

EVERTEC, Inc.  
Form S-1/A  
March 28, 2013  
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As filed with the Securities and Exchange Commission on March 28, 2013

Registration No. 333-186487

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**AMENDMENT NO. 2**  
**TO**  
**FORM S-1**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

**EVERTEC, INC.**

(Exact name of registrant as specified in its charter)

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

**7374**  
(Primary Standard Industrial  
Classification Code Number)

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

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

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

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

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

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

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

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

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

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

### CALCULATION OF REGISTRATION FEE

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

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

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

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

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



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

Subject to completion, dated March 28, 2013

PRELIMINARY PROSPECTUS

**21,052,633 Shares**

**EVERTEC, Inc.**

**Common Stock**

**\$            per share**

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

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

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

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

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

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

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

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

**Goldman, Sachs & Co.**

**J.P. Morgan**

**Morgan Stanley**

**Deutsche Bank Securities**

**BofA Merrill Lynch**

**Credit Suisse**

**UBS Investment Bank**

**William Blair**

**Apollo Global Securities**

**Popular Securities**

The date of this prospectus is \_\_\_\_\_, 2013.

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

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

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**SUMMARY**

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

**Company Overview**

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

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

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

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

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

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



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

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

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

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

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

### **History and Separation from Popular**

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

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

### **Industry Trends**

#### **Shift to Electronic Payments**

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

#### **Fast Growing Latin American and Caribbean Financial Services and Payments Markets**

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

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

#### **Ongoing Technology Outsourcing Trends**

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

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

### **Industry Innovation**

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

### **Our Competitive Strengths**

#### **Market Leadership in Latin America and the Caribbean**

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

#### **Diversified Business Model Across the Transaction Processing Value Chain**

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

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

### **Broad and Deep Customer Relationships and Recurring Revenue Business Model**

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

### **Highly Scalable, End-to-End Technology Platform**

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

### **Experienced Management Team with a Strong Track Record of Execution**

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

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

### **Our Growth Strategy**

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

#### **Continue Cross-Sales to Existing Customers**

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

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

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

#### **Expand in the Latin American Region**

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

#### **Develop New Products and Services**

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

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

### **Our Business**

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

#### **Merchant Acquiring**

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

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

#### **Payment Processing**

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

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

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

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

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

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

### **Business Solutions**

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

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

### **Risk Factors**

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

our high level of indebtedness;

our reliance on our relationship with Popular;

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

the geographical concentration of our business in Puerto Rico;

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

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

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



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

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

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

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

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

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

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

### ***Debt Refinancing***

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

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

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

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**Ownership and Corporate Structure**

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

**Principal Stockholders**

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

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

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

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

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**The Offering**

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

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

Listing

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

Risk factors

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

Conflicts of interest

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

Directed Share Program

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

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

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

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

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

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

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

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

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

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

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

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

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

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**Summary Historical Consolidated and Combined Financial Data**

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**RISK FACTORS**

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

**Risks Related to Our Business**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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





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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Our business concentration in Puerto Rico imposes risks.***

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

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

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

exposure to foreign exchange variation;

significant governmental influence over local economies;

substantial fluctuations in economic growth;

high levels of inflation;

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exchange controls or restrictions on expatriation of earnings;

high domestic interest rates;

wage and price controls;

changes in governmental economic or tax policies;

imposition of trade barriers;

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

overall political, social and economic instability.

