expense and liabilities in accordance with GAAP.

For additional information about our benefit plans, see Note 11 of the Notes to Consolidated Financial Statements in our 2011 Form 10-K.

### **Seasonality**

We experience seasonality in certain of our revenue streams. Revenue generated by the online consumer information services component of our USCIS operating segment are typically the lowest during the first quarter, when consumer lending activity is at a seasonal low. Revenue generated from the Employer Services business unit within the Workforce Solutions operating segment is generally higher in the first quarter due primarily to the provision of Form W-2 preparation services which occur in the first quarter each year. Revenue generated from our financial wealth asset products in Consumer Financial Marketing Services (CFMS) and from data management services in our North America Commercial business are generally higher in the fourth quarter each year due to the significant portion of our annual renewals which occur in the fourth quarter of each year.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

For information about new accounting pronouncements and the potential impact on our Consolidated Financial Statements, see Note 1 of the Notes to Consolidated Financial Statements in this Form 10-Q and Note 1 of the Notes to Consolidated Financial Statements in our 2011 Form 10-K.

### **APPLICATION OF CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in our Consolidated Financial Statements and the Notes to Consolidated Financial Statements. We believe the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates and assumptions about the effects of matters that are inherently uncertain. The “Application of Critical Accounting Policies and Estimates” section in the MD&A, and Note 1 of the Notes to Consolidated Financial Statements, in our 2011 Form 10-K describe the significant

accounting estimates and policies used in the preparation of our Consolidated Financial Statements. Although we believe that our estimates, assumptions and judgments are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For information regarding our exposure to certain market risks, see “Quantitative and Qualitative Disclosures about Market Risk,” in Part II, Item 7A of our 2011 Form 10-K. There were no material changes to our market risk exposure during the three months ended June 30, 2012.

### **ITEM 4. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, an evaluation was carried out by the Company’s management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Equifax, certain of its subsidiaries, and other persons have been named as parties in various legal actions and administrative proceedings arising in connection with the operation of Equifax's businesses. In most cases, plaintiffs seek unspecified damages and other relief. These actions include the following:

**California Bankruptcy Litigation.** In consolidated actions filed in the U.S. District Court for the Central District of California, captioned *Terri N. White, et al. v. Equifax Information Services LLC, Jose Hernandez v. Equifax Information Services LLC, Kathryn L. Pike v. Equifax Information Services LLC, and Jose L. Acosta, Jr., et al. v. Trans Union LLC, et al.*, plaintiffs asserted that Equifax violated federal and state law (the FCRA, the California Credit Reporting Act and the California Unfair Competition Law) by failing to follow reasonable procedures to determine whether credit accounts are discharged in bankruptcy, including the method for updating the status of an account following a bankruptcy discharge. On August 20, 2008, the District Court approved a Settlement Agreement and Release providing for certain changes in the procedures used by defendants to record discharges in bankruptcy on consumer credit files. That settlement resolved claims for injunctive relief, but not plaintiffs' claims for damages. On May 7, 2009, the District Court issued an order preliminarily approving an agreement to settle remaining class claims. The District Court subsequently deferred final approval of the settlement and required the settling parties to send a supplemental notice to those class members who filed a claim and objected to the settlement or opted out, with the cost for the re-notice to be deducted from the plaintiffs' counsel fee award. Mailing of the supplemental notice was completed on February 15, 2011. The deadline for this group of settling plaintiffs to provide additional documentation to support their damage claims or to opt-out of the settlement was March 31, 2011. On July 15, 2011, following another approval hearing, the District Court approved the settlement. Several objecting plaintiffs subsequently filed notices of appeal to the U.S. Court of Appeals for the Ninth Circuit, which are currently pending.

**Other.** Equifax has been named as a defendant in various other legal actions, including administrative claims, class actions and other litigation arising in connection with our business. Some of the legal actions include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. We believe we have strong defenses to, and where appropriate, will vigorously contest, many of these matters. Given the number of these matters, some are likely to result in adverse judgments, penalties, injunctions, fines or other relief. However, we do not believe that these litigation matters will be individually material to our financial condition or results of operations. We may explore potential settlements before a case is taken through trial because of the uncertainty and risks inherent in the litigation process.

For information regarding our accounting for legal contingencies, see Note 7 of the Notes to Consolidated Financial Statements in this Form 10-Q.

## ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011, as supplemented below, which factors could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

**Our customers and we are subject to various current governmental regulations, and could be affected by new laws or regulations, compliance with which may cause us to incur significant expenses, and if we fail to maintain satisfactory compliance with certain regulations, we could be subject to civil or criminal penalties.**

Our businesses are subject to various significant international, federal, state and local regulations, including but not limited to privacy and consumer data protection, health and safety, tax, labor and environmental regulations. These regulations are complex, change frequently and have tended to become more stringent over time. We may be required to incur significant expenses to comply with these regulations or to remedy violations of these regulations. Any failure by us to comply with applicable government regulations could also result in cessation of our operations or portions of our operations or impositions of fines and restrictions on our ability to carry on or expand our operations. In addition, because many of our products are regulated or sold into regulated industries, we must comply with additional regulations in marketing our products.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, was enacted in 2010 to broadly reform practices in the financial services industry. Title X of the Dodd-Frank Act established a new Bureau of Consumer Financial Protection, or CFPB, to protect consumers from abusive financial services practices. The CFPB will have authority to write rules impacting the business of credit reporting companies, including the Company, and also to supervise, conduct examinations of, and enforce compliance as to federal consumer financial protections laws and regulations, with respect to certain “non-depository covered persons” determined by the CFPB to be “larger participants” that offer consumer financial products and services. On July 16, 2012, the CFPB issued a final rule that includes our credit reporting agency under the CFPB nonbank supervision program. The first examinations of credit reporting firms will begin sometime after the September 30, 2012 effective date of the final rule. These laws and regulations (as well as actions that may be taken by legislatures and regulatory bodies in other countries) could limit our ability to pursue business opportunities we might otherwise consider engaging in, impose additional costs on us, result in significant loss of revenue, impact the value of assets we hold, or otherwise significantly adversely affect our business.

As in the United States, legislation regarding the availability or use of consumer and commercial data has been, and continues to be, proposed from time to time in various foreign countries in which we have operations, most notably in certain Latin American countries. These proposals have in some cases had the potential to expand the availability or uses of information and in other cases had the potential to restrict the availability or use of information we currently maintain. Accordingly, such possible regulatory action could either increase or decrease our potential revenue and profits.

We derive a portion of our revenue from direct and indirect sales to U.S., state, local and foreign governments and their respective agencies. Such contracts are subject to various procurement laws and regulations, and contract provisions relating to their formation, administration and performance. Failure to comply with these laws, regulations or provisions in our government contracts could result in the imposition of various civil and criminal penalties, termination of contracts, forfeiture of profits, suspension of payments, or suspension of future government contracting. If our government contracts are terminated, if we are suspended from government work, or if our ability to compete for new contracts is adversely affected, our business could suffer.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table contains information with respect to purchases made by or on behalf of Equifax or any “affiliated purchaser” (as defined in Rule 10b-18(a) (3) under the Securities Exchange Act of 1934), of our common stock during our second quarter ended June 30, 2012:

Total Number	Maximum Number (or Approximate Dollar Value)
--------------	--

Edgar Filing: EQUIFAX INC - Form 10-Q

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	of Shares Purchased as Part of Publicly-Announced Plans or Programs	of Shares that May Yet Be Purchased Under the Plans or Programs (3)
March 1 - March 31, 2012				\$ 112,127,299
April 1 - April 30, 2012	77,830	\$ -	-	\$ 112,127,299
May 1 - May 31, 2012	828,786	\$ 45.53	820,246	\$ 274,781,499
June 1 - June 30, 2012	308,000	\$ 44.79	308,000	\$ 260,986,179
Total	1,214,616	\$ 45.33	1,128,246	\$ 260,986,179

(1) The total number of shares purchased for the quarter includes shares surrendered, or deemed surrendered, in satisfaction of the exercise price and/or to satisfy tax withholding obligations in connection with the exercise of employee stock options, totaling 77,830 shares for the month of April 2012, 8,540 shares for the month of May 2012, and no shares for the month of June 2012.

(2) Average price paid per share for shares purchased as part of our share repurchase program (includes brokerage commissions).

(3) On May 3, 2012, our Board of Directors increased the amounts authorized under the program by \$200 million, and we publicly announced the increase on May 3, 2012. At June 30, 2012, the amount authorized for future share repurchases under the share repurchase program was \$261.0 million. The program does not have a stated expiration date.

## **Dividend and Share Repurchase Restrictions**

Our Senior Credit Facility restricts our ability to pay cash dividends on our capital stock or repurchase capital stock if a default or event of default exists or would result, according to the terms of the credit agreement.

## **ITEM 6. EXHIBITS**

### **Exhibit No. Description**

31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

**SIGNATURES**

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

**Equifax Inc.**  
(Registrant)

Date: July 26, 2012 By: /s/ Richard F. Smith  
Richard F. Smith  
*Chairman and Chief Executive Officer*  
*(Principal Executive Officer)*

Date: July 26, 2012 /s/ Lee Adrean  
Lee Adrean  
*Corporate Vice President and*  
*Chief Financial Officer*  
*(Principal Financial Officer)*

Date: July 26, 2012 /s/ Nuala M. King  
Nuala M. King  
*Senior Vice President and Corporate Controller*  
*(Principal Accounting Officer)*

## INDEX TO EXHIBITS

### **Exhibit No. Description**

31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase