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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 5, 2023

Fidelity National Information Services, Inc.
(Exact Name of Registrant as Specified in its Charter)

Georgia	**1-16427**	**37-1490331**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

347 Riverside Avenue **Jacksonville, Florida**	**32202**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, including Area Code: (904) 438-6000

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	FIS	New York Stock Exchange
1.100% Senior Notes due 2024	FIS24A	New York Stock Exchange
0.625% Senior Notes due 2025	FIS25B	New York Stock Exchange
1.500% Senior Notes due 2027	FIS27	New York Stock Exchange
1.000% Senior Notes due 2028	FIS28	New York Stock Exchange
2.250% Senior Notes due 2029	FIS29	New York Stock Exchange
2.000% Senior Notes due 2030	FIS30	New York Stock Exchange
3.360% Senior Notes due 2031	FIS31	New York Stock Exchange
2.950% Senior Notes due 2039	FIS39	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01. Regulation FD Disclosure.

Fidelity National Information Services, Inc. (the "Company"), in connection with the announced contemplated sale of a 55% equity interest in the Company's Merchant Solutions business to private equity funds managed by GTCR (the "proposed transaction"), is providing the following information: (i) the audited combined financial statements and related notes of the Worldpay Business (as defined therein) as of December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, which is furnished as Exhibit 99.1 to this Current Report; (ii) the unaudited combined financial statements and related notes of the Worldpay Business (as defined therein) as of June 30, 2023, and for the six months ended June 30, 2023 and 2022, which is furnished as Exhibit 99.2 to this Current Report; and (iii) the management's discussion and analysis of financial condition and results of operations of the Worldpay Business (as defined therein) related to the financial periods referenced in clauses (i) and (ii) above, which is furnished as Exhibit 99.3 to this Current Report.

As a result of the allocations and carve out methodologies used to prepare the historical combined financial statements furnished in this Current Report, the results reflected in such historical combined financial statements may not be indicative of the Worldpay Business' future performance, and may not reflect the results of operations, financial position, and cash flows had the Worldpay Business been a separate, standalone company during the periods presented, and, when viewed together with the historical financial statements of the Company for the relevant periods, may not be indicative of the results of operations, financial position and cash flows of the Company assuming the completion of the proposed transaction or had the Company been operated on a standalone basis without the Worldpay Business.

The information in this Item 7.01, including Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Audited combined financial statements of the Worldpay Business as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 (furnished pursuant to Item 7.01 hereof).
99.2	Interim unaudited combined financial statements of the Worldpay Business as of June 30, 2023 and for the six months ended June 30, 2023 and 2022 (furnished pursuant to Item 7.01 hereof).
99.3	Management's discussion and analysis of financial condition and results of operations of the Worldpay Business (furnished pursuant to Item 7.01 hereof).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

Forward-Looking Statements

This communication contains "forward-looking statements" within the meaning of the U.S. federal securities laws. Statements that are not historical facts, including statements about anticipated financial outcomes, including any earnings guidance or projections, projected revenue or expense synergies or dis-synergies, business and market conditions, outlook, potential market growth opportunities, foreign currency exchange rates, deleveraging plans, expected dividends and share repurchases of the Company and the Merchant Solutions business, the Company's and Merchant Solutions business' sales pipeline and anticipated profitability and growth, plans, strategies and objectives for future operations, strategic value creation, risk profile and investment strategies, any statements regarding future economic conditions or performance and any statements with respect to the proposed sale of a majority of the Merchant Solutions business, the expected financial and operational results of the Company or the Merchant Solutions business, and expectations regarding the Company's business or organization, or the Merchant Solutions business or organization after the proposed transaction, as well as other statements about our expectations, beliefs, intentions, or strategies regarding the future, or other characterizations of future events or circumstances, are forward-looking statements. These statements may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and various accruals and estimates. These statements relate to future events and our future results and involve a number of risks and uncertainties. In addition, the amount of any goodwill impairment charge is based in part on estimates of future performance, so should also be considered a forward-looking statement.

Actual results, performance or achievement could differ materially from these forward-looking statements. The risks and uncertainties to which forward-looking statements are subject include the following, without limitation:

- changes in general economic, business and political conditions, including those resulting from COVID-19 or other pandemics, a recession, intensified international hostilities, acts of terrorism, increased rates of inflation or interest, changes in either or both the United States and international lending, capital and financial markets or currency fluctuations;
- the risk of losses in the event of defaults by merchants (or other parties) to which we extend credit in our card settlement operations or in respect of any chargeback liability, either of which could adversely impact liquidity and results of operations;
- the risk that acquired businesses will not be integrated successfully or that the integration will be more costly or more time-consuming and complex than anticipated;

- the risk that cost savings and synergies anticipated to be realized from acquisitions may not be fully realized or may take longer to realize than expected;
- the risks of doing business internationally;
- the effect of legislative initiatives or proposals, statutory changes, governmental or applicable regulations and/or changes in industry requirements, including privacy and cybersecurity laws and regulations;
- the risks of reduction in revenue from the elimination of existing and potential customers due to consolidation in, or new laws or regulations affecting, the banking, retail and financial services industries or due to financial failures or other setbacks suffered by firms in those industries;
- changes in the growth rates of the markets for our solutions;
- the amount, declaration and payment of future dividends is at the discretion of our Board of Directors and depends on, among other things, our investment opportunities, results of operations, financial condition, cash requirements, future prospects, and other factors that may be considered relevant by our Board of Directors, including legal and contractual restrictions;
- the amount and timing of any future share repurchases is subject to, among other things, our share price, our other investment opportunities and cash requirements, our results of operations and financial condition, our future prospects and other factors that may be considered relevant by our Board of Directors and management;
- failures to adapt our solutions to changes in technology or in the marketplace;
- internal or external security breaches of our systems, including those relating to unauthorized access, theft, corruption or loss of personal information and computer viruses and other malware affecting our software or platforms, and the reactions of customers, card associations, government regulators and others to any such events;
- the risk that implementation of software, including software updates, for customers or at customer locations or employee error in monitoring our software and platforms may result in the corruption or loss of data or customer information, interruption of business operations, outages, exposure to liability claims or loss of customers;
- uncertainties as to the timing of the consummation of proposed transaction or whether it will be completed;
- the risk that partners and third parties who may fail to satisfy their legal obligations and risks associated with managing pension cost; cybersecurity issues, IT outages and data privacy;
- risks associated with the impact, timing or terms of the proposed transaction;
- risks associated with the expected benefits and costs of the proposed transaction, including the risk that the expected benefits of the proposed transaction or any contingent purchase price will not be realized within the expected timeframe, in full or at all;
- the risk that conditions to the proposed transaction will not be satisfied and/or that the proposed transaction will not be completed within the expected timeframe, on the expected terms or at all;
- the risk that any consents or regulatory or other approvals required in connection with the proposed transaction will not be received or obtained within the expected timeframe, on the expected terms or at all;
- the risk that the financing intended to fund the proposed transaction may not be obtained;

- the risk that the costs of restructuring transactions and other costs incurred in connection with the proposed transaction will exceed our estimates or otherwise adversely affect our business or operations;
- the impact of the proposed transaction on our businesses and the risk that the proposed transaction may be more difficult, time-consuming or costly than expected, including the impact on our resources, systems, procedures and controls, diversion of management's attention and the impact on relationships with customers, governmental authorities, suppliers, employees and other business counterparties;
- the reaction of current and potential customers to communications from us or regulators regarding information security, risk management, internal audit or other matters;
- the risk that policies and resulting actions of the current administration in the U.S. may result in additional regulations and executive orders, as well as additional regulatory and tax costs;
- competitive pressures on pricing related to the decreasing number of community banks in the U.S., the development of new disruptive technologies competing with one or more of our solutions, increasing presence of international competitors in the U.S. market and the entry into the market by global banks and global companies with respect to certain competitive solutions, each of which may have the impact of unbundling individual solutions from a comprehensive suite of solutions we provide to many of our customers;
- the failure to innovate in order to keep up with new emerging technologies, which could impact our solutions and our ability to attract new, or retain existing, customers;
- an operational or natural disaster at one of our major operations centers;
- failure to comply with applicable requirements of payment networks or changes in those requirements;
- fraud by merchants or bad actors; and
- other risks detailed in the "Risk Factors" and other sections of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, in our quarterly reports on Form 10-Q, in our current reports on Form 8-K and in our other filings with the Securities and Exchange Commission.

Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition, results of operations and prospects. Accordingly, readers should not place undue reliance on these forward-looking statements. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. There can be no assurance that the proposed transaction will in fact be completed in the manner described or at all. Except as required by applicable law or regulation, we do not undertake (and expressly disclaim) any obligation and do not intend to publicly update or review any of these forward-looking statements, whether as a result of new information, future events or otherwise.

SIGNATURE

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 hereunto duly authorized.

Date: September 5, 2023		**Fidelity National Information Services, Inc.** (Registrant)
	By:	/s/ Chip Keller
	Name:	Chip Keller
	Title:	Senior Vice President, Senior Deputy General Counsel and Corporate Secretary

Exhibit 99.1

Worldpay Business

Index to Financial Statements

KPMG LLP
Suite 500
501 Riverside Avenue
Jacksonville, FL 32202

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Fidelity National Information Services, Inc.:

Opinion on the Combined Financial Statements

We have audited the accompanying combined balance sheets of Worldpay Business (the Merchant Solutions business of Fidelity National Information Services, Inc.) (the Company) as of December 31, 2022 and 2021, the related combined statements of loss, comprehensive earnings (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the combined financial statements). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the combined financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the combined financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the combined financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill impairment charge for the Merchant Solutions reporting unit

As discussed in Notes 3(f) and 7 to the combined financial statements, the goodwill of the Merchant Solutions reporting unit was recorded on the basis of Fidelity National Information Services, Inc.'s ("Parent") reporting units and the goodwill amounts carry with them the results of the Parent's impairment tests. The Parent assesses goodwill for impairment by reporting unit on an annual basis during the fourth quarter or more frequently if circumstances indicate potential impairment. As a result of the Parent's annual impairment testing, a goodwill impairment charge was recorded for the Merchant Solutions reporting unit of $17.6 billion for the year ended December 31, 2022.

We identified the evaluation of the goodwill impairment charge for the Merchant Solutions reporting unit as a critical audit matter. A high degree of subjective auditor judgment was required to evaluate the reporting unit's forecasted revenue growth rates and discount rate used in the income approach. Changes to these assumptions could have had a significant impact on the estimated fair value of the Merchant Solutions reporting unit.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's goodwill impairment process, including the controls related to the determination of the reporting unit's forecasted revenue growth rates and discount rate. We performed a sensitivity analysis over the reporting unit's forecasted revenue growth rates and discount rate to assess the impact that changes to the assumptions would have had on the impairment charge. We evaluated the Merchant Solutions reporting unit's forecasted revenue growth rates by comparing them to:

- the reporting unit's historical revenues
- internal communications to management and the Board of Directors
- growth rates of comparable companies
- other industry market data.

We involved valuation professionals with specialized skills and knowledge who assisted in evaluating the Merchant Solutions reporting unit's discount rate by comparing it to a discount rate that was independently developed using publicly available market data for comparable entities.

KPMG LLP

We have served as the Company's auditor since 2022.

Jacksonville, Florida
May 12, 2023, except for Note 1 (b), as to which date is August 30, 2023

Worldpay Business
Combined Balance Sheets
December 31, 2022 and 2021
(In millions)

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,743	$ 1,119
Settlement assets	5,265	3,310
Trade receivables, net of allowance for credit losses of $46 and $50, respectively	1,903	2,004
Prepaid expenses and other current assets	131	146
Due from affiliates	21	17
Total current assets	9,063	6,596
Property and equipment, net	143	192
Goodwill	20,874	39,817
Intangible assets, net	7,500	9,618
Software, net	1,169	1,341
Other noncurrent assets	468	537
Total assets	$39,217	$58,101
LIABILITIES, NONCONTROLLING INTEREST AND EQUITY		
Current liabilities:		
Accounts payable, accrued and other liabilities	$ 1,219	$ 1,421
Settlement payables	6,141	4,572
Due to affiliates	65	25
Loan payable to affiliates—short-term	—	215
Total current liabilities	7,425	6,233
Loan payable to affiliates—long-term	—	44
Deferred income taxes	2,385	3,053
Other noncurrent liabilities	518	875
Total liabilities	10,328	10,205
Equity:		
Net parent investment	29,365	46,521
Accumulated other comprehensive earnings (loss)	(480)	1,369
Total equity of the Worldpay Business	28,885	47,890
Noncontrolling interest	4	6
Total equity	28,889	47,896
Total liabilities, noncontrolling interest and equity	$39,217	$58,101

See accompanying notes, which are an integral part of these Combined Financial Statements.

Worldpay Business
Combined Statements of Loss
Years Ended December 31, 2022, 2021 and 2020
(In millions)

	2022	2021	2020
Revenue	$ 5,009	$4,816	$4,156
Cost of revenue	3,082	3,188	3,031
Selling, general and administrative expenses	2,252	2,034	1,991
Asset impairments	17,606	13	29
Operating loss	(17,931)	(419)	(895)
Other income (expense), net	59	41	40
Loss before income taxes	(17,872)	(378)	(855)
Provision (benefit) for income taxes	(78)	90	(158)
Net loss	(17,794)	(468)	(697)
Net earnings attributable to noncontrolling interest	(4)	(5)	(2)
Net loss attributable to the Worldpay Business	$(17,798)	$ (473)	$ (699)

See accompanying notes, which are an integral part of these Combined Financial Statements.

Worldpay Business
Combined Statements of Comprehensive Earnings (Loss)
Years Ended December 31, 2022, 2021 and 2020
(In millions)

	2022	2021	2020
Net loss	$(17,794)	$ (468)	$ (697)
Foreign currency translation adjustments, net of tax	(1,849)	(600)	1,085
Comprehensive earnings (loss)	$(19,643)	$(1,068)	$ 388
Net earnings attributable to noncontrolling interest	(4)	(5)	(2)
Comprehensive earnings (loss) attributable to the Worldpay Business	$(19,647)	$(1,073)	$ 386

See accompanying notes, which are an integral part of these Combined Financial Statements.

Worldpay Business
Combined Statements of Equity
Years Ended December 31, 2022, 2021 and 2020
(In millions)

	Net parent investment	Accumulated other comprehensive earnings (loss)	Noncontrolling interest	Total equity
Balances, December 31, 2019	$ 49,557	$ 884	$ 10	$ 50,451
Net earnings (loss)	(699)	—	2	(697)
Other comprehensive earnings (loss), net of tax	—	1,085	—	1,085
Transfers to Parent, net	(1,629)	—	(5)	(1,634)
Balances, December 31, 2020	$ 47,229	$ 1,969	7	$ 49,205
Net earnings (loss)	(473)	—	5	(468)
Other comprehensive earnings (loss), net of tax	—	(600)	—	(600)
Transfers to Parent, net	(235)	—	(6)	(241)
Balances, December 31, 2021	$ 46,521	$ 1,369	$ 6	$ 47,896
Net earnings (loss)	(17,798)	—	4	(17,794)
Other comprehensive earnings (loss), net of tax	—	(1,849)	—	(1,849)
Transfers (to) from Parent, net	642	—	(6)	636
Balances, December 31, 2022	$ 29,365	$ (480)	$ 4	$ 28,889

See accompanying notes, which are an integral part of these Combined Financial Statements.

Worldpay Business
Combined Statements of Cash Flows
Years Ended December 31, 2022, 2021 and 2020
(In millions)

	2022	2021	2020
Cash flows from operating activities:			
Net loss	$(17,794)	$ (468)	$ (697)
Adjustment to reconcile net loss to net cash provided by operating activities:			
Asset impairments	17,606	13	29
Loss (gain) on sale of businesses, investments, and other	1	(8)	2
Depreciation and amortization	2,222	2,437	2,303
Stock-based compensation	47	93	103
Deferred income taxes	(565)	(44)	(81)
Net changes in assets and liabilities, net of effects of foreign currency:			
Trade receivables	30	(289)	71
Prepaid expenses and other assets	(234)	(214)	211
Accounts payable, accrued and other liabilities	21	40	37
Due to / from affiliates	36	1	(199)
Net cash provided by operating activities	1,370	1,561	1,779
Cash flows from investing activities:			
Additions to property and equipment	(38)	(31)	(39)
Additions to software	(334)	(283)	(279)
Acquisitions, net of cash acquired	—	(767)	—
Net proceeds from sale of businesses and other investments	(1)	11	11
Proceeds from sale of Visa preferred stock	269	—	552
Other investing activities, net	1	9	(12)
Net cash provided by (used in) investing activities	(103)	(1,061)	233
Cash flows from financing activities:			
Settlement activity	278	662	853
Borrowings	(58)	44	(44)
Repayment of borrowings and other financing obligations	—	(5)	(12)
Repayments and borrowings of loan payable to affiliates	(259)	(547)	806
Payments on contingent value rights	(245)	—	(691)
Payments on Tax Receivable Agreement	(185)	(85)	(32)
Other financing activities, net	(6)	(6)	(5)
Transfers (to) from Parent, net	589	(340)	(1,734)
Net cash provided by (used in) financing activities:	114	(277)	(859)
Effect of foreign currency exchange rate changes on cash	(405)	(211)	108
Net increase in cash and cash equivalents	976	12	1,261
Cash, cash equivalents and restricted cash, beginning of year	3,392	3,380	2,119
Cash, cash equivalents and restricted cash, end of year	$ 4,368	$ 3,392	$ 3,380
Supplemental cash flow information:			
Cash paid for income taxes	$ 151	$ 96	$ 135

See accompanying notes, which are an integral part of these Combined Financial Statements.

(1) Background and Nature of Operations

(a)

On February 13, 2023, Fidelity National Information Services, Inc. (“FIS”) announced a plan to spin off the Merchant Solutions business (“Merchant” or “Merchant Solutions”) into an independent public company. FIS intended to effect the separation through a pro rata distribution to the FIS shareholders of common stock of Worldpay Newco, Inc., a new entity formed to hold the assets and liabilities associated with the Merchant Solutions business. In connection with the separation and distribution, FIS intended to complete an internal reorganization as a result of which Worldpay Newco, Inc. was expected to become the parent company of the FIS operations comprising, and the entities that will conduct, the Merchant Solutions business. No assurance can be given that a spin-off will in fact occur, or that it will achieve the anticipated benefits, on our desired timetable or at all.

These combined financial statements reflect the combined historical results of operations, financial position and cash flows of two businesses, Issuer Solutions (“FIS Retained Issuer Business” or “Issuer”) and Merchant (collectively, the “Worldpay Business”). For the historical periods presented, Merchant and Issuer are primarily included within FIS legal entities expected to be contributed to Worldpay in connection with the separation (collectively, the “Transferring Entities” and each, a “Transferring Entity”). The Transferring Entities include the net assets and subsequent operations acquired by FIS in the acquisition of Worldpay, Inc., which was completed on July 31, 2019 (the “Worldpay Acquisition”), along with legacy FIS merchant businesses within existing legal entities. Issuer will be retained by FIS following the completion of the separation (refer to Note 2 for further detail). These combined financial statements reflect the combined historical results of operations, financial position and cash flows of the Worldpay Business.

Merchant is focused on serving merchants of all sizes globally, enabling them to accept, authorize and settle electronic payment transactions. Merchant includes all aspects of payment processing, including value-added services, such as security, fraud prevention, advanced data analytics, foreign currency management and numerous funding options. Merchant serves clients in over 100 countries. Merchant clients are highly-diversified, including global enterprises, national retailers and small-to medium-sized businesses (“SMBs”). Merchant utilizes broad and varied distribution channels, including direct sales forces and multiple referral partner relationships that provide the Worldpay Business with access to new and existing markets.

(b)

Subsequent to the spin-off announcement, on July 5, 2023, FIS signed a definitive agreement to sell a 55% equity interest in Merchant to private equity funds managed by GTCR, LLC (“GTCR”) in a transaction valuing the business at up to $18.5 billion, including potential consideration of $1.0 billion contingent on the returns realized by GTCR exceeding certain thresholds. FIS will retain a non-controlling 45% ownership interest in a new standalone joint venture (“Worldpay”).

The transaction is expected to close by the first quarter of 2024, subject to regulatory approvals and other customary closing conditions.

The Worldpay Business has evaluated subsequent events from the balance sheet date through May 12, 2023, the date at which the financial statements were originally available to be issued, and through August 30, 2023, the date at which the financial statements were available to be reissued, and concluded that there are no subsequent events that require disclosure except as disclosed herein.

(2) Basis of Presentation

The accompanying combined financial statements and footnotes have been prepared in connection with the expected separation and are derived from FIS' consolidated financial statements and accounting records. The combined financial statements reflect the Worldpay Business' financial position, results of operations and cash flows and were prepared in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP"). The assets, liabilities, revenue and expenses of the Worldpay Business have been reflected in the Worldpay Business' combined financial statements on a historical cost basis, as included in the consolidated financial statements of FIS, using the historical accounting policies applied by FIS. These combined financial statements do not purport to reflect what the Worldpay Business' results of operations, comprehensive income, financial position, equity or cash flows would have been had the Worldpay Business operated as a standalone company during the periods presented.

These combined financial statements were prepared following a legal entity approach, which resulted in the inclusion of the following:

- Certain assets and liabilities, results of operations and cash flows attributable to Merchant that will be contributed to Worldpay prior to the consummation of the separation, and
- The Transferring Entities, which have historically included the results from the sales of products included both in Merchant and the FIS Retained Issuer Business. Each Transferring Entity's historical operations, including its results of operations, assets and liabilities, and cash flows have been fully reflected in these combined financial statements; however, prior to the consummation of the separation, the FIS Retained Issuer Business will be transferred to entities to be retained by FIS.

The Worldpay Business has historically functioned together with the other businesses controlled by FIS. Accordingly, the Worldpay Business relied on FIS' corporate and other support functions for its business. Therefore, certain corporate and shared costs have been allocated to the Worldpay Business including:

- Expenses related to FIS support functions that are provided on a centralized basis within FIS, including expenses for facilities, executive oversight, treasury, finance, legal, human resources, shared services, compliance, procurement, information technology and other corporate functions.
    - These expenses have been allocated to the Worldpay Business based on a specific identification basis or, when specific identification is not practicable, a proportional cost allocation method primarily based on revenue or directly identifiable actual costs, depending on the nature of the services.
- Share-based compensation and other employee-related expenses.

Management believes these cost allocations are a reasonable reflection of the utilization of services provided to, or the benefit derived by, the Worldpay Business during the periods presented, though the allocations may not be indicative of the actual costs that would have been incurred had the Worldpay Business operated as a standalone company. Actual costs that may have been incurred if the Worldpay Business had been a standalone company would depend on a number of factors, including the chosen organizational structure, whether functions were outsourced or performed by the Worldpay Business' employees, and strategic decisions made in areas such as selling and marketing, research and development, information technology and infrastructure.

Following the separation, certain functions that FIS provided to the Worldpay Business prior to the separation will be performed using Worldpay's own resources or third-party service providers, other than certain functions that will be provided for a limited time pursuant to the transition services agreement. Worldpay expects to incur certain costs in its establishment as a standalone company, as well as ongoing additional costs associated with operating as an independent company.

The combined balance sheets reflect all of the assets and liabilities that are either specifically identifiable or are directly attributable to the Worldpay Business and its operations, as well as assets and liabilities attributable to the FIS Retained Issuer Business in the Transferring Entities. Certain assets and liabilities attributable to the FIS Retained Issuer Business will be transferred to entities to be retained by FIS prior to the separation.

Income tax expense and deferred tax balances in the combined financial statements have been calculated on a separate tax return basis. The Worldpay Business' operations are included in the tax returns of FIS and its subsidiaries, including the Transferring Entities and the respective FIS entities of which the Worldpay Business' business is a part. In the future, as a standalone entity, Worldpay will file tax returns on its own behalf, and its deferred taxes and effective income tax rate may differ from those in the historical periods.

FIS generally utilizes a centralized approach to cash management and the financing of its operations. Cash generated by the Worldpay Business is routinely transferred into accounts managed by FIS' centralized treasury function and cash disbursements for the Worldpay Business' operations are funded as needed by FIS. Cash and cash equivalents of the Transferring Entities are reflected in the Worldpay Business' combined balance sheets. Balances held by the Transferring Entities with FIS for cash transfers and loans are reflected as due from affiliates, due to affiliates and loan payable to affiliates (short and long-term). All other cash, cash equivalents, short-term investments and related transfers between FIS and the Worldpay Business are generally held centrally through accounts controlled and maintained by FIS and are not specifically identifiable to the Worldpay Business. Accordingly, such balances have been accounted for through Net parent investment. FIS' third-party debt and related interest expense have not been attributed to the Worldpay Business because the Worldpay Business is not the legal obligor of the debt and the borrowings are not specifically identifiable to the Worldpay Business. However, in connection with the separation, Worldpay expects to incur indebtedness and such indebtedness would cause Worldpay to record additional interest expense in future periods.

As the separate legal entities that make up the Worldpay Business were not historically held by a single legal entity, Net parent investment is shown in lieu of shareholders' equity in these combined financial statements. Net parent investment represents FIS' interest in the recorded assets of the Worldpay Business and the cumulative investment by FIS in the Worldpay Business through the periods presented, inclusive of operating results.

All intercompany transactions and accounts within the Transferring Entities have been eliminated. For the Transferring Entities, transactions with FIS affiliates are included in the combined statements of loss and related balances are reflected as Due to affiliates, Due from affiliates, Loan payable to affiliates – short-term or Loan payable to affiliates – long-term. Other balances between the Worldpay Business and FIS are considered to be effectively settled in the combined financial statements at the time the transactions are recorded as they have not been historically settled in cash and are not expected to be settled in cash in connection with the proposed separation. The total net effect of these intercompany transactions is reflected in the combined balance sheets within Net parent investment and in the combined statements of cash flows within financing activities and in the combined statements of equity as Transfers (to) from Parent, net. Refer to Note 15 for further discussion.

As a result of the allocations and carve out methodologies used to prepare these combined financial statements, these results may not be indicative of the Worldpay Business' future performance, and may not reflect the results of operations, financial position, and cash flows had the Worldpay Business been a separate, standalone company during the periods presented.

Amounts in tables in the combined financial statements and accompanying footnotes may not sum or calculate due to rounding.

(3) Summary of Significant Accounting Policies

The following describes the significant accounting policies of the Worldpay Business used in preparing the accompanying combined financial statements.

(a) Principles of Combination and Management Estimates

The combined financial statements include the Worldpay Business' net assets and results of operations as described above. The Worldpay Business' noncontrolling interests presented in the combined statements of loss include net earnings attributable to noncontrolling interests. Noncontrolling interests are presented as a component of equity in the combined balance sheets. All significant intra-company accounts and transactions within the Worldpay Business have been eliminated. Certain transactions between the Worldpay Business and FIS are included in the combined financial statements.

The preparation of these combined financial statements in conformity with U.S. GAAP and related rules and regulations of the U.S. Securities and Exchange Commission ("SEC") requires the Worldpay Business' management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. These estimates may change as new events occur and additional information is obtained. Future actual results could differ materially from these estimates. To the extent that there are differences between these estimates, judgments and assumptions and actual results, the Worldpay Business' combined financial statements will be affected.

(b) Cash and Cash Equivalents

The Worldpay Business considers all cash on hand, money market funds and other highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash on hand includes funds used for settlement activity (see Note 3(e) for further discussion).

The Worldpay Business records restricted cash in captions other than cash and cash equivalents in the combined balance sheets. The reconciliation between cash and cash equivalents in the combined balance sheets and Cash, cash equivalents and restricted cash per the combined statements of cash flows is as follows (in millions):

	December 31,	
	2022	2021
Cash and cash equivalents on the combined balance sheets	$1,743	$1,119
Merchant float (in Settlement assets) (see Note 3(e))	2,625	2,273
Total Cash, cash equivalents and restricted cash per the combined statements of cash flows	$4,368	$3,392

(c) Fair Value Measurements

Fair Value Hierarchy

The authoritative accounting literature defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy based on the quality of inputs used to measure fair value.

The fair value hierarchy includes three levels that are based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). If the inputs used to measure the fair value fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the asset or liability. The three levels of the fair value hierarchy are described below:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2. Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Fair Value of Assets Acquired and Liabilities Assumed in Business Combinations

In a business combination transaction, an acquirer recognizes, separately from Goodwill, the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree and generally measures these items at their acquisition date fair values. Goodwill is recorded as the residual amount by which the purchase price exceeds the fair value of the net assets acquired. Fair values are determined using the framework outlined above under *Fair Value Hierarchy* and the methodologies addressed in the individual subheadings. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Worldpay Business reports provisional amounts in the financial statements for the items for which the accounting is incomplete. Adjustments to provisional amounts initially recorded that are identified during the measurement period are recognized in the reporting period in which the adjustment amounts are determined. This includes any effect on earnings of changes in depreciation, amortization, or other income effects as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. During the measurement period, the Worldpay Business recognizes additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends the sooner of one year from the acquisition date or when the Worldpay Business receives the information the Worldpay Business was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. Contingent consideration liabilities or receivables recorded in connection with business acquisitions are also adjusted for changes in fair value until settled.

Fair value of Settlement assets, Settlement payables and Short-term borrowings

The carrying amounts reported in the combined balance sheets for Settlement assets and payables as well as Short-term borrowings approximate their fair values because of their immediate or short-term maturities.

(d) Allowance for Credit Losses

The Worldpay Business monitors trade receivable balances and contract assets as well as other receivables and estimates the allowance for lifetime expected credit losses. Estimates of expected credit losses are based on historical collection experience and other factors, including those related to current market conditions and events, changes in client creditworthiness, client payment terms and collection trends. The allowance for credit losses is separate from the chargeback liability described in Note 13.

(e) Settlement Assets and Payables

The principal components of the Worldpay Business' settlement assets on the combined balance sheets are as follows (in millions):

	December 31, 2022	December 31, 2021
Settlement assets		
Settlement deposits	$ 56	$ 39
Merchant float	2,625	2,273
Settlement receivables	2,584	998
Total Settlement assets	$5,265	$3,310

Settlement assets and payables represent intermediary balances arising from the settlement process which involves the transferring of funds between card issuers, merchants and various financial institutions ("Sponsoring Members"). Funds are processed under two models, a sponsorship model and a direct member model. The Worldpay Business generally operates under the sponsorship model in the U.S. and under the direct membership model outside the U.S.

Under the sponsorship model, in order for the Worldpay Business to provide electronic payment processing services, Visa, MasterCard and other payment networks require sponsorship by a member clearing bank. The Worldpay Business has an agreement with Sponsoring Members to provide sponsorship services to the Worldpay Business. Under the sponsorship agreements, the Worldpay Business is registered as a Visa Third-Party Agent and a MasterCard Service Provider. The sponsorship services allow the Worldpay Business to route transactions under the Sponsoring Members' membership to clear card transactions through Visa, MasterCard and other networks. Under this model, the standards of the payment networks restrict the Worldpay Business from performing funds settlement and, as such, require that these funds be in the possession of the Sponsoring Member until the merchant is funded. Accordingly, Settlement receivables and settlement payables resulting from the submission of settlement files to the network or cash received from the network in advance of funding the network are the responsibility of the Sponsoring Member and are not recorded on the Worldpay Business' combined balance sheets.

Settlement receivables and settlement payables are recorded under the sponsorship model as a result of intermediary balances due to/from the Sponsoring Member. The Worldpay Business receives funds from certain networks which are owed to the Sponsoring Member for settlement. These funds are recorded in Cash and cash equivalents. In other cases, the Worldpay Business transfers funds to the Sponsoring Member for settlement in advance of receiving funds from the network. These timing differences result in settlement receivables and settlement payables. The amounts are generally collected or paid during the following one to three business days. Additionally, under this model, settlement receivables and settlement payables arise related to interchange expenses, merchant reserves and exception items.

Under the direct membership model, the Worldpay Business is a direct member in Visa, MasterCard and other payment networks as third-party sponsorship to the networks is not required. This results in the Worldpay Business performing settlement between the networks and the merchant and requires adherence to the standards of the payment networks in which the Worldpay Business is a direct member. Merchant float, settlement receivables and settlement payables result when the Worldpay Business submits the merchant file to the network or when funds are received by the Worldpay Business in advance of paying the funds to the merchant. The amounts are generally collected or paid during the following one to three business days. Merchant float represents cash balances the Worldpay Business holds on behalf of merchants when the incoming amount from the card networks precedes when the funding to merchants falls due. Merchant float funds held in segregated accounts in a fiduciary capacity are considered restricted cash (see Note 3(b)).

(f) Goodwill

Goodwill represents the excess of cost over the fair value of identifiable assets acquired and liabilities assumed in business combinations. For purposes of the combined financial statements, goodwill was recorded on the basis of FIS' reporting units prior to the separation of the Worldpay Business from FIS. The goodwill amounts carry with them the results of FIS' impairment tests, akin to a reorganization of reporting units of FIS for which U.S. GAAP does not require retrospective testing of goodwill under the reorganized structure.

Goodwill is not amortized but is assessed by FIS for impairment at FIS' historical Merchant Solutions and Banking Solutions reporting unit level. During the relevant periods, the FIS Retained Issuer Business was part of FIS' Banking Solutions reporting unit.

During the relevant periods, FIS assessed goodwill for impairment by reporting unit on an annual basis during the fourth quarter or more frequently if circumstances indicated potential impairment. An impairment charge is recognized when and to the extent a reporting unit's carrying amount is determined to exceed its estimated fair value.

FIS had the option to first assess qualitatively whether it was more likely than not that a reporting unit's carrying amount exceeded its estimated fair value. The option of whether to perform the qualitative assessment was made annually and could vary by reporting unit. Events and circumstances that were considered in performing the qualitative assessment included macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, and events affecting the reporting unit or FIS as a whole, including a sustained decrease in stock price. When performing the qualitative assessment, FIS examined the factors that were most likely to affect each reporting unit's fair value. If FIS concluded that it was more likely than not (that is, a likelihood of more than 50 percent) that the reporting unit's fair value was less than its carrying amount as a result of the qualitative assessment, or FIS elected to bypass the qualitative assessment for a reporting unit, then FIS performed a quantitative assessment for that reporting unit.

In applying the quantitative assessment, FIS typically engaged third-party valuation specialists to assist in determining the fair value of a reporting unit based on a weighted average of valuation techniques, consisting of a combination of an income approach and a market approach, which are Level 3-type measurements. The income approach calculates a value based upon the present value of estimated future cash flows, while the market approach uses earnings multiples of similarly situated guideline public companies. If the fair value of the reporting unit determined using the quantitative analysis exceeds the carrying amount of the reporting unit's net assets, goodwill is not impaired.

Both qualitative and quantitative assessments required a significant amount of management judgment involving the use of forecasts, estimates, and assumptions.

Following the separation, Worldpay will perform future goodwill impairment tests at the level of its own reporting units.

(g) Long-lived assets

Long-lived assets and intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset, which are Level 3-type measurements. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2022, 2021 and 2020, the Worldpay Business recognized impairment losses totaling $18 million, $5 million and $29 million, respectively, on certain long-lived assets related to reducing office space.

(h) Intangible Assets

The Worldpay Business has intangible assets that consist primarily of customer relationships and trademarks (i.e., a collective term for trademarks, trade names, and related intellectual property rights) that are recorded in connection with acquisitions at their fair value based on the results of valuation analyses. Customer relationships and trademarks acquired in business combinations are generally valued using the multi-period excess earnings method and the relief-from-royalty method, which are Level 3-type measurements. Customer relationships are amortized over their estimated useful lives using an accelerated method that takes into consideration expected customer attrition rates up to a 10-year period. Trademarks with finite lives are amortized over periods ranging up to five years. Intangible assets with finite lives are reviewed for impairment following the same approach as long-lived assets.

(i) Software

Software includes software acquired in business combinations, purchased software and capitalized software development costs. Software acquired in business combinations is generally valued using the relief-from-royalty method, a Level 3-type measurement. Purchased software is recorded at cost and amortized using the straight-line method over its estimated useful life, and software acquired in business combinations is recorded at its fair value and amortized using straight-line or accelerated methods over its estimated useful life, ranging from three to eight years.

The capitalization of software development costs is based on whether the software is to be sold, leased or otherwise marketed, or if the software is for internal use. After the technological feasibility of the software has been established (for software to be marketed) or at the beginning of application development (for internal-use software), software development costs, which primarily include salaries and related payroll costs and costs of independent contractors incurred during development, are capitalized. Research and development costs incurred prior to the establishment of technological feasibility (for software to be marketed) or prior to application development (for internal-use software) are expensed as incurred. Software development costs are amortized on a solution-by-solution basis commencing on the date of general release (for software to be marketed) or the date placed in service (for internal-use software). Software development costs for software to be marketed are amortized using the greater of (1) the straight-line method over its estimated useful life, which ranges from three to 10 years, or (2) the ratio of current revenue to total anticipated revenue over its useful life.

The Worldpay Business reviews software assets for impairment at each reporting date. For software to be marketed, an impairment charge is recorded to the extent the carrying amount exceeds the net realizable value. Internal-use software is reviewed for impairment following the same approach as long-lived assets. Determining net realizable values and future cash flows involves judgments and the use of estimates and assumptions regarding future economic and market conditions. Adverse changes in these conditions could result in an impairment charge which could be material to the combined financial statements.

See Note 9 for details regarding software asset impairment losses and incremental software amortization expense recognized during 2022 and 2021. There were no material software asset impairment losses recognized during 2020.

(j) Property and Equipment

Property and equipment is recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed primarily using the straight-line method based on the estimated useful lives of the related assets as follows: 30 years for buildings and three to seven years for furniture, fixtures and computer equipment. Leasehold improvements are amortized using the straight-line method over the lesser of the initial term of the applicable lease or the estimated useful lives of such assets.

(k) Income Taxes

Income taxes as presented in the combined financial statements of the Worldpay Business allocate current and Deferred income taxes of FIS to the Worldpay Business' standalone financial statements in a manner that is systematic, rational and consistent with the asset and liability method prescribed by ASC Topic 740, *Income Taxes*. Accordingly, the Worldpay Business' income tax provision was prepared following the separate return method. The calculation of the Worldpay Business' income taxes on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations. As a result, the tax treatment of certain items reflected in the combined financial statements of the Worldpay Business may not be reflected in the consolidated financial statements and tax returns of FIS. Therefore, such items as net operating losses, credit carry forwards and valuation allowances may exist in the standalone financial statements that may or may not exist in FIS' consolidated financial statements. As such, the income taxes of the Worldpay Business as presented in the combined financial statements may not be indicative of the income taxes that will be generated in the future.

Certain operations of the Worldpay Business have historically been included in a consolidated return with other FIS entities. Current obligations for taxes in certain jurisdictions, where the Worldpay Business files a consolidated tax return with FIS, are deemed settled with FIS in Net parent investment for purposes of the combined financial statements. Current obligations for taxes in jurisdictions where the Worldpay Business does not file a consolidated tax return with FIS, including certain foreign jurisdictions and certain U.S. states, are recorded as accrued liabilities. The effects of tax adjustments and settlements from taxing authorities are presented in the combined financial statements in the period to which they relate as if the Worldpay Business was a separate filer.

Current tax represents the expected tax payable (or recoverable) on the taxable income for the year using tax rates enacted for the period. Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Tax benefits not meeting the realization criteria represent unrecognized tax benefits. The Worldpay Business recognizes interest and penalties related to income tax matters in the income tax provision.

The Worldpay Business recognizes deferred income tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Worldpay Business' assets and liabilities and expected benefits of using net operating loss and credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The impact on deferred income taxes of changes in tax rates and laws, if any, is reflected in the combined financial statements in the period enacted. A valuation allowance is established for any portion of a deferred income tax asset for which management believes it is more likely than not that the Worldpay Business will not be able to realize the benefits of all or a portion of that deferred income tax asset. Certain of the Worldpay Business' earnings are indefinitely reinvested offshore and could be subject to additional income tax if repatriated. It is not practicable to determine the unrecognized deferred tax liability on a hypothetical distribution of those earnings. For the earnings that are not indefinitely reinvested, a deferred tax liability has been recorded for the estimated taxes associated with the future repatriation of those earnings.

(l) Revenue Recognition

The Worldpay Business generates revenue primarily by processing electronic payment transactions and performing related ancillary services. The Worldpay Business enters into customer contracts that set forth the terms and conditions governing each party's rights and obligations, including the services to be provided, pricing, payment terms and contract duration. At contract inception, the Worldpay Business assesses the services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a service that is distinct. When multiple performance obligations are identified, the total estimated transaction value is allocated based on relative standalone selling prices. The Worldpay Business recognizes revenue as it satisfies its performance obligation by transferring control of services to a customer. Revenue is measured based on the consideration that the Worldpay Business expects to receive in a contract with a customer.

Technology or service components from third parties are frequently embedded in or combined with the Worldpay Business' applications or service offerings. The Worldpay Business is often responsible for billing the client in these arrangements and transmitting the applicable fees to the third party. The Worldpay Business determines whether it is responsible for providing the service as a principal or for arranging for the service to be provided by the third party as an agent. Judgment is applied to determine whether the Worldpay Business is the principal or the agent by evaluating whether the Worldpay Business has control of the solution or service prior to it being transferred to the customer. The principal versus agent assessment is performed at the performance obligation level. Indicators that the Worldpay Business considers in determining if it has control include whether the Worldpay Business is primarily responsible for fulfilling the promise to provide the specified solution or service to the customer, whether the Worldpay Business has inventory risk and whether the Worldpay Business has discretion in establishing the price the customer ultimately pays for the solution or service. Depending upon the level of the Worldpay Business' contractual responsibilities and obligations for delivering solutions to end customers, the Worldpay Business has arrangements where the Worldpay Business is the principal and recognizes the gross amount billed to the customer and other arrangements where the Worldpay Business is the agent and recognizes the net amount retained. Taxes collected from customers and remitted to governmental authorities are not included in revenue.

The following describes the nature of the Worldpay Business' primary types of revenue and the revenue recognition policies and significant payment terms as they pertain to the types of transactions the Worldpay Business enters into with its customers.

Transaction Processing Revenue

Transaction processing revenue is generated from payment processing and the performance of related ancillary services.

Payment processing revenue is earned from processing credit and debit card transactions, including authorization and settlement, chargeback and retrieval processing, reporting for electronic payment transactions and network fee and interchange management. Payment processing revenue is recurring and is typically volume based depending on the number or dollar value of transactions processed. Contract lengths for processing services typically span one or more years; however, they are often cancelable without a significant penalty. Payment is generally due in arrears on a monthly basis and may include fixed or variable payment amounts depending on the specific payment terms and activity in the period.

The nature of the Worldpay Business' promise to the customer is to stand ready to provide continuous access to the Worldpay Business' processing platforms and perform an unspecified quantity of transaction processing services over the contract term. Accordingly, processing services are generally viewed as a single, stand-ready performance obligation comprised of a series of distinct daily services ("stand-ready series").

Because the number or volume of transactions to be processed is not determinable at contract inception, the Worldpay Business' contracts with its customers contain variable consideration. The Worldpay Business allocates variable consideration to distinct daily services as they are performed to the extent the terms of the variable payment relate specifically to the Worldpay Business' efforts to transfer the distinct service and when such allocation is consistent with the allocation objective.

The Worldpay Business typically satisfies its transaction processing service performance obligations over time as the services are provided. Variable fees related to transaction processing revenue accounted for as a series of distinct days of service generally meet the criteria to allocate to, and recognize on, the day on which the Worldpay Business performs the related services.

As part of its performance obligation, the Worldpay Business collects and remits interchange, network fees, and other third-party fees (collectively, "Passthrough fees"). Interchange fees represent amounts collected from merchants and remitted to card issuers and are based on rates established by the card networks. Network fees are amounts collected from merchants and remitted to card networks for their services. Transaction processing revenue includes these variable Passthrough fees which are allocated to, and recognized on, the day on which the related services are performed. Passthrough fees are billed monthly. Substantially all network and interchange fees are presented on a net basis as the Worldpay Business does not have the ability to direct the use of, and obtain substantially all of the benefits from, the services provided by the third parties before those services are transferred to the merchants. When the Worldpay Business is the merchant of record, controls the services before delivery to the customer and has discretion in setting prices charged to the customer, network and interchange fees are recognized on a gross basis. Other third-party fees may be recorded on either a gross or a net basis depending on whether the Worldpay Business is acting as a principal or an agent.

Ancillary services include foreign currency management, payment card industry regulatory compliance services, payment security (e.g., tokenization, encryption and fraud services), chargeback resolution, and billing statement production (e.g., reporting and analytics). With the exception of chargeback resolution, which is recognized at a point in time, ancillary services are recognized over time as the services are generally performed as described above for payment processing services.

Other Recurring Revenue

Other recurring revenue is comprised primarily of payment terminal lease fees charged in connection with a payment processing contract. Terminal lease consideration is accounted for together with non-lease payment processing consideration as a single non-lease component because the non-lease payment processing component is accounted for under ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the timing and pattern of recognition of the terminal lease component and the associated non-lease payment processing component are the same, and the terminal lease, if accounted for separately, would be classified as an operating lease.

Other Non-recurring Revenue

Other non-recurring revenue is comprised primarily of early termination fees. Early contract terminations are treated as contract modifications. Early termination fees are added to a contract's transaction price once it becomes likely that liquidated damages will be charged to a customer, typically upon notification of early termination. Early termination fees are recognized over the remaining period of the related performance obligation(s). Other non-recurring revenue also includes revenue from FIS affiliates, primarily relating to the provision or consumption of professional services, software development, client conversion, implementation and sales support as discussed in Note 15.

(m) Cost of Revenue and Selling, General and Administrative Expenses

Cost of revenue consists of costs directly associated with providing solutions or services to clients and includes payroll, employee benefits and other costs associated with personnel employed in customer service and service delivery roles as well as third-party costs involved in fulfillment of performance obligations for which the Worldpay Business is acting as a principal. Cost of revenue also includes data processing costs, amortization of software, customer relationship and trademark intangible assets, and depreciation on operating assets.

Selling, general and administrative expenses include payroll, employee benefits and other costs associated with personnel employed in sales, marketing, human resources, finance, risk management and other administrative roles, as well as residual commission payments made to independent sales organizations and acquisition, integration, and transformation-related expenses. Selling, general and administrative expenses also include depreciation on non-operating corporate assets as well as advertising and other marketing-related program costs.

Cost of revenue and Selling, general and administrative expenses include cost allocations and cross charges from FIS. See Note 15 for amounts included in the combined statements of loss.

(n) Stock-Based Compensation Plans

Certain of the Worldpay Business' employees have historically participated in FIS share-based compensation plans. FIS accounts for stock-based compensation plans using the fair value method. Thus, compensation cost is measured based on the fair value of the award at the grant date and is recognized over the service period. For FIS' service-based stock awards, FIS recognizes the compensation cost on a straight-line basis over the award's service period, which is generally three years. For FIS' performance-based stock awards with market conditions which typically cliff vest on the third anniversary date of the grant, FIS recognizes the compensation cost on a straight-line basis over the service period when it is probable the outcome of that performance condition will be achieved. FIS adjusts the compensation expense over the service period based upon the expected achievement level of the applicable performance condition. Certain of FIS' stock awards contain only market conditions. In those circumstances, compensation cost is recognized over the service period and is not reversed even if the award does not become exercisable in the event the market condition is not achieved. FIS estimates future forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ significantly from those estimates.

Share-based compensation expense has been specifically identified for employees of the Worldpay Business. In addition, an allocation of share-based compensation from corporate employees is included in Selling, general and administrative expenses in the combined statements of loss. See Note 15 for amounts included in the combined statements of loss.

(o) Foreign Currency Translation

The Worldpay Business' functional currency is the U.S. dollar. The functional currency of each of the Worldpay Business' operating subsidiaries is generally the currency of the economic environment in which the subsidiary primarily does business. The Worldpay Business' foreign subsidiaries with non-U.S. dollar functional currencies are translated into U.S. dollars for consolidation purposes using the foreign exchange rates applicable to the dates of the financial statements. Generally, these consist of the exchange rates in effect at the balance sheet date for balance sheet accounts and the average exchange rates in effect during the relevant period for revenue and expense accounts. The adjustments resulting from the translation are included in Accumulated other comprehensive earnings (loss) in the combined statements of equity and combined statements of comprehensive earnings (loss) and are excluded from net loss.

Gains or losses resulting from measuring foreign currency transactions into the respective functional currency are included in Other income (expense), net in the combined statements of loss.

(p) Net Parent Investment

Net parent investment in the combined balance sheets and combined statements of equity represents FIS' historical investment in the Worldpay Business and includes accumulated net earnings (loss) after taxes and the net effect of transactions with and cost allocations from FIS.

(q) Other Comprehensive Earnings (Loss)

Comprehensive earnings (loss) consists of two components, net loss and other comprehensive earnings (loss). Other comprehensive earnings (loss) refers to revenue, expenses, and gains and losses that under U.S. GAAP are recorded as an element of equity but are excluded from net loss. The Worldpay Business' other comprehensive earnings (loss) consists of foreign currency translation adjustments from those subsidiaries where the local currency is the functional currency.

(4) Acquisitions

Payrix Acquisition

On December 23, 2021, FIS acquired 100% of the equity of Payrix Holdings, LLC, and subsidiaries (“Payrix”), previously a privately held fintech company that specializes in embedding and monetizing payments in SaaS platforms to serve the e-commerce needs of SMBs through a global card-not-present offering. The acquisition was accounted for as a business combination. The Worldpay Business recorded an allocation of the $777 million purchase price, primarily paid in cash, to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The amounts for intangible assets were based on third-party valuations performed, which used discounted cash flow models that required internally developed assumptions. The Worldpay Business has included the financial results of Payrix in its combined financial statements from the date of acquisition, which results are not material. All other disclosures associated with the acquisition, including Payrix transaction costs, are not material.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date (in millions):

Cash acquired	$ 5
Settlement assets, net	1
Goodwill	631
Identifiable intangible assets	18
Software, net	131
Other liabilities, net	(9)
Total purchase price	$777

Identifiable intangible assets consist of Customer relationships and Trademarks with weighted average estimated useful lives of 15 years and 2 years, respectively, and fair value amounts assigned of $16 million and $2 million, respectively.

(5) Revenue

Disaggregation of Revenue

In the following tables, revenue is disaggregated by primary geographical market and type of revenue. The tables also include a reconciliation of the disaggregated revenue with the Worldpay Business’ reportable segments.

For the year ended December 31, 2022 (in millions):

	Merchant	Corporate and Other	Total
Primary Geographical Markets:			
North America	$ 3,421	$ 230	$3,651
All others	1,352	6	1,358
Total	$ 4,773	$ 236	$5,009
Type of Revenue:			
Recurring revenue:			
Transaction processing	$ 4,670	$ 194	$4,864
Other recurring	88	2	90
Total recurring	4,758	196	4,954
Other non-recurring fees	15	40	55
Total	$ 4,773	$ 236	$5,009

For the year ended December 31, 2021 (in millions):

	Merchant	Corporate and Other	Total
Primary Geographical Markets:			
North America	$ 3,161	$ 314	$3,475
All others	1,335	6	1,341
Total	$ 4,496	$ 320	$4,816
Type of Revenue:			
Recurring revenue:			
Transaction processing	$ 4,370	$ 303	$4,673
Other recurring	85	—	85
Total recurring	4,455	303	4,758
Other non-recurring fees	41	17	58
Total	$ 4,496	$ 320	$4,816

For the year ended December 31, 2020 (in millions):

	Merchant	Corporate and Other	Total
Primary Geographical Markets:			
North America	$ 2,719	$ 385	$3,104
All others	1,048	4	1,052
Total	$ 3,767	$ 389	$4,156
Type of Revenue:			
Recurring revenue:			
Transaction processing	$ 3,680	$ 377	$4,057
Other recurring	79	—	79
Total recurring	3,759	377	$4,136
Other non-recurring fees	8	12	20
Total	$ 3,767	$ 389	$4,156

Transaction Price Allocated to the Remaining Performance Obligations

As permitted by ASC Topic 606, the Worldpay Business has elected to exclude disclosure of the aggregate amount of the transaction price allocated to remaining performance obligations, as its contracts either have an original duration of one year or less or contain variable consideration that is allocated entirely to a distinct day of service under a stand-ready series. The aggregate fixed consideration portion of customer contracts with an initial contract duration of greater than one year is not material.

(6) Property and Equipment

Property and equipment as of December 31, 2022 and 2021, consist of the following (in millions):

	2022	2021
Land	$ 6	$ 6
Buildings	19	19
Leasehold improvements	17	18
Computer equipment	301	298
Furniture, fixtures, and other equipment	9	11
	352	352
Accumulated depreciation and amortization	(209)	(160)
Total Property and equipment, net	$ 143	$ 192

Depreciation and amortization expenses on property and equipment totaled $61 million, $75 million and $65 million for the years ended December 31, 2022, 2021 and 2020, respectively.

(7) Goodwill

Changes in goodwill during the years ended December 31, 2022 and 2021, are summarized below (in millions):

	Merchant	FIS Retained Issuer Business	Total
Balance, December 31, 2020	$ 36,267	$ 3,414	$ 39,681
Goodwill attributable to acquisitions	620	—	620
Foreign currency adjustments	(484)	—	(484)
Balance, December 31, 2021	36,403	3,414	39,817
Goodwill attributable to acquisitions	11	—	11
Foreign currency adjustments	(1,366)	—	(1,366)
Asset impairments	(17,588)	—	(17,588)
Balance, December 31, 2022	$ 17,460	$ 3,414	$ 20,874

Merchant

2022 Goodwill impairment testing

FIS elected to begin the 2022 annual Merchant reporting unit assessment with a quantitative assessment as of October 1, 2022, that took into account the projected impact of worsening macroeconomic conditions, including rising interest rates, inflation, and slowing growth in the U.S. and Europe, as well as a sustained decline in market capitalization and the effects of changing market dynamics affecting Merchant’s SMB portfolio, which is migrating from card-present offerings to embedded payments. FIS’ assessment was based on a 50/50 weighting of the income approach and market approach and incorporated information that was known as of October 1, 2022. This analysis indicated an impairment related to FIS’ Merchant Solutions reporting unit. As a result of continued deterioration in the macroeconomic outlook, a further decline in market capitalization and slowing growth in FIS’ Merchant Solutions business during the fourth quarter of 2022, FIS thereafter reperformed the quantitative goodwill impairment analysis as of December 31, 2022, using updated internal forecasts of future cash flows, considering fourth quarter operating performance, expected impact of planned business initiatives and revised expectations of economic conditions, as well as then-current market capitalization and other updated relevant assumptions. The fair values estimated during the assessments were determined with the assistance of third-party valuation specialists. At December 31, 2022, the fair value of the Merchant reporting unit was estimated to be less than its carrying value, and FIS recorded a total goodwill impairment charge of $17,588 million in the fourth quarter of 2022.

2021 Goodwill impairment testing

FIS began the 2021 annual assessment of the Merchant reporting unit with a qualitative assessment and concluded that it remained more likely than not that the fair value of the reporting unit continued to exceed its carrying amount. FIS' 2021 qualitative assessment examined factors most likely to affect the reporting units' fair value and considered the impact to the Worldpay Business from the COVID-19 pandemic. The factors examined involved significant use of management judgment and included, among others, (1) forecasted revenue, growth rates, operating margins, and capital expenditures used to calculate estimated future cash flows, (2) future economic and market conditions and (3) FIS' market capitalization. FIS also considered actual Merchant operating results and updated internal forecasts as compared to prior internal forecasts and other assumptions used in the 2020 quantitative assessment and estimated that the fair value of the reporting unit was likely in excess of its carrying amount by a similar percentage as determined by the prior year's quantitative assessment. Thus, no impairment was recorded.

2020 Goodwill impairment testing

FIS began the 2020 annual assessment of the Merchant reporting unit with a quantitative assessment due to the economic impact of the COVID-19 pandemic on the Merchant business and its primary operations being recently acquired as part of the Worldpay Acquisition. As a result of the assessment, which was performed with the assistance of third-party valuation specialists, the fair value of the reporting unit was estimated to be in excess of its carrying amount by approximately 4%. Thus, no impairment was recorded.

FIS Retained Issuer Business

For the FIS Retained Issuer Business, which is historically part of FIS' Banking Solutions reporting unit, for which previous quantitative assessments performed by FIS have historically indicated substantial excess of fair value over carrying amounts, FIS' 2020 qualitative annual assessment concluded that it remained more likely than not that the fair value of the Banking Solutions reporting unit continued to exceed its carrying amount. For 2021, FIS again performed a qualitative annual assessment of the Banking Solutions reporting unit and concluded that it remained more likely than not that the fair values of the Banking Solutions reporting unit continued to exceed its carrying amount. For 2022, FIS performed a quantitative annual assessment which again concluded that the fair value of the Banking Solutions reporting unit substantially exceeded its carrying amount. Given the substantial excess of fair value over carrying amount, FIS believed the likelihood of obtaining materially different results based on a change of assumptions to be low.

(8) Intangible Assets

Intangible assets as of December 31, 2022, consist of the following (in millions):

	Cost	Accumulated Amortization	Net
Customer relationships	$13,209	$ (5,822)	$7,387
Trademarks and other	432	(319)	113
Total Intangible assets, net	$13,641	$ (6,141)	$7,500

Intangible assets as of December 31, 2021, consist of the following (in millions):

	Cost	Accumulated Amortization	Net
Customer relationships	$13,812	$ (4,423)	$9,389
Trademarks and other	463	(234)	229
Total Intangible assets, net	$14,275	$ (4,657)	$9,618

Amortization expense for intangible assets was $1,685 million, $1,899 million and $1,910 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Estimated amortization of intangible assets for the next five years is as follows (in millions):

2023	$1,508
2024	1,333
2025	1,219
2026	1,112
2027	997

(9) Software

Software as of December 31, 2022 and 2021, consists of the following (in millions):

	2022	2021
Software from acquisitions	$ 1,421	$1,476
Capitalized software development costs	904	639
Purchased software	19	39
	2,344	2,154
Accumulated amortization	(1,175)	(813)
Total Software, net	$ 1,169	$1,341

During the years ended December 31, 2022 and 2021, the Worldpay Business recorded $1 million and $8 million, respectively, of software asset impairments and $90 million and $92 million, respectively, of incremental software amortization expense driven by the Worldpay Business' platform modernization. Platform modernization includes sunsetting certain technology platforms, which resulted in shortened estimated useful lives and accelerated amortization methods primarily impacting the associated assets over an approximate three-year period, beginning in the third quarter of 2021.

Amortization expense for software was $448 million, $443 million and $325 million for the years ended December 31, 2022, 2021 and 2020, respectively.

(10) Accounts Payable, Accrued and Other Liabilities

Accounts payable, accrued and other liabilities as of December 31, 2022 and 2021, consists of the following (in millions):

	2022	2021
Trade accounts payable and other accrued liabilities	$ 880	$1,031
Salaries and incentives	16	68
Taxes other than income tax	95	109
Accrued benefits and payroll taxes	14	10
Operating lease liabilities	17	19
Tax Receivable Agreement liability	197	184
Total Accounts payable, accrued and other liabilities	$1,219	$1,421

(11) Other Noncurrent Assets and Liabilities

Other noncurrent assets as of December 31, 2022 and 2021, consist of the following (in millions):

	2022	2021
Operating lease ROU assets	$ 56	$ 72
Equity security investments	81	78
Visa Europe and contingent value rights ("CVR") related assets	55	197
Deferred contract costs, net	111	82
Other	165	108
Total Other noncurrent assets	$468	$537

Other noncurrent liabilities as of December 31, 2022 and 2021, consist of the following (in millions):

	2022	2021
Operating lease liabilities	$ 72	$ 84
Tax Receivable Agreement liability (1)	69	267
CVR liability	342	478
Other	35	46
Total Other noncurrent liabilities	$518	$875

(1) See Note 13

Visa Europe and Contingent Value Rights

As part of the Worldpay Acquisition, FIS acquired certain assets and liabilities related to the June 2016 Worldpay Group plc ("Legacy Worldpay") disposal of its ownership interest in Visa Europe to Visa Inc. As part of the disposal, Legacy Worldpay received proceeds from Visa Inc. in the form of cash ("cash consideration") and convertible preferred stock ("preferred stock"), the value of which may be reduced by losses incurred relating to ongoing interchange-related litigation involving Visa Europe. The preferred stock becomes convertible into Visa Inc. Class A common stock ("common stock") in stages as determined by Visa Inc. in accordance with the relevant transaction documents pertaining to the aforementioned disposal of the Visa Europe ownership interest. The preferred stock becomes fully convertible no later than 2028 (subject to a holdback to cover any pending claims). Also in connection with the disposal and pursuant to the terms of an amendment executed on September 17, 2020, Legacy Worldpay agreed to pay former Legacy Worldpay owners 90% of the net-of-tax proceeds from the disposal, known as contingent value rights, which is recorded as a liability ("CVR liability") on the combined balance sheets.

Also on September 17, 2020, FIS executed an amendment with the former Legacy Worldpay owners to pay approximately one-third of the cash consideration component of the CVR liability, or $185 million, to the former Legacy Worldpay owners upon amendment execution and to pay the remaining approximately two-thirds of the cash consideration on October 12, 2027, subject to reduction due to losses incurred by Visa Inc. relating to the litigation. The partial payment of the cash consideration was reflected as Payments on contingent value rights, on the combined statements of cash flows for the year ended December 31, 2020.

In the fourth quarter of 2020 and the third quarter of 2022, Visa Inc. released a portion of the aforementioned preferred stock which was then converted into common stock. The Worldpay Business sold the common stock for $552 million and $269 million and later paid to the former Legacy Worldpay owners $403 million and $201 million, in 2020 and 2022 respectively, representing 90% of the net-of tax proceeds and net-of-tax dividends received since the previous conversion. The sale of stock and related payment to the former Legacy Worldpay owners were recorded as a reduction of the CVR-related assets and CVR liability, respectively, as of December 31, 2022 and are reflected in Proceeds from sale of Visa preferred stock and Payments on contingent value rights on the combined statements of cash flows for the years ended December 31, 2020 and December 31, 2022, respectively.

The Worldpay Business has elected the fair value option under ASC Topic 825, Financial Instruments (“ASC 825”), for measuring its preferred stock asset and CVR liability. The fair value of the preferred stock was $55 million and $197 million at December 31, 2022, and 2021, respectively, recorded in Other noncurrent assets on the combined balance sheets. The fair value of the CVR liability was $342 million and $478 million at December 31, 2022 and 2021, respectively, recorded in Other noncurrent liabilities on the combined balance sheets. Pursuant to ASC 825, the Worldpay Business remeasures the fair value of the preferred stock and CVR liability each reporting period. The net reduction in fair value was $64 million, $53 million and $78 million for the years ended December 31, 2022, 2021 and 2020 respectively, recorded in Other income (expense), net on the combined statements of loss.

The estimated fair value of the preferred stock and related component of the CVR liability are determined using Level 3-type measurements. Significant inputs into the valuation of the preferred stock include the Visa Inc. Class A common stock price per share and the conversion ratio, which are observable, as well as the expected timing of future preferred stock releases for conversion into common stock and an estimate of the potential losses that will result from the ongoing litigation involving Visa Europe, which are unobservable. The estimated fair value of the cash consideration component of the CVR liability is determined using Level 3-type measurements, utilizing a discount rate based on the bond yield for the Worldpay Business’ credit rating and remaining payment term as the significant unobservable input.

Equity Security Investments

The Worldpay Business holds various equity securities without readily determinable fair values that primarily represent strategic investments made by the Worldpay Business as well as investments obtained through acquisitions. Such investments totaled $81 million and $78 million at December 31, 2022 and 2021, respectively, and are included within Other noncurrent assets on the combined balance sheets. The Worldpay Business accounts for these investments at cost, less impairment, and adjusts the carrying values for observable price changes from orderly transactions for identical or similar investments of the same issuer. These adjustments are generally considered Level 2-type fair value measurements. The Worldpay Business records gains and losses on these investments, realized and unrealized, as Other income (expense), net on the combined statements of loss and recorded net gains of $5 million, $57 million and $18 million for the year ended December 31, 2022, 2021 and 2020 respectively related to these investments.

(12) Income Taxes

The tax provisions have been prepared on a separate return basis as if the Worldpay Business had been a separate group of companies under common ownership. The operations have been combined as if the Worldpay Business was filing on a consolidated basis for U.S., state and non-U.S. income tax purposes, where allowable by law.

Income tax expense (benefit) attributable to continuing operations for the years ended December 31, 2022, 2021 and 2020, consists of the following (in millions):

	2022	2021	2020
Current provision:			
Federal	$ 13	$ 7	$ 10
State and local	5	11	(1)
Foreign	119	84	73
Total current provision	$ 137	$102	$ 82
Deferred provision (benefit):			
Federal	$ (23)	$ (44)	$(104)
State and local	(14)	(4)	(18)
Foreign	(178)	36	(118)
Total deferred provision (benefit)	(215)	(12)	(240)
Total provision (benefit) for income taxes	$ (78)	$ 90	$(158)

The provision (benefit) for income taxes is based on pre-tax income from continuing operations, which is as follows for the years ended December 31, 2022 and 2021, and 2020 (in millions):

	2022	2021	2020
United States	$(12,400)	$(155)	$(424)
Foreign	(5,472)	(223)	(431)
Total	$(17,872)	$(378)	$(855)

A reconciliation of the federal statutory income tax rate to the Worldpay Business' effective income tax rate for the years ended December 31, 2022, 2021 and 2020, is as follows:

	2022	2021	2020
Federal statutory income tax rate	21.0%	21.0%	21.0%
State income taxes	3.5	(1.9)	2.1
Federal benefit of state taxes	(0.7)	0.4	(0.4)
Foreign rate differential	0.3	10.9	4.3
U.K. tax rate adjustment	—	(49.2)	(11.8)
Non-deductible executive compensation	—	(0.7)	(0.2)
Tax benefit from stock-based compensation	(0.1)	—	4.6
Acquisition-related item	—	0.3	0.3
Book basis in excess of tax basis for goodwill impairment and disposition	(23.5)	—	—
CVR Liability fair value and foreign currency adjustment	(0.1)	(4.1)	(2.2)
Other	—	(0.5)	0.8
Effective income tax rate	0.4%	(23.8)%	18.5%

The significant components of Deferred income tax assets and liabilities as of December 31, 2022 and 2021, consist of the following (in millions):

	2022	2021
Deferred income tax assets:		
Net operating loss carryforwards	$ 60	$ 25
Employee benefit accruals	19	51
Property and equipment	10	17
Foreign currency translation adjustment	37	—
Interest limitation carryforwards	7	26
Reserves and accruals	15	17
Other deferred tax assets	5	29
Total gross deferred income tax assets	153	165
Less valuation allowance	(11)	(11)
Total deferred income tax assets	142	154
Deferred income tax liabilities:		
Amortization of goodwill and intangible assets	(2,442)	(2,780)
CVR Liability	(30)	(58)
Foreign currency translation adjustment	—	(319)
Other deferred tax liabilities	(37)	(39)
Total deferred income tax liabilities	(2,509)	(3,196)
Net deferred income tax liability	$(2,367)	$(3,042)

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as from net operating loss and tax credit carryforwards, and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. The Worldpay Business did not operate as a standalone entity in the past and, accordingly, tax losses, receivables and other Deferred tax assets included in the combined financial statements on a separate return basis may not be available upon separation from FIS.

Deferred income taxes are classified in the combined balance sheets as of December 31, 2022 and 2021, as follows (in millions):

	2022	2021
Noncurrent deferred income tax assets (included in Other noncurrent assets)	$ 18	$ 11
Noncurrent deferred income tax liabilities	(2,385)	(3,053)
Net deferred income tax liability	$(2,367)	$(3,042)

The Worldpay Business believes that based on its historical pattern of taxable income, projections of future income, tax planning strategies and other relevant evidence, the Worldpay Business will produce sufficient income in the future to realize its Deferred income tax assets (net of valuation allowance). A valuation allowance is established for any portion of a Deferred income tax asset for which the Worldpay Business believes it is more likely than not that it will not be able to realize the benefits of all or a portion of that Deferred income tax asset.

As of December 31, 2022 and 2021, the Worldpay Business has federal, state and foreign net operating loss carryforwards resulting in deferred tax assets of $60 million and $25 million, respectively. The Worldpay Business has a valuation allowance related to foreign and federal net operating loss carryforwards in the amounts of $6 million and $4 million as of December 31, 2022 and 2021.

FIS participates in the IRS' Compliance Assurance Process ("CAP"), which is a real-time continuous audit. The IRS has completed its review for years through 2019. Currently, the Worldpay Business believes the ultimate resolution of the IRS examinations will not result in a material adverse effect to the Worldpay Business' financial position or results of operations.

As of December 31, 2022 and 2021, the Worldpay Business had gross unrecognized tax benefits of $12 million and $12 million, respectively, of which $6 million and $6 million, respectively, would favorably impact the Worldpay Business' income tax rate in the event that the unrecognized tax benefits are recognized.

The following table reconciles the gross amounts of unrecognized tax benefits at the beginning and end of the period (in millions):

	Gross Amount
Amounts of unrecognized tax benefits as of December 31, 2020	$ 16
Amount of decreases due to lapse of the applicable statute of limitations	—
Amount of decreases due to settlements	(4)
Increases as a result of tax positions taken in the current period	—
Amount of unrecognized tax benefit as of December 31, 2021	12
Amount of decreases due to lapse of the applicable statute of limitations	—
Amount of decreases due to settlements	—
Increases as a result of tax positions taken in the current period	—
Amount of unrecognized tax benefit as of December 31, 2022	$ 12

Interest and penalties are recorded as a component of income tax expense in the combined statements of loss and comprehensive earnings (loss).

As of December 31, 2022, certain of the Worldpay Business' earnings are indefinitely reinvested offshore and could be subject to additional income tax if repatriated. It is not practicable to determine the unrecognized deferred tax liability on a hypothetical distribution of those earnings. For the earnings that are not indefinitely reinvested, the Worldpay Business has recorded a deferred tax liability for foreign income and withholding taxes that would apply.

(13) Commitments and Contingencies

The Worldpay Business is party to certain lawsuits in the ordinary course of business. The Worldpay Business does not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on the Worldpay Business' financial position, results of operations or cash flows.

Tax Receivable Agreement

FIS assumed in the Worldpay Acquisition a Tax Receivable Agreement ("TRA") under which FIS agreed to make payments to Fifth Third Bank ("Fifth Third") of 85% of the federal, state, local and foreign income tax benefits realized by FIS as a result of certain tax deductions. In December 2019, FIS entered into a Tax Receivable Purchase Addendum (the "TRA Amendment") that provides written call and put options (collectively "the options") to terminate certain estimated obligations under the TRA in exchange for fixed cash payments.

The remaining TRA obligations not subject to the TRA Amendment are based on the cash savings realized by FIS by comparing the actual income tax liability of FIS to the amount of such taxes FIS would have been required to pay had there been no deductions related to the tax attributes. Under the TRA, in certain specified circumstances, such as certain changes of control, FIS may be required to make payments in excess of such cash savings.

Obligations recorded in the Worldpay Business' combined financial statements pursuant to the TRA are based on estimates of future deductions and future tax rates and, in the case of the obligations subject to the TRA Amendment, reflect management's expectation that the options will be exercised. In January 2023, FIS exercised its final call option pursuant to the TRA Amendment, which results in fixed cash payments to Fifth Third of $138 million. The timing and/or amount of aggregate payments due under the TRA may vary based on a number of factors, including the exercise of options, the amount and timing of taxable income generated in the future and the tax rate then applicable, the use of loss carryforwards and amortizable basis. Each reporting period, the Worldpay Business evaluates the assumptions underlying the TRA obligations.

The combined balance sheets as of December 31, 2022 and 2021, include a total liability of $266 million and $451 million, respectively, relating to the TRA. The following table summarizes the Worldpay Business' estimated payment obligation timing under the TRA as of December 31, 2022 (in millions):

		Payments Due in		
	Total	**2023**	**2024**	**2025 and After**
Obligations under TRA	$266	$197	$57	$ 12

Chargeback Liability

Through services offered in Merchant, the Worldpay Business is exposed to potential losses from merchant-related chargebacks. A chargeback occurs when a dispute between a cardholder and a merchant, including a claim for non-delivery of the product or service by the merchant, is not resolved in favor of the merchant and the transaction is charged back to the merchant resulting in a refund of the purchase price to the cardholder. If the Worldpay Business is unable to collect this chargeback amount from the merchant due to closure, bankruptcy or other reasons, the Worldpay Business bears the loss for the refund paid to the cardholder. The risk of chargebacks is typically greater for those merchants that promise future delivery of goods and services rather than delivering goods or rendering services at the time of payment.

Indemnifications and Warranties

The Worldpay Business generally indemnifies its clients, subject to certain limitations and exceptions, against damages and costs resulting from claims of patent, copyright, or trademark infringement associated solely with its customers' use of the Worldpay Business' software applications or services. Historically, the Worldpay Business has not made any material payments under such indemnifications but continues to monitor the conditions that are subject to the indemnifications to identify whether it is probable that a loss has occurred, in which case it would recognize any such losses when they are estimable.

CIPA Class Action

Vantiv, Inc., which merged with Legacy Worldpay in January 2018, was a co-defendant in a class action brought by California-based business owners ("Plaintiffs") who allege that two independent sales organizations secretly recorded Plaintiffs, in violation of California's Invasion of Privacy Act ("CIPA"), during telemarketing calls while acting as agent or apparent agent of Vantiv and certain of its co-defendants (the "Vantiv Defendants"). In March 2022, the court granted final approval of a settlement agreement in which the Vantiv Defendants agreed to establish a non-reversionary common fund in the amount of $50 million, inclusive of all costs, expenses, and Plaintiff's attorneys' fees, and the settlement amount was fully paid by the Worldpay Business in September 2022.

(14) Employee Benefit Plans

401(k) Profit Sharing Plans

The Worldpay Business' U.S. employees are covered by a FIS qualified 401(k) plan. Eligible employees may contribute up to 40% of their eligible compensation, up to the annual amount allowed pursuant to the Internal Revenue Code. FIS generally matches 50% of each dollar of employee contribution up to 6% of the employee's total eligible compensation. The Worldpay Business' non-U.S. employees are also covered by various defined contribution plans of the Worldpay Business and FIS. The Worldpay Business recorded expense of $30 million, $25 million and $20 million, respectively, for the years ended December 31, 2022, 2021 and 2020, relating to the participation of the Worldpay Business' employees in the 401(k) plan and the related contribution to non-U.S. defined contribution plans.

Stock Compensation Plans

FIS grants to certain employees equity awards pursuant to shares authorized under the FIS 2022 Omnibus Incentive Plan established in 2022 ("FIS Plan") which superseded and replaced the FIS 2008 Omnibus Incentive Plan. The number of shares available for future grants under the FIS Plan is 27 million as of December 31, 2022.

Stock Options

FIS grants stock options to certain employees, which typically vest annually over three years. All stock options are non-qualified stock options, the stock options granted by FIS expire on the seventh anniversary of the grant date, and the stock options converted through the Worldpay Acquisition expire on the tenth anniversary of the grant date.

The following table summarizes stock option activity for the year ended December 31, 2022 for the Worldpay Business' direct employees with stock options (in millions except for quantity and per share amount):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance, December 31, 2021	638,914	$108.23	4.4	$ 9
Granted	164,199	95.23		
Exercised	(53,697)	71.37		2
Canceled	(40,511)	131.23		
Balance, December 31, 2022	708,905	$106.64	4.5	$ 2
Options Exercisable at December 31, 2022	373,197	$ 98.32	3.6	$ 2

The intrinsic value of options exercised during the years ended December 31, 2022, 2021 and 2020, was $2 million, $7 million, and $131 million, respectively. The intrinsic value of the outstanding options and options exercisable is based on a closing stock price as of December 31, 2022, of $67.85. FIS issues authorized but unissued shares or shares from treasury stock to settle stock options exercised.

The number of options granted for employees directly related to the Worldpay Business for the years ended December 31, 2022, 2021 and 2020, was 0.2 million, 0.2 million and 0.3 million, respectively. The weighted average exercise price was $70.84, $143.62 and $120.10 for the years ended December 31, 2022, 2021 and 2020, respectively.

The weighted average fair value of options granted during the years ended December 31, 2022, 2021 and 2020, was $20.86, $29.13 and $21.09, respectively, using the Black-Scholes option pricing model with the assumptions below:

	2022	2021	2020
Risk free interest rate	1.7%	0.6%	0.4%
Volatility	30.4%	27.5%	24.7%
Dividend yield	2.0%	1.1%	1.2%
Weighted average expected life (years)	4.1	4.1	4.1

FIS estimates future forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ significantly from those estimates. FIS bases the risk-free interest rate that is used in the Black-Scholes model on U.S. Treasury securities issued with maturities similar to the expected term of the options. The expected stock volatility factor is determined using historical daily price of the common stock and the impact of any expected trends. The dividend yield assumption is based on the current dividend yield at the grant date or management's forecasted expectations. The expected life assumption is determined by calculating the average term from FIS' historical stock option activity and considering the impact of future trends.

Restricted Stock Units and Performance Stock Units

FIS issues restricted stock units to employees, which typically vest annually over three years. The grant date fair value of the restricted stock units is based on the fair market value of FIS common stock on the grant date. The number of restricted stock units granted to employees that directly relate to the Worldpay Business during the years ended December 31, 2022, 2021 and 2020, was 0.4 million, 0.4 million and 0.2 million, respectively. The weighted average grant date fair value of these awards granted during the years ended December 31, 2022, 2021 and 2020, was $89.80, $139.71 and $117.02, respectively. The total fair value of restricted stock units that vested was $47 million, $54 million and $89 million in 2022, 2021 and 2020, respectively.

FIS grants performance-based stock units that typically cliff vest on the third anniversary date of the grant. The ultimate number of units to be earned depends on the achievement of performance conditions. Some performance-based stock units also include market conditions. The performance conditions are typically based on FIS' annual organic revenue growth and Adjusted EBITDA margin expansion (see Note 17 for a definition of Adjusted EBITDA). The market conditions are based on FIS' total shareholder return ranked against that of other companies that are included in the Standard & Poor's 500 Index. The fair value of each performance-based stock unit with only performance conditions is based on the fair value of FIS' common stock on the grant date. The fair value of each performance-based stock unit with a market condition is estimated on the date of grant using a Monte Carlo simulation model with the following weighted-average assumptions:

	2022	2021	2020
Risk free interest rate	1.6%	0.3%	0.3%
Volatility	34.2%	32.1%	27.8%
Dividend yield	2.0%	1.1%	1.3%

The number of performance-based stock units granted to employees directly related to the Worldpay Business during the years ended December 31, 2022, 2021 and 2020, was 0.7 million, 0.3 million and 0.2 million, respectively. The weighted average grant date fair value of these awards granted during the years ended December 31, 2022, 2021 and 2020, was $93.28, $114.51 and $132.61, respectively. The total fair value of the performance-based stock units that vested was $7 million, $8 million, and $3 million in 2022, 2021 and 2020, respectively.

The following table summarizes the restricted stock units and performance stock units activity for employees that directly relate to the Worldpay Business for the year ended December 31, 2022 (in millions except for quantity and per share amount):

	Restricted Stock Units		Performance Stock Units	
	Shares	Weighted Average Fair Value	Shares	Weighted Average Fair Value
Balance December 31, 2021	616,328	$135.17	328,490	$ 117.41
Granted	376,947	$ 89.80	656,124	$ 93.28
Vested	(488,480)	$135.01	(116,278)	$ 136.14
Forfeited	(75,442)	$114.75	(28,435)	$ 98.01
Balance December 31, 2022	429,353	$ 99.09	839,901	$ 96.65

Stock Compensation Cost

Total stock compensation expense recorded for employees directly related to the Worldpay Business was $32 million, $62 million and $82 million in Selling, general and administrative expenses and $15 million, $31 million and $21 million in Cost of revenue in the combined statements of loss for the years ended December 31, 2022, 2021 and 2020, respectively. Stock compensation expense recorded related to the grants with performance conditions is based on FIS' expected level of achievement of the financial performance measures during the performance period and is adjusted as appropriate throughout the performance period based on the shares expected to be earned at that time.

As of December 31, 2022 and 2021, the total unrecognized compensation cost related to non-vested stock awards is $71 million and $66 million, respectively, which is expected to be recognized in pre-tax income over a weighted average period of 1.7 years and 1.6 years, respectively.

(15) Related Party Transactions

The Worldpay Business has not historically operated as a standalone business and the combined financial statements are derived from the consolidated financial statements and accounting records of FIS. The following disclosure summarizes activity between the Worldpay Business and FIS, including the affiliates of FIS that are not part of the planned separation.

Related Party Transactions

The Worldpay Business has entered into the following transactions with FIS affiliates representing the sharing of resources and cross-charging across the organization, relating to the provision or consumption of professional services, software development, client conversion, implementation and sales support (in millions):

	2022	2021	2020
Revenue from affiliates	$ 26	$ 11	$ 6
Cost of revenue from affiliates	23	13	6

The Worldpay Business had the following balances with FIS affiliates (in millions):

	2022	2021
Due from affiliates	$ 21	$ 17
Due to affiliates	65	25
Loan payable to affiliates – short-term	—	215
Loan payable to affiliates – long-term	—	44

Balances due to or due from FIS affiliates which are not historically cash settled between the Worldpay Business and FIS, including the accumulated net position related to FIS' centralized cash management program, are reflected in Net parent investment on the combined balance sheets. Balances due to or due from FIS affiliates attributable to recurring operational transactions which have been historically cash settled are presented within Due to affiliates and Due from affiliates on the Worldpay Business' combined balance sheets. There are two intercompany loan payable arrangements. Both arrangements were cash settled in 2022. See Repayments of loan payable to affiliates within the combined statements of cash flows.

Net parent investment in the combined balance sheets and Transfers (to) from Parent in the combined statements of equity represent FIS' historical investment in the Worldpay Business and include net earnings (loss) after taxes and the net effect of transactions with and cost allocations from FIS. Such balances are reflected in the combined statements of cash flows based on the cash flows made by FIS on the Worldpay Business' behalf. These cash flows are included within net loss in cash flows from operating activities with the offset reflected in Transfers (to) from Parent, net within cash flows from financing activities.