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

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

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

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

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



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

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

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

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

On June 25, 2010, EVERTEC, LLC discovered potential violations of the Cuban Assets Control Regulations (CACR), which are administered by OFAC, which occurred due to an oversight in the activation of screening parameters for two customers located in Haiti and Belize. Upon discovery of these potential violations, EVERTEC, LLC initiated an internal review and submitted an initial notice of voluntary self-disclosure to OFAC on July 1, 2010. OFAC responded to this initial report with requests for additional information. EVERTEC, LLC provided the information requested on September 24, 2010 in its final notice of voluntary self-disclosure, which also included information on the remedial measures and new and enhanced internal controls adopted by EVERTEC, LLC to avoid this situation in the future. These potential violations involved a small number of processed transactions from Cuba compared to the overall number of transactions processed for these customers during the two-month period in which the screening failures occurred. Nevertheless, should OFAC determine that these activities constituted violations of U.S. sanctions regulations, civil penalties and/or criminal fines, could be assessed against EVERTEC, LLC. We cannot predict the timing or ultimate outcome of the OFAC review, the total costs to be incurred in response to this review, the potential impact on our personnel, the effect of implementing any further measures that may be necessary to ensure full compliance with U.S. sanctions regulations, or to what extent, if at all, we could be subject to penalties or other governmental investigations.

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Separately, on September 15, 2010, EVERTEC, LLC submitted an initial notice of voluntary self-disclosure to OFAC regarding certain activities of its former Venezuelan subsidiary, EVERTEC de Venezuela, C.A. ( EVERTEC Venezuela ) (which ceased being a subsidiary of EVERTEC, LLC after the closing of the Merger) and one of EVERTEC, LLC's Costa Rican subsidiaries (which continues to be a subsidiary of EVERTEC, LLC after the closing of the Merger). This initial self-disclosure informed OFAC that these subsidiaries appeared to have been involved in processing Cuba-related credit card transactions that EVERTEC, LLC and the subsidiaries believed they could not reject under governing local law and policies, but which nevertheless may not be consistent with the CACR. With respect to EVERTEC, LLC and its former Venezuelan subsidiary, we disclosed that they completely ceased processing Cuba-related transactions for financial institutions operating in Venezuela on September 4, 2010. We also disclosed that EVERTEC, LLC's Costa Rican subsidiary completely ceased processing Cuba-related credit card transactions for financial institutions operating in Costa Rica in January 2009. In addition, it was also disclosed that EVERTEC, LLC's Costa Rican subsidiary's switch had served as a conduit through which information about Cuban-related debit card transactions was transmitted to credit card associations and issuer banks, which made the decisions to approve or reject the transactions.

On November 15, 2010, EVERTEC, LLC submitted its final notice of voluntary self-disclosure on these transactions to OFAC. The final report indicated the measures that we had taken to determine the amount of the credit transactions relating to Cuba that had not been rejected between 2007 and 2010. In addition, we confirmed that EVERTEC, LLC terminated the routing of the Cuban-related debit card transaction information on September 30, 2010. While the credit and debit card transactions at issue represent a small proportion of the overall number of transactions processed for these financial institutions, the transactions occurred over an extended period of time. Should OFAC determine that EVERTEC, LLC's processing activities constituted violations of the CACR, civil or criminal penalties could be assessed against EVERTEC, LLC and/or its subsidiaries. Since the November 15, 2010 submission by EVERTEC, LLC, there have been no communications between OFAC and EVERTEC, LLC regarding the transactions included in the voluntary self-disclosures.

Popular agreed to specific indemnification obligations with respect to all of the matters described above and certain other matters, in each case, subject to the terms and conditions contained in the Merger Agreement. However, we cannot assure you that we will be able to fully collect any claims made with respect to such indemnities or that Popular will satisfy its indemnification obligations to us. See Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger Merger Agreement.

***Our expansion and selective acquisition strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses.***

As part of our growth strategy, we evaluate opportunities for acquiring complementary businesses that may supplement our internal growth. However, there can be no assurance that we will be able to identify and purchase suitable operations. Further, as a subsidiary of a bank holding company for purposes of the BHC Act, we may conduct only activities authorized under the BHC Act and the Federal Reserve Board's Regulation K and other related regulations for a bank holding company or a financial holding company. These restrictions may limit our ability to acquire other businesses or enter into other strategic transactions. See For purposes of U.S. federal banking laws, we are deemed to be controlled by Popular, and as such we are subject to supervision and examination by U.S. federal banking regulators, and our activities are limited to those permissible for Popular. Furthermore, as a technology service provider to regulated financial institutions, we are subject to additional regulatory oversight and examination. As a regulated institution, we may be required to obtain regulatory approval before engaging in certain new activities or businesses, whether organically or by acquisition. In addition, in connection with any acquisitions, we must comply with U.S. federal and other antitrust and/or competition law requirements. Further, the success of any acquisition depends in part on our ability to integrate the acquired company, which may involve unforeseen difficulties and may require a disproportionate amount of our management's attention and our financial and other resources. Although we conduct due diligence investigations prior to each acquisition, there can be no assurance that we will discover all operational

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deficiencies or material liabilities of an acquired business for which we may be responsible as a successor owner or operator. The failure to successfully integrate these acquired businesses or to discover such liabilities could adversely affect our operating results.

***Failure to protect our intellectual property rights and defend ourselves from potential intellectual property infringement claims may diminish our competitive advantages or restrict us from delivering our services.***

Our trademarks, proprietary software, and other intellectual property, including technology/software licenses, are important to our future success. For example, the ATH trademark and trade name is widely recognized in Latin America and the Caribbean and is associated with quality and reliable service. Therefore, such marks represent substantial intangible assets and are important to our business. Limitations or restrictions on our ability to use such marks or a diminution in the perceived quality associated therewith could have an adverse impact on the growth of our businesses. We also rely on proprietary software and technology, including third party software that is used under various licenses. It is possible that others will independently develop the same or similar software or technology, which would permit them to compete with us more efficiently. Furthermore, if any of the third party software or technology licenses are terminated or otherwise determined to be unenforceable, then we would have to obtain a comparable license, which may involve increased license fees and other costs.

Despite our efforts to protect our proprietary or confidential business know-how and other intellectual property rights, unauthorized parties may attempt to copy or misappropriate certain aspects of our services, infringe upon our rights, or to obtain and use information that we regard as proprietary. Policing such unauthorized use of our proprietary rights is often very difficult, and therefore, we are unable to guarantee that the steps we have taken will prevent misappropriation of our proprietary software/technology or that the agreements entered into for that purpose will be effective or enforceable in all instances. Misappropriation of our intellectual property or potential litigation concerning such matters could have a material adverse effect on our results of operations or financial condition. Our registrations and/or applications for trademarks, copyrights, and patents could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with maximum protection or meaningful advantage. If we are unable to maintain the proprietary nature of our software or technologies, we could lose competitive advantages and our businesses may be materially adversely affected. Furthermore, the laws of certain foreign countries in which we do business or contemplate doing business in the future may not protect intellectual property rights to the same extent as do the laws of the United States or Puerto Rico. Adverse determinations in judicial or administrative proceedings could prevent us from selling our services and products, or prevent us from preventing others from selling competing services, and may result in a material adverse effect on our business, financial condition and results of operations.

***If our applications or services or third party applications upon which we rely are found to infringe the proprietary rights of others, we may be required to change our business practices and may also become subject to significant costs and monetary penalties.***

As our IT applications and services develop, we are increasingly subject to potential claims for intellectual property infringement, for example, patent or copyright infringement. Any such claims, even if lacking merit, could: (i) be expensive and time-consuming to defend; (ii) cause us to cease making, licensing or using software or applications that incorporate the challenged intellectual property; (iii) require us to redesign our software or applications, if feasible; (iv) divert management's attention and resources; and (v) require us to enter into royalty or licensing agreements in order to obtain the right to use necessary technologies. Unfavorable resolution of these claims could result in us being restricted from delivering the related service and products, liable for damages, or otherwise result in a settlement that could be material to us.

***The ability to recruit, retain and develop qualified personnel is critical to our success and growth.***

All of our businesses function at the intersection of rapidly changing technological, social, economic and regulatory developments that requires a wide ranging set of expertise and intellectual capital. For us to

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successfully compete and grow, we must retain, recruit and develop the necessary personnel who can provide the needed expertise across the entire spectrum of our intellectual capital needs. In addition, we must develop our personnel to provide succession plans capable of maintaining continuity in the midst of the inevitable unpredictability of human capital. However, the market for qualified personnel is competitive and we may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors. Our effort to retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. We cannot assure you that key personnel, including executive officers, will continue to be employed or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on us.