Cost Allocations from FIS

FIS provides significant corporate, selling, marketing, administrative, and resources to the Worldpay Business. Some of these services will continue to be provided by FIS to the Worldpay Business on a temporary basis after the separation is completed under a transition services agreement. The combined financial statements reflect specific identification and allocations of these costs which include acquisition, integration and transformation-related costs. See Note 2 for a discussion of these costs and the methodology used to allocate them.

These allocations are reflected in the combined statements of loss as follows (in millions):

	2022	2021	2020
Cost of revenue	$ 76	$ 40	$ 26
Selling, general and administrative	262	226	170
Total	$338	$266	$196

Management believes these cost allocations are a reasonable reflection of the utilization of services provided to, or the benefit derived by, the Worldpay Business during the periods presented. The allocations may not, however, be indicative of the actual expenses that would have been incurred had the Worldpay Business operated as a standalone company. Actual costs that may have been incurred if the Worldpay Business had been a standalone company would depend on a number of factors, including the chosen organizational structure, whether functions were outsourced or performed by the Worldpay Business' employees, and strategic decisions made in areas such as manufacturing, selling and marketing, research and development, information technology and infrastructure.

(16) Concentration of Risk

The Worldpay Business generates a significant amount of revenue from large clients; however, no individual client accounted for 10% or more of total revenue in the years ended December 31, 2022, 2021 and 2020.

Financial instruments that potentially subject the Worldpay Business to concentrations of credit risk consist primarily of cash equivalents and trade receivables. The Worldpay Business places its cash equivalents with high credit-quality financial institutions and, by policy, limits the amount of credit exposure with any one financial institution. Concentrations of credit risk with respect to trade receivables are limited because a large number of geographically diverse clients make up the Worldpay Business' client base, thus spreading the trade receivables credit risk. The Worldpay Business controls credit risk through monitoring procedures.

(17) Segment Information

The Worldpay Business reports its financial performance based on the following segments: Merchant and Corporate and Other. Below is a summary of each segment.

Merchant

The Merchant segment is focused on serving merchants of all sizes globally, enabling them to accept, authorize and settle electronic payment transactions. Merchant includes all aspects of payment processing, including value-added services, such as security, fraud prevention, advanced data analytics, foreign currency management and numerous funding options. Merchant serves clients in over 100 countries. The Worldpay Business' Merchant clients are highly diversified, including global enterprises, national retailers and SMBs. The Merchant segment utilizes broad and varied distribution channels, including direct sales forces and multiple referral partner relationships that provide the Worldpay Business with access to new and existing markets.

Corporate and Other

The Corporate and Other segment consists of the FIS Retained Issuer Business, which does not meet the criteria for separate reporting. The FIS Retained Issuer Business provides card issuer processing, payment network processing, fraud protection and card production to a diverse set of financial institutions including regional banks, community banks, credit unions and regional PIN networks. Following the separation, the FIS Retained Issuer Business will be retained by FIS.

Additionally, the Corporate and Other segment consists of corporate overhead expenses and miscellaneous expenses that are not included in the operating segments. The overhead costs relate to corporate marketing, corporate finance and accounting, human resources, legal, and amortization of acquisition-related intangibles and other costs, such as acquisition, integration and transformation-related expenses, that are not considered when management evaluates revenue-generating segment performance.

In the Corporate and Other segment, the Worldpay Business recorded a $17,588 million impairment of goodwill related to the Merchant segment in 2022.

Adjusted EBITDA

Adjusted EBITDA is a measure of segment profit or loss that is reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. For this reason, Adjusted EBITDA, as it relates to the Worldpay Business' segments, is presented in conformity with ASC Topic 280, Segment Reporting. Adjusted EBITDA is defined as net earnings (loss) before, other income (expense), net, income tax provision (benefit), and depreciation and amortization, and excludes certain costs and other transactions that management deems non-operational in nature or that otherwise improve the comparability of operating results across reporting periods by their exclusion. This measure is reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. The items affecting the segment profit measure generally include the purchase price amortization of acquired intangible assets as well as acquisition, integration and certain other costs and asset impairments. These costs and adjustments are recorded in the Corporate and Other segment for the periods discussed below. Adjusted EBITDA for the respective segments excludes the foregoing costs and adjustments.

Summarized financial information for the Worldpay Business' segments is shown in the following tables. The Worldpay Business does not evaluate performance or allocate resources based on segment asset data; therefore, such information is not presented.

As of and for the year ended December 31, 2022 (in millions):

	Merchant	Corporate and Other	Total
Revenue(1)	$ 4,773	$ 236	$ 5,009
Operating Expenses(2)	(2,875)	(20,065)	(22,940)
Depreciation and amortization (Including purchase accounting amortization)	360	1,862	2,222
Acquisition, integration and other costs	—	323	323
Asset impairments	—	17,606	17,606
Adjusted EBITDA	$ 2,258	$ (38)	$ 2,220
Adjusted EBITDA			2,220
Depreciation and amortization			(272)
Purchase accounting amortization			(1,950)
Acquisition, integration and other costs			(323)
Asset impairments			(17,606)
Other income (expense), net			59
(Provision) benefit for income taxes			78
Net earnings attributable to noncontrolling interest			(4)
Net loss attributable to the Worldpay Business			$(17,798)
Capital expenditure	$ 361	$ —	$ 361

(1) Includes Revenue from affiliates of $26 million for Corporate and Other.
(2) Includes Cost of revenue from affiliates of $23 million for Corporate and Other.

As of and for the year ended December 31, 2021 (in millions):

	Merchant	Corporate and Other	Total
Revenue(1)	$ 4,496	$ 320	$ 4,816
Operating Expenses(2)	(2,580)	(2,655)	(5,235)
Depreciation and amortization (Including purchase accounting amortization)	346	2,091	2,437
Acquisition, integration and other costs	—	398	398
Asset impairments	—	13	13
Adjusted EBITDA	$ 2,262	$ 167	$ 2,429
Adjusted EBITDA			2,429
Depreciation and amortization			(208)
Purchase accounting amortization			(2,229)
Acquisition, integration and other costs			(398)
Asset impairments			(13)
Other income (expense), net			41
(Provision) benefit for income taxes			(90)
Net earnings attributable to noncontrolling interest			(5)
Net loss attributable to the Worldpay Business			$ (473)
Capital expenditure	$ 320	$ —	$ 320

(1) Includes Revenue from affiliates of $11 million for Corporate and Other.
(2) Includes Cost of revenue from affiliates of $13 million for Corporate and Other.

As of and for the year ended December 31, 2020 (in millions):

	Merchant	Corporate and Other	Total
Revenue[1]	$ 3,767	$ 389	$ 4,156
Operating Expenses[2]	(2,320)	(2,731)	(5,051)
Depreciation and amortization (Including purchase accounting amortization)	305	1,998	2,303
Acquisition, integration and other costs	—	485	485
Asset impairments	—	29	29
Adjusted EBITDA	$ 1,752	$ 170	$ 1,922
Adjusted EBITDA			1,922
Depreciation and amortization			(1,071)
Purchase accounting amortization			(1,232)
Acquisition, integration and other costs			(485)
Asset impairments			(29)
Other income (expense), net			40
(Provision) benefit for income taxes			158
Net earnings attributable to noncontrolling interest			(2)
Net loss attributable to the Worldpay Business			$ (699)
Capital expenditure	$ 333	$ —	$ 333

(1) Includes Revenue from affiliates of $6 million for Corporate and Other.
(2) Includes Cost of revenue from affiliates of $6 million for Corporate and Other.

Clients in the United Kingdom accounted for the majority of the revenue from clients based outside of North America for all periods presented. The Worldpay Business conducts business in over 100 countries. No individual country outside of North America, except for the United Kingdom, accounted for more than 10% of total revenue for the years ended December 31, 2022, 2021 and 2020.

Long-term assets, excluding goodwill and other intangible assets, located outside of the United States totaled $748 million and $807 million as of December 31, 2022 and 2021, respectively. These assets are predominantly located in the United Kingdom.

(18) Determination of Goodwill Impairment (Unaudited) Subsequent to the Date of the Report of Independent Registered Public Accounting Firm

As of June 30, 2023, due to a number of factors including the fact that FIS was in negotiations to sell, and expected that it was more likely than not that it would sell, a majority stake in its Merchant reporting unit, FIS performed a quantitative goodwill impairment assessment as of June 30, 2023. To estimate the fair value of the reporting unit, FIS used a market approach based on the price at which FIS subsequently agreed to sell a majority interest in the Worldpay Merchant Solutions business as further discussed in Note 1b. Based on this price, inclusive of estimated selling adjustments and fair value of contingent consideration, the estimated fair value of the Merchant reporting unit was less than its carrying value, and a $6.8 billion impairment charge was recorded in the second quarter of 2023.

Exhibit 99.2

Worldpay Business
Quarterly Financial Information (Unaudited)
Six Months Ended June 30, 2023, and June 30, 2022

Worldpay Business

Index to Condensed Combined Financial Statements (Unaudited)

KPMG LLP
Suite 500
501 Riverside Avenue
Jacksonville, FL 32202

Independent Auditors' Review Report

To Those Charged with Governance
Fidelity National Information Services, Inc.:

Results of Review of Condensed Combined Interim Financial Information

We have reviewed the accompanying condensed combined balance sheet of Worldpay Business (the Merchant Solutions business of Fidelity National Information Services, Inc.) (the Company) as of June 30, 2023, the related condensed combined statements of loss, comprehensive loss, equity, and cash flows for the six-month periods ended June 30, 2023 and June 30, 2022, and the related notes (collectively referred to as the condensed combined interim financial information).

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed combined interim financial information for it to be in accordance with U.S. generally accepted accounting principles.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of condensed combined interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed combined interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our reviews. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Condensed Combined Interim Financial Information

Management is responsible for the preparation and fair presentation of the condensed combined interim financial information in accordance with U.S. generally accepted accounting principles and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of condensed combined interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Condensed Combined Balance Sheet as of December 31, 2022

We have previously audited, in accordance with GAAS, the combined balance sheet as of December 31, 2022, and the related combined statements of loss, comprehensive loss, equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated May 12, 2023, except for Note 1 (b), as to which date is August 30, 2023. In our opinion, the accompanying condensed combined balance sheet of the Company as of December 31, 2022 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

KPMG LLP

Jacksonville, Florida
August 30, 2023

Worldpay Business
Condensed Combined Balance Sheets
(In millions)

	June 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,370	$ 1,743
Settlement assets	3,512	5,265
Trade receivables, net of allowance for credit losses of $55 and $46, respectively	1,753	1,903
Prepaid expenses and other current assets	193	131
Due from affiliates	31	21
Total current assets	6,859	9,063
Property and equipment, net	131	143
Goodwill	14,241	20,874
Intangible assets, net	6,872	7,500
Software, net	1,145	1,169
Other noncurrent assets	500	468
Total assets	$ 29,748	$ 39,217
LIABILITIES, NONCONTROLLING INTEREST AND EQUITY		
Current liabilities:		
Accounts payable, accrued and other liabilities	$ 1,140	$ 1,219
Settlement payables	4,435	6,141
Due to affiliates	61	65
Total current liabilities	5,636	7,425
Deferred income taxes	2,424	2,385
Other noncurrent liabilities	469	518
Total liabilities	8,529	10,328
Equity:		
Net parent investment	21,321	29,365
Accumulated other comprehensive loss	(105)	(480)
Total equity of the Worldpay Business	21,216	28,885
Noncontrolling interest	3	4
Total equity	21,219	28,889
Total liabilities, noncontrolling interest and equity	$ 29,748	$ 39,217

See accompanying notes, which are an integral part of these unaudited condensed combined financial statements.

Worldpay Business
Condensed Combined Statements of Loss
(In millions)
(Unaudited)

	Six months ended June 30,	
	2023	2022
Revenue	$ 2,503	$ 2,534
Cost of revenue	1,460	1,596
Selling, general and administrative expenses	1,099	1,138
Asset impairments	6,842	18
Operating loss	(6,898)	(218)
Other income, net	61	53
Loss before income taxes	(6,837)	(165)
Provision (benefit) for income taxes	(22)	(58)
Net loss	(6,815)	(107)
Net earnings attributable to noncontrolling interest	(2)	(2)
Net loss attributable to the Worldpay Business	$ (6,817)	$ (109)

See accompanying notes, which are an integral part of these unaudited condensed combined financial statements.

Worldpay Business
Condensed Combined Statements of Comprehensive Loss
(In millions)
(Unaudited)

	Six months ended June 30, 2023	Six months ended June 30, 2022
Net loss	$ (6,815)	$ (107)
Foreign currency translation adjustments, net of tax	375	(1,681)
Comprehensive loss	$ (6,440)	$ (1,788)
Net earnings attributable to noncontrolling interest	(2)	(2)
Comprehensive loss attributable to the Worldpay Business	$ (6,442)	$ (1,790)

See accompanying notes, which are an integral part of these unaudited condensed combined financial statements.

Worldpay Business
Condensed Combined Statements of Equity
Six Months Ended June 30, 2023 and June 30, 2022
(In millions)
(Unaudited)

	Net parent investment	Accumulated other comprehensive earnings (loss)	Noncontrolling interest	Total equity
Balances, December 31, 2022	$ 29,365	$ (480)	$ 4	$ 28,889
Net earnings (loss)	(6,817)	—	2	(6,815)
Other comprehensive earnings (loss), net of tax	—	375	—	375
Transfers to Parent, net	(1,227)	—	(3)	(1,230)
Balances, June 30, 2023	$ 21,321	$ (105)	$ 3	$ 21,219

	Net parent investment	Accumulated other comprehensive earnings (loss)	Noncontrolling interest	Total equity
Balances, December 31, 2021	$ 46,521	$ 1,369	$ 6	$ 47,896
Net earnings (loss)	(109)	—	2	(107)
Other comprehensive earnings (loss), net of tax	—	(1,681)	—	(1,681)
Transfers to Parent, net	680	—	(3)	677
Balances, June 30, 2022	$ 47,092	$ (312)	$ 5	$ 46,785

See accompanying notes, which are an integral part of these unaudited condensed combined financial statements.

Worldpay Business
Condensed Combined Statements of Cash Flows
(In millions)
(Unaudited)

	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash flows from operating activities:		
Net loss	$ (6,815)	$ (107)
Adjustment to reconcile net loss to net cash provided by operating activities:		
Asset impairments	6,842	18
Loss on sale of businesses, investments, and other	2	2
Depreciation and amortization	997	1,149
Stock-based compensation	19	32
Deferred income taxes	4	(433)
Net changes in assets and liabilities, net of effects of foreign currency:		
Trade receivables	164	37
Prepaid expenses and other assets	(101)	(177)
Accounts payable, accrued and other liabilities	(58)	125
Due (to) / from affiliates	(15)	12
Net cash provided by operating activities	1,039	658
Cash flows from investing activities:		
Additions to property and equipment	(13)	(20)
Additions to software	(153)	(164)
Net cash used in investing activities	(166)	(184)
Cash flows from financing activities:		
Settlement activity	(247)	(100)
Borrowings	37	(99)
Repayments and borrowings of loan payable to affiliates	—	(259)
Payments on Tax Receivable Agreement	(128)	(92)
Other financing activities, net	(3)	(3)
Transfers (to) from Parent, net	(1,248)	646
Net cash provided by (used in) financing activities:	(1,589)	93
Effect of foreign currency exchange rate changes on cash	97	(322)
Net increase in cash and cash equivalents	(619)	245
Cash, cash equivalents and restricted cash, beginning of period	4,368	3,392
Cash, cash equivalents and restricted cash, end of period	$ 3,749	$ 3,637
Supplemental cash flow information:		
Cash paid for income taxes	$ 68	$ 45

See accompanying notes, which are an integral part of these unaudited condensed combined financial statements.

(1) Background and Nature of Operations

On February 13, 2023, Fidelity National Information Services, Inc. ("FIS") announced a plan to spin off the Worldpay Merchant Solutions business ("Merchant" or "Merchant Solutions") into an independent public company. Subsequent to that announcement, on July 5, 2023, FIS signed a definitive agreement to sell a 55% equity interest in Merchant to private equity funds managed by GTCR, LLC ("GTCR") in a transaction valuing the business at up to $18.5 billion, including potential consideration of $1.0 billion contingent on the returns realized by GTCR exceeding certain thresholds (the "Separation"). FIS will retain a non-controlling 45% ownership interest in a new standalone joint venture ("Worldpay").

The transaction is expected to close by the first quarter of 2024, subject to regulatory approvals and other customary closing conditions.

These condensed combined financial statements reflect the condensed combined historical results of operations, financial position and cash flows of two businesses, Issuer Solutions ("FIS Retained Issuer Business" or "Issuer") and Merchant (collectively, the "Worldpay Business"). For the historical periods presented, Merchant and Issuer are primarily included within FIS legal entities expected to be contributed to Worldpay in connection with the Separation (collectively the "Transferring Entities" and each a "Transferring Entity"). The Transferring Entities include the net assets and subsequent operations acquired by FIS in the acquisition of Worldpay Inc., which was completed on July 31, 2019 (the "Worldpay Acquisition"), along with legacy FIS merchant businesses within pre-existing legal entities. Issuer will be retained by FIS following the completion of the Separation (refer to Note 2 for further detail). These condensed combined financial statements reflect the condensed combined historical results of operations, financial position and cash flows of the Worldpay Business.

Merchant is focused on serving merchants of all sizes globally, enabling them to accept, authorize and settle electronic payment transactions. Merchant includes all aspects of payment processing, including value-added services, such as security, fraud prevention, advanced data analytics, foreign currency management and numerous funding options. Merchant serves clients in over 100 countries. Merchant clients are highly diversified, including global enterprises, national retailers and small- to medium-sized businesses ("SMBs"). Merchant utilizes broad and varied distribution channels, including direct sales forces and multiple referral partner relationships that provide the Worldpay Business with access to new and existing markets.

(2) Basis of Presentation

The accompanying condensed combined financial statements and footnotes have been prepared in connection with the expected Separation and are derived from FIS' condensed consolidated financial statements and accounting records. The condensed combined financial statements reflect the Worldpay Business' financial position, results of operations and cash flows and were prepared in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP"). The assets, liabilities, revenue and expenses of the Worldpay Business have been reflected in the Worldpay Business' condensed combined financial statements on a historical cost basis, as included in the condensed consolidated financial statements of FIS, using the historical accounting policies applied by FIS. These condensed combined financial statements do not purport to reflect what the Worldpay Business' results of operations, comprehensive income, financial position, equity or cash flows would have been had the Worldpay Business operated as a standalone company during the periods presented.

These condensed combined financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2022.

The results of operations for the interim periods are not necessarily indicative of the results that might be expected for the future interim periods or the full year ending December 31, 2023.

These condensed combined financial statements were prepared following a legal entity approach, which resulted in the inclusion of the following:

- Certain assets and liabilities, results of operations and cash flows attributable to Merchant that will be contributed to Worldpay prior to the consummation of the Separation, and

- The Transferring Entities, which have historically included the results from the sales of products included both in Merchant and the FIS Retained Issuer Business. Each Transferring Entity's historical operations, including its results of operations, assets and liabilities, and cash flows have been fully reflected in these condensed combined financial statements; however, prior to the consummation of the Separation, the FIS Retained Issuer Business will be transferred to entities to be retained by FIS.

The Worldpay Business has historically functioned together with the other businesses controlled by FIS. Accordingly, the Worldpay Business relied on FIS' corporate and other support functions for its business. Therefore, certain corporate and shared costs have been allocated to the Worldpay Business including:

- Expenses related to FIS support functions that are provided on a centralized basis within FIS, including expenses for facilities, executive oversight, treasury, finance, legal, human resources, shared services, compliance, procurement, information technology and other corporate functions.
  - These expenses have been allocated to the Worldpay Business based on a specific identification basis or, when specific identification is not practicable, a proportional cost allocation method primarily based on revenue or directly identifiable actual costs, depending on the nature of the services.
- Share-based compensation and other employee-related expenses.

Management believes these cost allocations are a reasonable reflection of the utilization of services provided to, or the benefit derived by, the Worldpay Business during the periods presented, though the allocations may not be indicative of the actual costs that would have been incurred had the Worldpay Business operated as a standalone company. Actual costs that may have been incurred if the Worldpay Business had been a standalone company would depend on a number of factors, including the chosen organizational structure, whether functions were outsourced or performed by the Worldpay Business' employees, and strategic decisions made in areas such as selling and marketing, research and development, information technology and infrastructure.

Following the Separation, certain functions that FIS provided to the Worldpay Business prior to the Separation will be performed using Worldpay's own resources or third-party service providers and certain functions that will be provided for a limited time pursuant to a transition services agreement.

The condensed combined balance sheets reflect all of the assets and liabilities that are either specifically identifiable or are directly attributable to the Worldpay Business and its operations, as well as assets and liabilities attributable to the FIS Retained Issuer Business in the Transferring Entities. Certain assets and liabilities attributable to the FIS Retained Issuer Business will be transferred to entities to be retained by FIS prior to the Separation.