***Failure to comply with state and federal antitrust requirements could adversely affect our business.***

Due to our ownership of the ATH network and our Merchant Acquiring and Payment Processing business in Puerto Rico, we are involved in a significant percentage of the debit and credit card transactions conducted in Puerto Rico each day. Regulatory scrutiny of, or regulatory enforcement action in connection with, compliance with state and federal antitrust requirements could have a material adverse effect on our reputation and business.

***The market for our electronic commerce services is evolving and may not continue to develop or grow rapidly enough for us to maintain and increase our profitability.***

If the number of electronic commerce transactions does not continue to grow or if consumers or businesses do not continue to adopt our services, it could have a material adverse effect on the profitability of our business, financial condition and results of operations. We believe future growth in the electronic commerce market will be driven by the cost, ease-of-use, and quality of products and services offered to consumers and businesses. In order to consistently increase and maintain our profitability, consumers and businesses must continue to adopt our services.

***The historical financial information for certain periods presented in this prospectus may not be representative of our results as a consolidated, stand-alone company and may not be a reliable indicator of our future results.***

The historical financial statements of EVERTEC, LLC's predecessor entities for certain periods included in this prospectus were prepared on a carved-out basis from Popular's consolidated financial statements and do not reflect our operations as a separate stand-alone entity for such periods. Because our businesses were either wholly-owned subsidiaries of Popular, or were operated as divisions of wholly-owned subsidiaries of Popular, the historical financial statements for certain periods include assets, liabilities, revenues and expenses directly attributable to our operations and allocations to us of certain corporate expenses of Popular. These expenses for corporate services, which include expenses for accounting, tax, treasury, payroll and benefits administration, risk management, legal, public relations and compliance, have been allocated to us on the basis that management considers to reflect most fairly or reasonably the utilization of the services provided to or the benefit obtained by businesses comprising our company. However, the historical financial statements do not necessarily reflect what our financial position and results of operations would have been if we had been operated as a stand-alone entity during such periods, and may not be indicative of future results of operations or financial position. See Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger Transition Services Agreement for further detail on the transition services provided by Popular.

***We are a holding company and rely on dividends and other payments, advances and transfers of funds from our subsidiaries to meet our obligations and pay any dividends.***

We have no direct operations and no significant assets other than ownership of 100% of the stock of Holdings, which in turn has no significant assets other than ownership of 100% of the membership interests of EVERTEC, LLC. Because we conduct our operations through our subsidiaries, we depend on those entities for dividends and other payments to generate the funds necessary to meet our financial obligations, and to pay any

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dividends with respect to our common stock. Legal and contractual restrictions in the senior secured credit facilities and the indenture governing the notes and other agreements which may govern future indebtedness of our subsidiaries, including under the contemplated refinancing, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. The earnings from, or other available assets of, our subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our common stock or other obligations.

*As an emerging growth company under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain reporting and disclosure requirements, which may make our future public filings different than that of other public companies.*

As an emerging growth company under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain reporting and disclosure requirements. We will be an emerging growth company until the earliest of: (i) the last day of the fiscal year during which we had total annual gross revenues of \$1 billion or more; (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement; (iii) the date on which we have, during the previous 3-year period, issued more than \$1 billion in non-convertible debt; or (iv) the date on which we are deemed a large accelerated filer as defined under the federal securities laws. For so long as we remain an emerging growth company, we will not be required to:

have an auditor attestation report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;

comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis);

submit certain executive compensation matters to shareholders advisory votes pursuant to the say on frequency and say on pay provisions (requiring a non-binding shareholder vote to approve compensation of certain executive officers) and the say on golden parachute provisions (requiring a non-binding shareholder vote to approve golden parachute arrangements for certain executive officers in connection with mergers and certain other business combinations) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; or

include detailed compensation discussion and analysis in our filings under the Securities Exchange Act of 1934, as amended (the Exchange Act), and instead may provide a reduced level of disclosure concerning executive compensation.