Income tax expense and deferred tax balances in the condensed combined financial statements have been calculated on a separate tax return basis. The Worldpay Business' operations are included in the tax returns of FIS and its subsidiaries, including the Transferring Entities and the respective FIS entities of which the Worldpay Business' business is a part. In the future, as a standalone entity, Worldpay will file tax returns on its own behalf, and its deferred taxes and effective income tax rate may differ from those in the historical periods.

The effective income tax rate was 0.3% for the six months ended June 30, 2023, compared to an effective income tax rate of 35.2% for the six months ended June 30, 2022. The decrease in the effective tax rate for the six months ended June 30, 2023, was primarily driven by the book impairment of goodwill, further discussed in Note 4, for which there is no tax basis.

The income tax expense for the six months ended June 30, 2023 is based on a discrete calculation of the income tax provision.

FIS generally utilizes a centralized approach to cash management and the financing of its operations. Cash generated by the Worldpay Business is routinely transferred into accounts managed by FIS' centralized treasury function, and cash disbursements for the Worldpay Business' operations are funded as needed by FIS. Cash and cash equivalents of the Transferring Entities are reflected in the Worldpay Business' condensed combined balance sheets. Balances held by the Transferring Entities with FIS for cash transfers are reflected as due from affiliates and due to affiliates. All other cash, cash equivalents, short-term investments and related transfers between FIS and the Worldpay Business are generally held centrally through accounts controlled and maintained by FIS and are not specifically identifiable to the Worldpay Business. Accordingly, such balances have been accounted for through Net parent investment. FIS' third-party debt and related interest expense have not been attributed to the Worldpay Business because the Worldpay Business is not the legal obligor of the debt and the borrowings are not specifically identifiable to the Worldpay Business. However, in connection with the Separation, Worldpay expects to incur indebtedness, and such indebtedness would cause Worldpay to record additional interest expense in future periods.

As the separate legal entities that make up the Worldpay Business were not historically held by a single legal entity, Net parent investment is shown in lieu of shareholders' equity in these condensed combined financial statements. Net parent investment represents FIS' interest in the recorded assets of the Worldpay Business and the cumulative investment by FIS in the Worldpay Business through the periods presented, inclusive of operating results.

All intercompany transactions and accounts within the Transferring Entities have been eliminated. For the Transferring Entities, transactions with FIS affiliates are included in the condensed combined statements of loss, and related balances are reflected as Due to affiliates and Due from affiliates. Other balances between the Worldpay Business and FIS are considered to be effectively settled in the condensed combined financial statements at the time the transactions are recorded as they have not been historically settled in cash and are not expected to be settled in cash in connection with the Separation. The total net effect of these intercompany transactions is reflected in the condensed combined balance sheets within Net parent investment in the condensed combined statements of cash flows within financing activities and in the condensed combined statements of equity as Transfers (to) from Parent, net. Refer to Note 6 for further discussion.

As a result of the allocations and carve out methodologies used to prepare these condensed combined financial statements, these results may not be indicative of the Worldpay Business' future performance and may not reflect the results of operations, financial position, and cash flows had the Worldpay Business been a separate, standalone company during the periods presented.

Amounts in tables in the condensed combined financial statements and the accompanying footnotes may not sum or calculate due to rounding.

(3) Revenue

Disaggregation of Revenue

In the following tables, revenue is disaggregated by primary geographical market and type of revenue. The tables also include a reconciliation of the disaggregated revenue with the Worldpay Business' reportable segments.

For the six months ended June 30, 2023 (in millions):

	Merchant	Corporate and Other	Total
Primary Geographical Markets			
North America	$ 1,730	$ 84	$1,814
All others	686	3	689
Total	$ 2,416	$ 87	$2,503
Type of Revenue:			
Recurring revenue:			
Transaction processing	$ 2,365	$ 80	$2,445
Other recurring	42	—	42
Total recurring	2,407	80	2,487
Other non-recurring fees	9	7	16
Total	$ 2,416	$ 87	$2,503

For the six months ended June 30, 2022 (in millions):

	Merchant	Corporate and Other	Total
Primary Geographical Markets			
North America	$ 1,740	$ 117	$1,857
All others	674	3	677
Total	$ 2,414	$ 120	$2,534
Type of Revenue:			
Recurring revenue:			
Transaction processing	$ 2,364	$ 100	$2,464
Other recurring	46	—	46
Total recurring	2,410	100	2,510
Other non-recurring fees	4	20	24
Total	$ 2,414	$ 120	$2,534

Transaction Price Allocated to the Remaining Performance Obligations

As permitted by ASC Topic 606, *Revenue from Contracts with Customers*, the Worldpay Business has elected to exclude disclosure of the aggregate amount of the transaction price allocated to remaining performance obligations, as its contracts either have an original duration of one year or less or contain variable consideration that is allocated entirely to a distinct day of service under a stand-ready series. The aggregate fixed consideration portion of customer contracts with an initial contract duration of greater than one year is not material.

(4) Condensed Combined Financial Statement Details

Cash and Cash Equivalents

The Worldpay Business records restricted cash in captions other than cash and cash equivalents in the condensed combined balance sheets. The reconciliation between cash and cash equivalents in the condensed combined balance sheets and Cash, cash equivalents and restricted cash per the condensed combined statements of cash flows is as follows (in millions):

	June 30, 2023	December 31, 2022
Cash and cash equivalents on the condensed combined balance sheets	$1,370	$ 1,743
Merchant float (in Settlement assets)	2,379	2,625
Total Cash, cash equivalents and restricted cash per the condensed combined statements of cash flows	$3,749	$ 4,368

Settlement Assets

The principal components of the Worldpay Business' settlement assets on the condensed combined balance sheets are as follows (in millions):

	June 30, 2023	December 31, 2022
Settlement assets		
Settlement deposits	$ 47	$ 56
Merchant float	2,379	2,625
Settlement receivables	1,086	2,584
Total Settlement assets	$3,512	$ 5,265

Intangible Assets, Software and Property and Equipment

The following table provides details of Intangible assets, Software and Property and equipment as of June 30, 2023, and December 31, 2022 (in millions):

	June 30, 2023			December 31, 2022		
	Cost	Accumulated depreciation and amortization	Net	Cost	Accumulated depreciation and amortization	Net
Intangible assets	$13,879	$ (7,007)	$6,872	$13,641	$ (6,141)	$7,500
Software	$ 2,508	$ (1,363)	$1,145	$ 2,344	$ (1,175)	$1,169
Property and equipment	$ 369	$ (238)	$ 131	$ 352	$ (209)	$ 143

As of June 30, 2023, Intangible assets, net of amortization, includes $6,797 million of customer relationships and $75 million of trademarks and other intangible assets. Amortization expense with respect to Intangible assets was $760 million and $859 million for the six months ended June 30, 2023 and 2022, respectively.

Depreciation expense for property and equipment was $29 million and $33 million for the six months ended June 30, 2023 and 2022, respectively.

Amortization expense with respect to software was $191 million and $243 million for the six months ended June 30, 2023 and 2022, respectively.

For the six months ended June 30, 2022, the Company recorded $18 million of impairments primarily related to real estate-related assets as a result of office space reductions. Impairments for the six months ended June 30, 2023 were not material.

Goodwill

Changes in goodwill during the six months ended June 30, 2023, are summarized below (in millions):

	Merchant	FIS Retained Issuer Business	Total
Balance, December 31, 2022	$ 17,460	$ 3,414	$20,874
Asset impairments	(6,839)	—	(6,839)
Foreign currency adjustments	206	—	206
Balance, June 30, 2023	$ 10,827	$ 3,414	$14,241

FIS assesses goodwill for impairment on an annual basis during the fourth quarter or more frequently if circumstances indicate potential impairment. FIS evaluates if events and circumstances as of June 30, 2023, indicated potential impairment of its reporting units.

Merchant

For the Merchant reporting unit, events and circumstances during the six months ended June 30, 2023, indicated potential goodwill impairment. As recently as December 31, 2022, the Merchant reporting unit’s carrying value was equal to its estimated fair value, creating a possibility of future goodwill impairment as a result of any further decrease in its estimated fair value. Also, as of June 30, 2023, FIS was in negotiations to sell, and expected that it was more likely than not that it would sell, a majority stake in the reporting unit. Accordingly, FIS performed a quantitative goodwill impairment assessment as of June 30, 2023. To estimate the fair value of the reporting unit, FIS used a market approach based on the price at which FIS subsequently agreed to sell a majority interest in the Worldpay Merchant Solutions business as further discussed in Note 1. Based on this price, inclusive of estimated selling adjustments and fair value of contingent consideration, the estimated fair value of the reporting unit was less than its carrying value, and FIS recorded a $6.8 billion impairment charge in the second quarter of 2023. As a result, the Merchant reporting unit’s carrying value as of June 30, 2023, is equal to its fair value.

The total carrying amount of goodwill as of June 30, 2023, is net of accumulated impairment charges of $24.5 billion. $24.4 billion of this amount relates to Merchant stemming from a $6.8 billion impairment recorded in the second quarter of 2023 and $17.6 billion recorded during the fourth quarter of 2022.

FIS Retained Issuer Business

The FIS Retained Issuer Business is historically a part of the FIS Banking Solutions reporting unit. FIS performed a qualitative assessment for the Banking Solutions reporting unit by examining factors most likely to affect its fair value, including the impact of recent U.S. bank failures. The factors examined involve significant use of management judgment and included, among others, (1) forecast revenue, growth rates, operating margins, and capital expenditures used to calculate estimated future cash flows, (2) future economic and market conditions and (3) FIS' market capitalization. Based on FIS' interim impairment assessment as of June 30, 2023, FIS concluded that it remained more likely than not that the fair value continues to exceed the carrying amount for the Banking Solutions reporting unit; therefore, goodwill was not impaired.

Visa Europe and Contingent Value Rights

As part of the Worldpay Acquisition, FIS acquired certain assets and liabilities related to the June 2016 Worldpay Group plc ("Legacy Worldpay") disposal of its ownership interest in Visa Europe to Visa Inc. As part of the disposal, Legacy Worldpay received proceeds from Visa Inc. in the form of cash ("cash consideration") and convertible preferred stock ("preferred stock"), the value of which may be reduced by losses incurred relating to ongoing interchange-related litigation involving Visa Europe. The preferred stock becomes convertible into Visa Inc. Class A common stock ("common stock") in stages as determined by Visa Inc. in accordance with the relevant transaction documents pertaining to the aforementioned disposal of the Visa Europe ownership interest. The preferred stock becomes fully convertible no later than 2028 (subject to a holdback to cover any pending claims). Also in connection with the disposal and pursuant to the terms of an amendment executed on September 17, 2020, Legacy Worldpay agreed to pay former Legacy Worldpay owners 90% of the net-of-tax proceeds from the disposal, known as contingent value rights, which is recorded as a liability ("CVR liability") on the condensed combined balance sheets.

The Worldpay Business has elected the fair value option under ASC Topic 825, *Financial Instruments* ("ASC 825"), for measuring its preferred stock asset and CVR liability. The fair value of the preferred stock was $80 million and $55 million at June 30, 2023, and December 31, 2022, respectively, recorded in Other noncurrent assets on the condensed combined balance sheets. The fair value of the CVR liability was $361 million and $342 million at June 30, 2023, and December 31, 2022, respectively, recorded in Other noncurrent liabilities on the condensed combined balance sheets. Pursuant to ASC 825, the Worldpay Business remeasures the fair value of the preferred stock and CVR liability each reporting period. The net reduction in fair value was $6 million and $49 million for the six months ended June 30, 2023 and 2022 respectively, recorded in Other income (expense), net on the condensed combined statements of loss.

Equity Security Investments

The Worldpay Business holds various equity securities without readily determinable fair values that primarily represent strategic investments made by the Worldpay Business as well as investments obtained through acquisitions. Such investments totaled $82 million and $81 million at June 30, 2023, and December 31, 2022, respectively, and are included within Other noncurrent assets on the condensed combined balance sheets. The Worldpay Business accounts for these investments at cost, less impairment, and adjusts the carrying values for observable price changes from orderly transactions for identical or similar investments of the same issuer. These adjustments are generally considered Level 2-type fair value measurements. The Worldpay Business records gains and losses on these investments, realized and unrealized, as Other income (expense), net on the condensed combined statements of loss. There were no gains or losses related to these investments recorded for the six months ended June 30, 2023 and 2022, respectively.

(5) Commitments and Contingencies

The Worldpay Business is party to certain lawsuits in the ordinary course of business. The Worldpay Business does not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on the Worldpay Business' financial position, results of operations or cash flows.

Tax Receivable Agreement

FIS assumed in the Worldpay Acquisition a Tax Receivable Agreement ("TRA") under which FIS agreed to make payments to Fifth Third Bank ("Fifth Third") of 85% of the federal, state, local and foreign income tax benefits realized by FIS as a result of certain tax deductions. In December 2019, FIS entered into a Tax Receivable Purchase Addendum (the "TRA Amendment") that provides written call and put options (collectively "the options") to terminate certain estimated obligations under the TRA in exchange for fixed cash payments.

The remaining TRA obligations not subject to the TRA Amendment are based on the cash savings realized by FIS by comparing the actual income tax liability of FIS to the amount of such taxes FIS would have been required to pay had there been no deductions related to the tax attributes. Under the TRA, in certain specified circumstances, such as certain changes of control, FIS may be required to make payments in excess of such cash savings.

Obligations recorded in the Worldpay Business' condensed combined financial statements pursuant to the TRA are based on estimates of future deductions and future tax rates and in the case of the obligations subject to the TRA Amendment, reflect management's expectation that the options will be exercised. In January 2023, FIS exercised its third call option pursuant to the Amendment, which results in fixed cash payments to Fifth Third of $138 million. The timing and/or amount of aggregate payments due under the TRA may vary based on a number of factors, including the exercise of options, the amount and timing of taxable income generated in the future and the tax rate then applicable, the use of loss carryforwards and amortizable basis. Each reporting period, the Worldpay Business evaluates the assumptions underlying the TRA obligations.

The condensed combined balance sheets as of June 30, 2023, and December 31, 2022, include a total liability of $138 million and $266 million, respectively, relating to the TRA.

Chargeback Liability

Through services offered in Merchant, the Worldpay Business is exposed to potential losses from merchant-related chargebacks. A chargeback occurs when a dispute between a cardholder and a merchant, including a claim for non-delivery of the product or service by the merchant, is not resolved in favor of the merchant and the transaction is charged back to the merchant resulting in a refund of the purchase price to the cardholder. If the Worldpay Business is unable to collect this chargeback amount from the merchant due to closure, bankruptcy or other reasons, the Worldpay Business bears the loss for the refund paid to the cardholder. The risk of chargebacks is typically greater for those merchants that promise future delivery of goods and services rather than delivering goods or rendering services at the time of payment.

Indemnifications and Warranties

The Worldpay Business generally indemnifies its clients, subject to certain limitations and exceptions, against damages and costs resulting from claims of patent, copyright, or trademark infringement associated solely with its customers' use of the Worldpay Business' software applications or services. Historically, the Worldpay Business has not made any material payments under such indemnifications but continues to monitor the conditions that are subject to the indemnifications to identify whether it is probable that a loss has occurred, in which case it would recognize any such losses when they are estimable.

CIPA Class Action

Vantiv, Inc., which merged with Legacy Worldpay in January 2018, was a co-defendant in a class action brought by California-based business owners (“Plaintiffs”) who allege that two independent sales organizations secretly recorded Plaintiffs, in violation of California’s Invasion of Privacy Act (“CIPA”), during telemarketing calls while acting as agent or apparent agent of Vantiv and certain of its co-defendants (the “Vantiv Defendants”). In March 2022, the court granted final approval of a settlement agreement in which the Vantiv Defendants agreed to establish a non-reversionary common fund in the amount of $50 million, inclusive of all costs, expenses, and Plaintiff’s attorneys’ fees, and the settlement amount was fully paid by the Worldpay Business in September 2022.

(6) Related Party Transactions

The Worldpay Business has not operated as a standalone business, and the condensed combined financial statements are derived from the condensed consolidated financial statements and accounting records of FIS. The following disclosure summarizes activity between the Worldpay Business and FIS, including the affiliates of FIS that are not part of the planned Separation.

Related Party Transactions

The Worldpay Business has entered into the following transactions with FIS affiliates representing the sharing of resources and cross-charging across the organization, relating to the provision or consumption of professional services, software development, client conversion, implementation and sales support (in millions):

	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue from affiliates	$ 13	$ 15
Cost of revenue from affiliates	$ 10	$ 15

The Worldpay Business had the following balances with FIS affiliates (in millions):

	June 30, 2023	December 31, 2022
Due from affiliates	$ 31	$ 21
Due to affiliates	$ 61	$ 65

Balances due from or due to FIS affiliates which are not historically cash settled between the Worldpay Business and FIS, including the accumulated net position related to FIS’ centralized cash management program, are reflected in Net parent investment on the condensed combined balance sheets. Balances due from or due to FIS affiliates attributable to recurring operational transactions which have been historically cash settled are presented within Due from affiliates and Due to affiliates on the Worldpay Business’ condensed combined balance sheets. There were two intercompany loan payable arrangements that were cash settled during the six months ended June 30, 2022 reflected as Repayments and borrowings of loan payable to affiliates in the condensed combined statements of cash flows.

Net parent investment in the condensed combined balance sheets and Transfers (to) from Parent in the condensed combined statements of equity represent FIS’ historical investment in the Worldpay Business and includes net earnings (loss) after taxes and the net effect of transactions with and cost allocations from FIS. Such balances are reflected in the condensed combined statements of cash flows based on the cash flows made by FIS on the Worldpay Business’ behalf. These cash flows are included within net loss in cash flows from operating activities with the offset reflected in Transfers (to) from Parent, net within cash flows from financing activities.

Cost Allocations from FIS

FIS provides significant corporate, selling, marketing, administrative, and resources to the Worldpay Business. Some of these services will continue to be provided by FIS to the Worldpay Business on a temporary basis after the Separation is completed under a transition services agreement. The condensed combined financial statements reflect specific identification and allocations of these costs which include acquisition, integration and transformation-related costs. See Note 2 for a discussion of these costs and the methodology used to allocate them.

These allocations are reflected in the condensed combined statements of loss as follows (in millions):

	Six months ended June 30,	
	2023	2022
Cost of revenue	$ 15	$ 24
Selling, general and administrative	117	136
Total	$ 132	$ 160

Management believes these cost allocations are a reasonable reflection of the utilization of services provided to, or the benefit derived by, the Worldpay Business during the periods presented. The allocations may not, however, be indicative of the actual expenses that would have been incurred had the Worldpay Business operated as a standalone company. Actual costs that may have been incurred if the Worldpay Business had been a standalone company would depend on a number of factors, including the chosen organizational structure, whether functions were outsourced or performed by the Worldpay Business' employees, and strategic decisions made in areas such as manufacturing, selling and marketing, research and development, information technology and infrastructure.

(7) Segment Information

The Worldpay Business reports its financial performance based on the following segments: Merchant and Corporate and Other. Below is a summary of each segment.

Merchant

The Merchant segment is focused on serving merchants of all sizes globally, enabling them to accept, authorize and settle electronic payment transactions. Merchant includes all aspects of payment processing, including value-added services, such as security, fraud prevention, advanced data analytics, foreign currency management and numerous funding options. Merchant serves clients in over 100 countries. The Worldpay Business' Merchant clients are highly diversified, including global enterprises, national retailers and SMBs. The Merchant segment utilizes broad and varied distribution channels, including direct sales forces and multiple referral partner relationships that provide the Worldpay Business with access to new and existing markets.

Corporate and Other

The Corporate and Other segment consists of the FIS Retained Issuer Business, which does not meet the criteria for separate reporting. The FIS Retained Issuer Business provides card issuer processing, payment network processing, fraud protection and card production to a diverse set of financial institutions including regional banks, community banks, credit unions and regional PIN networks. Following the Separation, the FIS Retained Issuer Business will be retained by FIS.

Additionally, the Corporate and Other segment consists of corporate overhead expenses and miscellaneous expenses that are not included in the operating segments. The overhead costs relate to corporate marketing, corporate finance and accounting, human resources, legal, and amortization of acquisition-related intangibles and other costs, such as acquisition, integration and transformation-related expenses, that are not considered when management evaluates revenue-generating segment performance.

In the Corporate and Other segment, the Worldpay Business recorded a $6.8 billion impairment of goodwill related to the Merchant segment in the six months ended June 30, 2023.

Adjusted EBITDA

Adjusted EBITDA is a measure of segment profit or loss that is reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. For this reason, Adjusted EBITDA, as it relates to the Worldpay Business' segments, is presented in conformity with ASC Topic 280, *Segment Reporting*. Adjusted EBITDA is defined as net earnings (loss) before, other income (expense), net, income tax provision (benefit), and depreciation and amortization, and excludes certain costs and other transactions that management deems non-operational in nature or that otherwise improve the comparability of operating results across reporting periods by their exclusion. This measure is reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. The items affecting the segment profit measure generally include the purchase price amortization of acquired intangible assets as well as acquisition, integration and certain other costs and asset impairments. These costs and adjustments are recorded in the Corporate and Other segment for the periods discussed below. Adjusted EBITDA for the respective segments excludes the foregoing costs and adjustments.

Summarized financial information for the Worldpay Business' segments is shown in the following tables. The Worldpay Business does not evaluate performance or allocate resources based on segment asset data; therefore, such information is not presented.

For the six months ended June 30, 2023 (in millions):

	Merchant	Corporate and Other	Total
Revenue (1)	$ 2,416	$ 87	$ 2,503
Operating expenses (2)	(1,495)	(7,906)	(9,401)
Depreciation and amortization (including purchase accounting amortization)	193	806	999
Acquisition, integration and other costs	—	85	85
Asset impairments	—	6,842	6,842
Adjusted EBITDA	$ 1,114	$ (86)	$ 1,028
Adjusted EBITDA			1,028
Depreciation and amortization			(158)
Purchase accounting amortization			(841)
Acquisition, integration and other costs			(85)
Asset impairments			(6,842)
Other income (expense), net			61
(Provision) benefit for income taxes			22
Net earnings attributable to noncontrolling interest			(2)
Net loss attributable to the Worldpay Business			$(6,817)
Capital expenditure	$ 159	$ —	$ 159

(1) Includes Revenue from affiliates of $13 million for Corporate and Other.
(2) Includes Cost of revenue from affiliates of $10 million for Corporate and Other.

For the six months ended June 30, 2022 (in millions):

	Merchant	Corporate and Other	Total
Revenue (1)	$ 2,414	$ 120	$ 2,534
Operating expenses (2)	(1,459)	(1,293)	(2,752)
Depreciation and amortization (including purchase accounting amortization)	181	968	1,149
Acquisition, integration and other costs	—	167	167
Asset impairments	—	18	18
Adjusted EBITDA	$ 1,136	$ (20)	$ 1,116
Adjusted EBITDA			1,116
Depreciation and amortization			(139)
Purchase accounting amortization			(1,010)
Acquisition, integration and other costs			(167)
Asset impairments			(18)
Other income (expense), net			53
(Provision) benefit for income taxes			58
Net earnings attributable to noncontrolling interest			(2)
Net loss attributable to the Worldpay Business			$ (109)
Capital expenditure	$ 169	$ —	$ 169

(1) Includes Revenue from affiliates of $15 million for Corporate and Other.
(2) Includes Cost of revenue from affiliates of $15 million for Corporate and Other.

(8) Subsequent Events

The Worldpay Business has evaluated subsequent events from the balance sheet date through August 30, 2023, the date at which the financial statements were available to be issued, and concluded the following subsequent event required disclosure. On July 5, 2023, FIS signed a definitive agreement to sell a 55% equity interest in the Worldpay Merchant Solutions business as further discussed in Note 1.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our audited combined financial statements as of December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, and the notes thereto (the "historical audited combined financial statements"), and our unaudited condensed combined financial statements as of June 30, 2023, and for the six months ended June 30, 2023, and June 30, 2022, and the notes thereto (the "historical unaudited condensed combined financial statements" and, together with the historical audited combined financial statements, the "financial statements"). The purpose of this Management's Discussion and Analysis of Financial Condition and Results of Operations is to assist readers in understanding the results of the operations, financial condition and cash flows of the Worldpay Business (as defined in the financial statements) (the "Worldpay Business").

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" presents the historical combined financial information of the Worldpay Business and covers periods prior to the consummation of the sale of 55% equity interest in the Merchant Solutions business of Fidelity National Information Services, Inc. ("FIS") to private equity funds managed by GTCR, LLC ("Sponsor") (the "Transaction") and certain related transactions contemplated in connection with the Transaction (collectively, the "Transactions"). See "—Separation from FIS" below for additional information. Accordingly, the discussion and analysis of historical periods does not reflect the impact that the Transactions will have on the Worldpay Business.

The financial statements of the Worldpay Business may not necessarily reflect the results of operations, financial position and cash flows of the Worldpay Business for future periods or what they would have been had the Worldpay Business been a separate, stand-alone company during the periods presented.

Unless the context indicates otherwise, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to the "Company," "Worldpay," "Worldpay Business," "we," "us" and "our" mean the Worldpay Business (as defined in the financial statements) prior to the completion of the Transactions.

Company Overview

Worldpay is a leading payments technology company. We process over 40 billion transactions annually, supporting more than 200 payment types in over 100 countries and currencies. We are one of the largest merchant acquirers globally by number of transactions, and the largest PIN debit acquirer by number of transactions in the United States.

We are a payments innovator, differentiated by our global reach, innovative technology and tailored solutions. Our strong competitive position and differentiated solutions have enabled us to achieve advantages in fast-growing and strategically important segments of the payments market, including robust capabilities in global e-commerce, U.S. Integrated Payments and Enterprise payments and data security solutions in business-to-business payments.

The majority of our revenue is recurring, generated by services priced as a percentage of transaction value, a specified fee per transaction or a fixed fee, or a combination. We also generate revenue based on products and specific value-added services that may or may not be related to the volume or number of transactions.

While we are a global company and do business around the world, the majority of our revenue is generated by customers in the United States. The majority of our international revenue is generated by customers in the United Kingdom.

Separation from FIS

On July 5, 2023, FIS entered into a purchase and sale agreement (the "Purchase Agreement") with New Boost Holdco, LLC, a Delaware limited liability company ("New Boost Holdco"), GTCR W Aggregator LP, a Delaware limited partnership ("Sponsor Purchaser") and affiliate of Sponsor, GTCR W Merger Sub LLC, a Delaware limited liability company and wholly owned subsidiary of Sponsor Purchaser, and GTCR W-2 Merger Sub LLC, a Delaware limited liability company and an affiliate of Sponsor Purchaser, pursuant to which FIS has agreed to transfer the assets and liabilities constituting its Merchant Solutions business to New Boost Holdco and sell 55% of the equity interests in New Boost Holdco to Sponsor Purchaser for cash consideration based on a $17,500 million enterprise valuation of the Merchant Solutions business, with up to $1,000 million of additional consideration contingent on the returns realized by Sponsor Purchaser exceeding certain thresholds. Subject to the terms and conditions of the Purchase Agreement, at the closing of the Transaction, FIS will receive cash consideration comprised of debt-financed distribution proceeds of approximately $8,400 million and equity-financed consideration of $5,005 million, subject to adjustments for closing levels of the Merchant Solutions business' debt, working capital relative to an agreed target and available cash relative to an agreed minimum.

For purposes of financing the Transaction, Sponsor Purchaser has obtained equity financing and debt financing commitments. Investment vehicles affiliated with Sponsor (the "Investor Group") have committed to capitalize Sponsor Purchaser at the closing of the Transaction with an aggregate equity financing equal to $5,335 million (inclusive of funding of transaction costs) on the terms and subject to the conditions set forth in an equity commitment letter. In addition, the members of the Investor Group have agreed to guarantee Sponsor Purchaser's obligation to pay the reverse termination fee, as well as certain related collection costs and interest obligations that may be owed by Sponsor Purchaser pursuant to the Purchase Agreement, subject to the terms and conditions set forth in a limited guaranty and the Purchase Agreement. The lenders have agreed to provide Sponsor Purchaser with debt financing in an aggregate principal amount of up to $9,400 million, which includes $8,400 million of funded debt and a $1,000 million revolving credit facility (which is expected to be undrawn at closing of the Transaction), on the terms set forth in the debt commitment letter. The obligations of the lenders to provide debt financing under the debt commitment letter are subject to certain customary conditions.

Key Trends Affecting Our Results of Operations

Economic conditions and resulting consumer spending trends: Changes in macro-level consumer spending trends, both secular and seasonal, affect the amount of volumes processed on our platform, thus resulting in fluctuations to our revenue streams. We anticipate that the macroeconomic factors that drove 2022 performance to continue into 2023, including a decline in SMB revenue attributable to slower economic growth and competitive pressures, a decline in U.K.-derived enterprise revenue principally reflecting softer economic conditions in the region, and the war in Ukraine.

Inflation, the labor market and impact on wages: The United States and Europe, the two largest geographic areas for our businesses, have been experiencing higher rates of inflation than in recent years. We experienced increased wages and benefits costs, which management believes is in part due to inflation and in part due to competitive job markets for the skilled employees who support our businesses. We experienced increases in non-labor-related costs as well. The magnitude of future effects of inflation are difficult to predict, although they are expected to continue to have an adverse effect on our results of operations. In 2022, the strengthening of the U.S. dollar had a negative impact on our revenue and earnings due to unfavorable foreign currency translations; however, the U.S. dollar has weakened in recent months, tempering the effects.

Customer and product mix: Our revenue and profitability are affected by the mix of customers and products from whom we derive that revenue and profit. For example, our large corporate customers generally purchase more complex and higher-priced products than our SMB customers, though they are also generally able to negotiate lower fees per transaction compared to SMBs. In addition, customers who have been using the Worldpay Business as their primary card acquiring provider for an extended period are particularly profitable, as long-standing customers tend to purchase a wider range of products and services as compared to new customers, and pricing arrangements with these long-standing customers tends to generate higher-tiered prices over time. The Worldpay Business' revenue and profits are also impacted by the mix of products and services we offer, whereby products that tend to meet more complex needs are also generally more profitable.

Technology investment: The payment processing industry is adopting new technologies, developing new solutions, evolving new business models, and is impacted by new market entrants and an evolving regulatory environment. We believe that these market changes present both an opportunity and a risk for us, and we cannot predict which emerging technologies or solutions will be successful. However, we continue to invest in modernization, innovation and integrated solutions to meet the demands of the markets we serve and compete with financial and other technology providers and emerging technology innovators.

Our embedded finance strategy: We are evolving our SMB go-to-market strategy away from legacy bank channel and ISO ("Independent Sales Organization") partnerships to an embedded finance strategy that is integrated with software partners and internet platforms, an initiative we refer to as *Worldpay for Platforms.* Given the size of the SMB addressable market and its importance to us – representing approximately a quarter of our revenue in 2022 – we believe our ability to effectively execute this fundamental change in distribution strategy will impact our ability to drive long term revenue.

Pursuit of strategic acquisitions. We may pursue acquisitions to complement our organic growth strategy. While these acquisitions are intended to add long-term value, in the short term they may add operating expenses or additional carrying costs until the underlying value is unlocked.

Critical Accounting Policies and Estimates

The accounting policies and estimates described below are those we consider critical in preparing our financial statements. These policies require management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosures with respect to contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual amounts could differ from those estimates. See the historical audited combined financial statements for a more detailed description of the significant accounting policies that have been followed in preparing our financial statements.

Purchase Accounting

The purchase price of acquired businesses is allocated to the assets acquired and liabilities assumed in the transaction at their estimated fair values. The estimates used to determine the fair value of long-lived assets, such as intangible assets and software, are complex and require a significant amount of management judgment. Third-party valuation specialists are typically engaged to assist in making fair value determinations. The third-party valuation specialists generally use discounted cash flow models, which require internally developed assumptions, to determine the acquisition fair value of customer relationship intangible assets and developed technology software assets. Assumptions for customer relationship asset valuations typically include forecasted revenue attributable to existing customer contracts and relationships, estimated annual attrition, forecasted earnings before interest, taxes, depreciation and amortization ("EBITDA") margin, and estimated weighted average cost of capital and discount rates. Assumptions for software asset valuations typically include forecasted revenue attributable to the software assets, obsolescence rates, estimated royalty rates and estimated weighted average cost of capital and discount rates. The forecasted revenue and EBITDA margins used in the discounted cash flow models are critical estimates in determining the fair value of customer relationships and developed technology software assets as these estimates are influenced by many factors including historical financial information and management's expectation for future operating results as a combined company.

While we use our best estimates and assumptions to determine the fair values of the assets acquired and the liabilities assumed, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to our combined statements of loss.

See note 4 to the historical audited combined financial statements for discussion of the Payrix acquisition in 2021. The Payrix acquisition is not sufficiently material to warrant additional disclosure regarding estimation uncertainty.

Goodwill Impairment

As discussed in note 3 of the historical audited combined financial statements, the goodwill was recorded on the basis of FIS' reporting units prior to the Transactions. The goodwill amounts carry with them the results of FIS' impairment tests, akin to a reorganization of reporting units of FIS for which U.S. Generally Accepted Accounting Principles ("GAAP") does not require retrospective testing of goodwill under the reorganized structure.

During the relevant periods, FIS assessed goodwill for impairment on an annual basis during the fourth quarter or more frequently if circumstances indicate potential impairment. Goodwill impairment assessments require a significant amount of management judgment, and a meaningful change in one or more of the underlying forecasts, estimates, or assumptions used in testing goodwill for impairment could result in a material impact on the Worldpay Business' results of operations and financial position. Pursuant to FIS' annual goodwill impairment test performed as of October 1, 2022, and supplemented by a further impairment test performed as of December 31, 2022, FIS recorded a total goodwill impairment charge of $17.6 billion in the fourth quarter of 2022 related to its Merchant Solutions reporting unit.

FIS' annual impairment test may first consider qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that a reporting unit's carrying amount exceeds its fair value. Qualitative factors include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and events affecting the reporting unit or the business as a whole, including a sustained decrease in stock price. If FIS concluded that it was more likely than not that the reporting unit's fair value was less than its carrying amount as a result of the qualitative assessment, or if FIS elected to bypass the qualitative assessment for a reporting unit, then FIS performed a quantitative assessment for that reporting unit.

When a quantitative assessment was triggered or elected, FIS typically engaged third-party valuation specialists to assist in determining the fair value of a reporting unit based on the weighted average of two valuation techniques: an income approach (also known as the discounted cash flow method) and a market approach. The income approach calculated a value based upon the present value of estimated future cash flows, while the market approach used earnings multiples of similarly situated guideline public companies. The income approach involved the use of significant estimates and assumptions regarding forecasted revenue, growth rates, operating margins, capital expenditures, and other factors used to calculate estimated future cash flows. In addition, risk-adjusted discount rates and future economic and market conditions and other assumptions were applied. The market approach involved the selection of guideline public companies and earnings multiples considering factors such as markets of operation, solutions offered, and risk profiles. The income approach used to assess goodwill for impairment is a critical estimate because the forecasted revenue growth rate and margin assumptions (including long-term growth assumptions) underlying the estimated future cash flows are subject to management's judgment based upon the best available market information, internal forecasts and operating plans. A deterioration in these assumptions could adversely impact our results. The income approach is also particularly sensitive to the risk-adjusted discount rate selected.

FIS began its 2020 annual assessment of its Merchant Solutions reporting unit with a quantitative assessment due to the economic impact of the COVID-19 pandemic on its Merchant Solutions business and its primary operations being recently acquired as part of FIS' 2019 acquisition of Worldpay, Inc. As a result of the assessment, the fair value of the reporting unit was estimated to be in excess of its carrying amount by approximately 4%. The fair value was determined with the assistance of third-party valuation specialists, using an equal weighting of the income and market approaches based on an evaluation of the availability and relevance of guideline public companies having similar risks, participating in similar markets, and providing similar solutions for their customers. Under the income approach, FIS estimated the fair value by forecasting future cash flows using internal forecasts, which were developed considering historical operating performance, expected economic conditions and industry and market trends, including the impact of the COVID-19 global pandemic and expected impact of planned business initiatives. At the end of the forecast period, FIS used a 2% long-term growth rate to determine the terminal value based on an evaluation of the minimum expected terminal growth rate of the reporting unit, as well as broader economic considerations such as inflation and foreign exchange rates. In computing the present value of estimated future cash flows, FIS used a risk-adjusted discount rate of 7% based on an assessment of the reporting unit's weighted average cost of capital and relevant guideline public companies. We believe the discount rate used in the 2020 quantitative test was commensurate with the risks and uncertainties inherent in the reporting unit and in internally developed forecasts, though the rate is subject to change in future periods based on changes in the U.S. Treasury rate, inflation, and other factors. As a result of this quantitative assessment, FIS determined that goodwill was not impaired as of December 31, 2020.

For 2021, FIS began the annual assessment with a qualitative assessment and concluded that it remained more likely than not that the fair value of the reporting unit continued to exceed its carrying amount. In addition to the above-noted factors that are considered when performing a qualitative assessment, FIS considered actual operating results and updated internal forecasts as compared to prior internal forecasts and other assumptions used in the 2020 quantitative annual assessment and estimated that the fair value of the reporting unit more likely than not exceeded its carrying amount by a similar percentage as determined by the prior year's quantitative assessment. Thus, FIS determined that goodwill was not impaired as of December 31, 2021.

The reporting unit remained at risk for future goodwill impairment as it was reasonably possible that future developments could have a material impact on one or more of the estimates and assumptions used to evaluate goodwill impairment and could result in future goodwill impairment; accordingly, FIS continued to evaluate through the first three quarters of 2022 whether events and circumstances at each interim reporting date indicated a potential goodwill impairment, concluding based on assessments that it remained more likely than not that the fair value of the reporting unit continued to exceed its carrying amount, which carrying amount had declined by approximately $3.7 billion, or 9%, since the 2020 quantitative assessment due to changes in foreign currency and amortization of purchased intangibles.

FIS elected to begin the 2022 annual assessment with a quantitative assessment. FIS began this assessment by considering the projected impact of worsening macroeconomic conditions, including rising interest rates, inflation, and slowing growth in the United States and Europe, as well as a sustained decline in market capitalization and the effects of changing market dynamics. The assessment was based on a 50/50 weighting of the income approach and market approach and incorporated information that was known as of October 1, 2022. This analysis indicated an impairment. As a result of continued deterioration in the macroeconomic outlook, a further decline in market capitalization and slowing growth during the fourth quarter of 2022, FIS reperformed a quantitative goodwill impairment analysis as of December 31, 2022. The updated analysis incorporated updated internal forecasts of future cash flows, which considered fourth quarter operating performance, expected impact of planned business initiatives, revised expectations of economic conditions, as well as updated market capitalization. The assessment was again based upon 50/50 weighting of the income approach and market approach, and the fair values estimated during quantitative assessments during the fourth quarter were determined with the assistance of third-party valuation specialists. As of December 31, 2022, the fair value of the reporting unit was estimated to be less than its carrying value, and FIS recorded a total goodwill impairment charge of $17.6 billion in the fourth quarter of 2022.

In its 2022 valuations, FIS used a 2% long-term growth rate at the end of the forecast period to determine the terminal value and a 9% risk-adjusted discount rate to compute the present value of the estimated future cash flows. We believe the discount rate used was commensurate with the risks and uncertainties inherent in our business and in our internally developed forecasts, though the rate is subject to change in future periods based on changes in the U.S. Treasury rate, inflation, and other factors.

As discussed in Note 4 to the historical unaudited condensed combined financial statements, FIS performed a quantitative goodwill impairment assessment of the Merchant reporting unit as of June 30, 2023, which resulted in a goodwill impairment charge of $6.8 billion. To estimate the fair value of the reporting unit as of June 30, 2023, FIS used a market approach based on the price at which FIS has agreed to sell a majority interest in the Merchant Solutions business. The estimated fair value included estimated selling price adjustments and fair value of contingent consideration based on the terms and conditions of the definitive agreement related to the sale. A 10% increase or decrease in the estimated net purchase price adjustments and fair value of contingent consideration would not have a material impact to the impairment charge.

Results of Operations

<u>Six Months Ended June 30, 2023, Compared to Six Months Ended June 30, 2022</u>

	Six months ended June 30, 2023	Six months ended June 30, 2022	$ Change	% Change
	(In millions)			
Revenue	$ 2,503	$ 2,534	$ (31)	(1)%
Cost of revenue	(1,460)	(1,596)	136	(9)
Selling, general and administrative expenses	(1,099)	(1,138)	39	(3)
Asset impairments	(6,842)	(18)	(6,824)	NM
Operating loss	(6,898)	(218)	(6,680)	NM
Operating margin	NM	(9)%		

Revenue

Revenue was relatively unchanged, with relatively flat Merchant Solutions volumes offset by a slight decrease in revenue of the Issuer Solutions business of FIS (the "FIS Retained Issuer Business"). Revenue was negatively impacted by unfavorable foreign currency movements, primarily related to a stronger U.S. dollar versus the British Pound Sterling and Euro as compared to the prior-year period. See "—Segment Results of Operations" below for additional information.

Cost of Revenue

Cost of revenue decreased due to lower intangible asset amortization resulting primarily from foreign currency movements.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased primarily due to lower acquisition, integration and other costs, partially offset by higher corporate expenses.

Asset Impairments

For the six months ended June 30, 2023, FIS recorded a $6.8 billion impairment of goodwill related to its Merchant Solutions reporting unit due to its estimated fair value being less than its carrying value. For the six months ended June 30, 2022, the Company also recorded $18.0 million of impairments primarily related to real estate-related assets as a result of office space reductions.

Operating Loss and Operating Margin

The annual change in operating loss resulted from the revenue and cost variances discussed above. The operating margin for the six months ended June 30, 2023, included impairment of goodwill (related to the Merchant Solutions reporting unit of FIS) described above and was partially offset by lower intangible asset amortization compared to the prior-year period.

Total Other Income (Expense), Net

	Six months ended June 30, 2023	2022	$ Change	% Change
	(In millions)			
Total other income (expense), net	$ 61	$ 53	$ 8	15%

Other income (expense), net includes the impact of changes in fair value of certain preferred stock assets and related liabilities owed to owners of Worldpay's predecessor, foreign currency transaction remeasurement gains and losses in both periods, as well as interest expense on loans payable to affiliates settled in 2022. See note 4 to the historical unaudited condensed combined financial statements.

Provision (Benefit) for Income Taxes

	Six months ended June 30, 2023	2022	$ Change	% Change
	(In millions)			
Provision (benefit) for income taxes	$ (22)	$ (58)	$ 36	(62)%
Effective tax rate	0.3%	35.2%		

The decrease in the effective tax rate for the six months ended June 30, 2023, was primarily driven by the impairment of goodwill for which there is no tax basis.

Fiscal Year Ended December 31, 2022, Compared to Fiscal Year Ended December 31, 2021

	Year ended December 31, 2022	2021	$ Change	% Change
	(In millions)			
Revenue	$ 5,009	$ 4,816	$ 193	4%
Cost of revenue	(3,082)	(3,188)	106	(3)
Selling, general and administrative expenses	(2,252)	(2,034)	(218)	11
Asset impairments	(17,606)	(13)	(17,593)	NM
Operating loss	(17,931)	(419)	(17,512)	NM
Operating margin	NM	(9)%		

Revenue

Revenue increased primarily due to increased Merchant Solutions volumes offset by a decline in revenue of the FIS Retained Issuer Business. Revenue was negatively impacted by unfavorable foreign currency movements, primarily related to a stronger U.S. dollar versus the British Pound Sterling. See "—Segment Results of Operations" below for additional information.

Cost of Revenue

Cost of revenue decreased due to lower intangible asset amortization resulting primarily from foreign currency movements, partially offset by increased costs driven by the increased revenue discussed above and cost inflation.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased primarily due to higher compensation and acquisition-related expenses.

Asset Impairments

During the fiscal year ended December 31, 2022, FIS recorded a $17.6 billion impairment of goodwill resulting from a decline in the estimated fair value of its Merchant Solutions reporting unit based on slowing growth projections for the business driven by worsening macroeconomic conditions, including rising interest rates, inflation, and slowing growth in the United States and Europe, as well as a sustained decline in FIS' market capitalization and the effects of changing market dynamics affecting the SMB portfolio, which was migrating from card-present offerings to embedded payments.

Operating Loss and Operating Margin

The annual change in operating loss resulted from the revenue and cost variances discussed above. The operating margin decreased during the fiscal year ended December 31, 2022, primarily due to impairment of goodwill (related to the Merchant Solutions reporting unit of FIS) described above.

Total Other Income (Expense), Net

	Year ended December 31,			
	2022	2021	$ Change	% Change
	(*In millions*)			
Total other income (expense), net	$ 59	$ 41	$ 18	44%

Other income (expense), net includes the impact of changes in fair value of certain preferred stock assets and related liabilities owed to owners of Worldpay's predecessor, foreign currency transaction remeasurement gains and losses in both periods as well as interest expense on loans payable to affiliates settled in 2022. See note 11 to the historical audited combined financial statements.

Provision (Benefit) for Income Taxes

	Year ended December 31,			
	2022	2021	$ Change	% Change
	(*In millions*)			
Provision (benefit) for income taxes	$ (78)	$ 90	$ (168)	(187)%
Effective tax rate	0.4%	(23.8)%		

The effective tax rate for 2022 includes the impact of the entire tax effect of the goodwill impairment charge included in pre-tax loss due to the book basis in excess of tax basis of the goodwill impaired. The effective tax rate for 2021 includes the one-time net remeasurement of certain deferred tax liabilities due to the increase in the U.K. corporate statutory tax rate from 19% to 25% effective April 1, 2023, enacted on June 10, 2021.

Fiscal Year Ended December 31, 2021, Compared to Fiscal Year Ended December 31, 2020

	Year ended December 31,			
	2021	2020	$ Change	% Change
	(*In millions*)			
Revenue	$ 4,816	$ 4,156	$ 660	16%
Cost of revenue	(3,188)	(3,031)	(157)	5
Selling, general and administrative expenses	(2,034)	(1,991)	(43)	2
Asset impairments	(13)	(29)	16	(55)
Operating loss	(419)	(895)	476	(53)
Operating margin	(9)%	(22)%		

Revenue

Revenue increased primarily due to the continued global economic recovery from the COVID-19 pandemic leading to increased Merchant Solutions volumes offset by a decline in revenue of the FIS Retained Issuer Business. Revenue also benefited from a favorable foreign currency impact, which was primarily related to a weaker U.S. dollar versus the British Pound Sterling. See “—Segment Results of Operations” below for additional information.

Cost of Revenue

Cost of revenue increased primarily due to the revenue variances discussed above and benefited from a positive shift in revenue mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased primarily due to higher compensation expense, including incentive compensation. These increases were partially offset by lower discretionary spending during the COVID-19 pandemic.

Asset Impairments

During the fiscal year ended December 31, 2021, we recorded $8 million of asset impairments on certain software driven by our platform modernization. During the fiscal years ended December 31, 2021 and 2020, we recorded asset impairments totaling $5 million and $29 million, respectively, on certain long-lived assets related to reducing office space.

Operating Loss and Operating Margin

The annual change in operating loss resulted from the revenue and cost variances discussed above. The operating margin during the fiscal year ended December 31, 2021 increased primarily due to a positive shift in revenue mix and continued expense management, partially offset by asset impairments, accelerated amortization expense, and higher compensation expense discussed above as compared to prior year.

Total Other Income (Expense), Net

	Year ended December 31,			
	2021	2020	$ Change	% Change
	(*In millions*)			
Total other income (expense), net	$ 41	$ 40	$ 1	3%

Other income (expense), net includes the impact of changes in fair value of certain preferred stock assets and related liabilities owed to owners of Worldpay’s predecessor, foreign currency transaction remeasurement gains and losses in both periods, as well as interest expense on loans payable to affiliates. See note 11 to the historical audited combined financial statements.

Provision (Benefit) for Income Taxes

	Year ended December 31, 2021	2020	$ Change	% Change
	(*In millions*)			
Provision (benefit) for income taxes	$ 90	$ (158)	$ 248	(157)%
Effective tax rate	(23.8%)	18.5%		

The effective tax rate for 2021 includes the one-time net remeasurement of certain deferred tax liabilities due to the increase in the U.K. corporate statutory tax rate from 19% to 25% effective April 1, 2023, enacted on June 10, 2021. The effective tax rate for the 2020 period includes the one-time net remeasurement of certain deferred tax liabilities due to the increase in the U.K. corporate statutory tax rate from 17% to 19% enacted on July 22, 2020.

Segment Results of Operations

We report our financial performance based on the following segments: Merchant Solutions and Corporate and Other.

"Adjusted EBITDA" is defined as net earnings (loss) before net interest expense, net other income (expense), income tax provision (benefit), and depreciation and amortization, and excludes certain costs and other transactions that management deems non-operational in nature or that otherwise improve the comparability of operating results across reporting periods by their exclusion. Adjusted EBITDA is presented in conformity with FASB ASC Topic 280, *Segment Reporting*. The items affecting the profit measure generally include purchase price amortization of acquired intangible assets, as well as acquisition, integration and certain other costs and asset impairments. These costs and adjustments are recorded in the Corporate and Other segment for the periods discussed below. Adjusted EBITDA excludes the foregoing costs and adjustments. Financial information, including details of Adjusted EBITDA, for each of our segments is set forth in note 7 to the historical unaudited condensed combined financial statements.

Six Months Ended June 30, 2023, Compared to Six Months Ended June 30, 2022

Merchant Solutions

	Six months ended June 30, 2023	2022	$ Change 2023 vs 2022	% Change 2023 vs 2022
	(*In millions*)			
Revenue	$ 2,416	$ 2,414	$ 2	0%
Adjusted EBITDA	$ 1,114	$ 1,136	(22)	(2)
Adjusted EBITDA margin	46.1%	47.0%		
Adjusted EBITDA margin basis points change	(90)			

Revenue in our Merchant Solutions segment was flat for the six months ended June 30, 2023 compared to the prior period. Higher revenue from our global eCommerce business, including revenue related to our Payrix business, contributed 4% to revenue growth. Enterprise volumes contributed (2%) to revenue growth due to the impact of U.K. macroeconomic pressures and the decline of low-margin tax processing volumes. In the United States, SMB volumes contributed (1%) to revenue growth. Total revenue was impacted by unfavorable foreign currency movements, which contributed (1%) to revenue growth due to a stronger U.S. dollar versus the British Pound Sterling as compared to the prior-year period.

Adjusted EBITDA and Adjusted EBITDA margin declined during the six months ended June 30, 2023 compared to the prior period due to the shift in revenue mix.

Fiscal Year Ended December 31, 2022, Compared to Fiscal Year Ended December 31, 2021

Merchant Solutions

	Year ended December 31, 2022	Year ended December 31, 2021	$ Change 2022 vs 2021	% Change 2022 vs 2021
	(In millions)			
Revenue	$ 4,773	$ 4,496	$ 277	6%
Adjusted EBITDA	$ 2,258	$ 2,262	(4)	—
Adjusted EBITDA margin	47.3%	50.3%		
Adjusted EBITDA margin basis points change	(300)			

Revenue increased primarily due to the ongoing global economic recovery from the COVID-19 pandemic. Global eCommerce volumes, including those related to our Payrix acquisition, contributed 6% to revenue growth, Enterprise volumes contributed 2% to revenue growth and SMB volumes contributed 1% to revenue growth. Revenue was negatively impacted by unfavorable foreign currency movements, which contributed (3%) to revenue growth primarily related to a stronger U.S. dollar versus the British Pound Sterling.

Adjusted EBITDA and Adjusted EBITDA margin decreased as the revenue impacts discussed above were offset by accelerated investment in e-commerce and SMB (and particularly, our Worldpay for Platforms initiative) sales channels to capitalize on developing secular growth trends, together with lower-margin revenue mix and cost inflation.

Fiscal Year Ended December 31, 2021, Compared to Fiscal Year Ended December 31, 2020

Merchant Solutions

	Year ended December 31, 2021	Year ended December 31, 2020	$ Change 2021 vs 2020	% Change 2021 vs 2020
	(In millions)			
Revenue	$ 4,496	$ 3,767	$ 729	19%
Adjusted EBITDA	$ 2,262	$ 1,752	510	29
Adjusted EBITDA margin	50.3%	46.5%		
Adjusted EBITDA margin basis points change	380			

Revenue increased primarily due to easing lockdown restrictions and the continued global economic recovery from the COVID-19 pandemic. Global eCommerce volumes contributed 5% to revenue growth, Enterprise volumes contributed 6% to growth and SMB volumes contributed 6% to revenue growth. Revenue also benefited from a favorable foreign currency impact contributing 2% to revenue growth and was primarily related to a weaker U.S. dollar versus the British Pound Sterling.

Adjusted EBITDA increased primarily due to the revenue impacts discussed above. Adjusted EBITDA margin increased primarily due to revenue growth, higher-margin revenue mix and continued expense management.

Six Months Ended June 30, 2023, Compared to Six Months Ended June 30, 2022

Corporate and Other

	Six months ended June 30, 2023	2022	$ Change 2023 vs 2022	% Change 2023 vs 2022
	(In millions)			
Revenue	$ 87	$ 120	$ (33)	(28)%
Adjusted EBITDA	$ (86)	$ (20)	(66)	330

The Corporate and Other segment results consist of selling, general and administrative expenses and depreciation and intangible asset amortization not otherwise allocated to the Merchant Solutions segment. The Corporate and Other segment also includes the FIS Retained Issuer Business, which is included within the legal entities presented in the historical unaudited condensed combined financial statements, but will be a business of FIS, and not of Worldpay, following completion of the Transactions.

Revenue during the six months ended June 30, 2023 and 2022 was primarily related to the FIS Retained Issuer Business, as well as related party revenue with FIS affiliates. Revenue decreased within the legal entities presented in the historical unaudited condensed combined financial statements, reflecting the migration of certain contracts for the FIS Retained Issuer Business from the Worldpay Business and on to FIS banking platforms.

Adjusted EBITDA decreased to the migration of certain contracts and an overall increase in operating expenses as compared to the prior year period.

Fiscal Year Ended December 31, 2022, Compared to Fiscal Year Ended December 31, 2021

Corporate and Other

	Year ended December 31, 2022	2021	$ Change 2022 vs 2021	% Change 2022 vs 2021
	(*In millions*)			
Revenue	$ 236	$ 320	$ (84)	(26)%
Adjusted EBITDA	$ (38)	$ 167	(205)	(123)

Revenue during the fiscal years ended December 31, 2022 and 2021 was primarily related to the FIS Retained Issuer Business, as well as related party revenue with FIS affiliates. Revenue decreased within the legal entities presented in the audited combined financial statements, reflecting the migration of certain contracts for the FIS Retained Issuer Business from the Worldpay Business and on to FIS banking platforms.

Adjusted EBITDA decreased as a result of the revenue impacts discussed above, and higher corporate costs were more than offset by foreign currency movements impacting corporate and infrastructure expenses related to a stronger U.S. dollar versus the British Pound Sterling.

Fiscal Year Ended December 31, 2021, Compared to Fiscal Year Ended December 31, 2020

Corporate and Other

	Year ended December 31, 2021	Year ended December 31, 2020	$ Change 2021 vs 2020	% Change 2021 vs 2020
	(In millions)			
Revenue	$ 320	$ 389	$ (69)	(18)%
Adjusted EBITDA	$ 167	$ 170	(3)	(2)

Revenue during the fiscal years ended December 31, 2021 and 2020, was primarily related to the FIS Retained Issuer Business, as well as related party revenue with FIS affiliates. Revenue decreased within the legal entities presented in the audited combined financial statements given certain contracts for the FIS Retained Issuer Business were migrated from the Worldpay Business and on to FIS banking platforms.

Adjusted EBITDA decreased primarily due to the revenue impact discussed above, as well as higher compensation expense compared to prior year partially offset by continued expense management.

Liquidity and Capital Resources

Historic Liquidity and Capital Resources

Worldpay has historically participated in FIS' centralized approach to cash management and the financing of its operations. Cash generated by Worldpay was routinely transferred into accounts managed by FIS' centralized treasury function and cash disbursements for Worldpay's operations were funded as needed by FIS.

FIS' third-party debt and related interest expense have not been attributed to Worldpay because Worldpay is not the legal obligor of the debt and the borrowings are not specifically identifiable to Worldpay.

Post Transactions Liquidity and Capital Resources

Subsequent to the Transactions, we will no longer participate in cash management and funding arrangements with FIS. Our ability to fund our operations and capital needs will depend upon our ability to generate ongoing cash from operations and to access the capital markets. Our principal uses of cash in the future will be primarily to fund our operations, working capital needs, capital expenditures, repayment of borrowings, and strategic business development transactions.

We expect to incur indebtedness in connection with the Transactions, a portion of the proceeds of which will be paid to FIS as a distribution. We believe that our financing arrangements, future cash from operations and access to capital markets will provide adequate resources to fund our future cash flow needs for the next 12 months. The amount of any such indebtedness will depend upon our historical and anticipated business, financial performance and liquidity, as well as market conditions, credit ratings and other factors, some of which are outside of our control.

Cash Flows from Operations

Six Months Ended June 30, 2023, Compared to Six Months Ended June 30, 2022

Cash flows from operations were $1,039 million and $658 million for the six months ended June 30, 2023 and 2022, respectively. Our net cash provided by operating activities consists primarily of net earnings, adjusted to add back depreciation and amortization and other non-cash items including asset impairments. Cash flows from operations increased $381 million during the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The increase in cash flows from operations was primarily due to an increase in net earnings (after adjusting net loss to add back depreciation and amortization and other non-cash items including asset impairments), partially offset by working capital.

Fiscal Year Ended December 31, 2022, Compared to Fiscal Year Ended December 31, 2021, and Fiscal Year Ended December 31, 2021, Compared to Fiscal Year Ended December 31, 2020

Cash flows from operations were $1,370 million, $1,561 million and $1,779 million for the fiscal years ended December 31, 2022, 2021 and 2020, respectively. Our net cash provided by operating activities consists primarily of net earnings, adjusted to add back depreciation and amortization and other non-cash items including asset impairments. Cash flows from operations decreased $191 million during the fiscal year ended December 31, 2022 compared to the prior year period and decreased $218 million during the fiscal year ended December 31, 2021 compared to the prior year period. The decreases in cash flows from operations were primarily due to a decrease in net earnings (after adjusting net loss to add back depreciation and amortization and other non-cash items including asset impairments), partially offset by working capital.

Cash Flows from Investing Activities

Six Months Ended June 30, 2023, Compared to Six Months Ended June 30, 2022

Our principal capital expenditures are for software (purchased and internally developed) and additions to property and equipment. We expect to continue investing in property and equipment, purchased software and internally developed software to support our business.

During the six-month periods ended June 30, 2023 and 2022, we used approximately $166 million and $184 million, respectively, of net cash reflected as investing activities due to capital expenditures.

Fiscal Year Ended December 31, 2022, Compared to Fiscal Year Ended December 31, 2021, and Fiscal Year Ended December 31, 2021, Compared to Fiscal Year Ended December 31, 2020

Our principal capital expenditures are for software (purchased and internally developed) and additions to property and equipment. We invested approximately $372 million, $314 million and $318 million in capital expenditures during the fiscal years ended December 31, 2022, 2021 and 2020, respectively. We expect to continue investing in property and equipment, purchased software and internally developed software to support our business.

During the fiscal year ended December 31, 2022, we used approximately $103 million of net cash reflected as investing activities due to capital expenditures and partially offset by proceeds from the sale of Visa preferred stock. See note 11 to the historical audited combined financial statements. During the fiscal year ended December 31, 2021, we used approximately $1,061 million, of which $767 million (net of cash acquired) was used for the acquisition of Payrix and the remaining was primarily due to capital expenditures. See note 4 to the historical audited combined financial statements. During the fiscal year ended December 31, 2020, we received $233 million of net cash primarily as proceeds from the sale of Visa preferred stock offset by capital expenditures.

Cash Flows from Financing Activities

Six Months Ended June 30, 2023, Compared to Six Months Ended June 30, 2022

Cash provided by (used in) financing activities was $(1,589) million and $93 million for the six months ended June 30, 2023 and 2022, respectively, reflecting significant transactions with FIS (see note 6 to our historical unaudited condensed combined financial statements). In addition, there were fluctuations in settlement activity, contingent value rights and the Tax Receivable Agreement, creating cash outflows. For the arrangement with Visa Europe, see note 4 of the historical unaudited condensed combined financial statements.

Fiscal Year Ended December 31, 2022, Compared to Fiscal Year Ended December 31, 2021, and Fiscal Year Ended December 31, 2021, Compared to Fiscal Year Ended December 31, 2020

Cash provided by (used in) financing activities was $114 million for the fiscal year ended December 31, 2022, $(277) million for the fiscal year ended December 31, 2021, and $(859) million for the fiscal year ended December 31, 2020, reflecting significant transactions with FIS (see note 15 to our historical audited combined financial statements). In addition, there were fluctuations in settlement activity creating significant cash inflows, offset by outflows from payments on loans payable to affiliates, contingent value rights, and the Tax Receivable Agreement. For more details on the loans payable with affiliates, see note 15, and for the arrangement with Visa Europe, see note 11, of the historical audited combined financial statements.

Contractual Obligations

For details regarding our obligations under the Tax Receivable Agreement, refer to note 5 of the historical unaudited condensed combined financial statements and note 13 of the historical audited combined financial statements. Other contractual obligations include purchase commitments and lease arrangements which were not material for the periods presented in the financial statements.

Recent Accounting Pronouncements

No new accounting pronouncement adopted, issued or effective during the periods described above has or is expected to have a material impact on the historical unaudited condensed combined financial statements or disclosures, or the historical audited combined financial statements or disclosures.