We may choose to take advantage of some or all of these reduced burdens and, if we do, the information that we provide you in our public filings may be different than that of other public companies. In this prospectus we have taken advantage of reduced financial reporting requirements available under the JOBS Act for an emerging growth company in the registration statement for its initial public offering. Specifically, we have provided only two years of audited financial statements and selected financial data and related discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations. If some investors find our common stock less attractive as a result of these reduced disclosure obligations, there may be a less active trading market for our common stock and our stock price may be more volatile, which could cause our stock price to decline. Furthermore, because investors may be unable to compare our business with other companies in our industry if they believe that our financial accounting is not as transparent as that of other companies in our industry, we may have more difficulty raising additional capital, potentially adversely impacting our financial condition.

Section 107 of the JOBS Act also provides that an emerging growth company may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain new accounting standards until those standards would otherwise apply to private companies. However, we are choosing to opt out

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of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period is irrevocable pursuant to Section 107 of the JOBS Act.

The exact implications of the JOBS Act for us are still subject to interpretations and guidance by the SEC and other regulatory agencies. In addition, as our business grows, we may no longer satisfy the conditions of an emerging growth company. We are currently evaluating and monitoring developments with respect to these new rules and we cannot assure you that we will be able to take advantage of all of the benefits from the JOBS Act.

### **Risks Related to Our Indebtedness**

*Despite our high indebtedness level, we and our subsidiaries still may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.*

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, some of which may be secured. Although the agreement governing the senior secured credit facilities and the indenture governing the notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and we expect that if we are able to consummate the new senior secured credit facilities as described under [Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes](#), we will retain similar qualifications and exceptions and under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial.

In addition to the \$35.3 million which was available for borrowing under the revolving credit facility as of December 31, 2012, the terms of the senior secured credit facilities enable us to increase the amount available under the term loan and/or revolving credit facilities if we are able to obtain loan commitments from banks and satisfy certain other conditions. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we face would increase. In addition, the indenture does not prevent us from incurring obligations that do not constitute indebtedness under such indenture. See [Description of Certain Indebtedness](#).

*Our debt agreements contain restrictions that limit our flexibility in operating our business.*

The indenture governing the notes and the agreement governing the senior secured credit facilities contain, and any future indebtedness we incur may contain, various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

incur additional indebtedness or issue certain preferred shares;

pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;

make certain investments;

sell certain assets;

create liens;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with our affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

We expect that any new senior secured credit facilities will contain substantially similar restrictions. See Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes. As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs. In addition, the covenants in the senior secured credit facilities require us to maintain a maximum senior secured leverage ratio and also limit our capital expenditures. A

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breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross default provisions and, in the case of the revolving credit facility, permit the lenders to cease making loans to us. Upon the occurrence of an event of default under the senior secured credit facilities, the lenders could elect to declare all amounts outstanding under the senior secured credit facilities to be immediately due and payable and terminate all commitments to extend further credit. Such actions by those lenders could cause cross defaults under our other indebtedness. If we were unable to repay those amounts, the lenders under the senior secured credit facilities could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under the senior secured credit facilities. If the lenders under the senior secured credit facilities accelerate the repayment of borrowings, the proceeds from the sale or foreclosure upon such assets will first be used to repay debt under the senior secured credit facilities and we may not have sufficient assets to repay our unsecured indebtedness thereafter. See [Description of Certain Indebtedness Senior Secured Credit Facilities](#).

*We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.*

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing the notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

### **Risks Related to This Offering**

*There is no existing market for our common stock, and we do not know if one will develop, which could impede your ability to sell your shares and may depress the market price of our common stock.*

There has not been a public market for our common stock prior to this offering. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price for the common stock will be determined by negotiations between us and the underwriters and may not be indicative of prices that will prevail in the open market following this offering. See [Underwriting \(Conflicts of Interest\)](#).

Consequently, you may be unable to sell our common stock at prices equal to or greater than the price you pay in this offering.

*The interests of our principal stockholders may conflict with or differ from your interests as a stockholder.*

After the consummation of this offering, Apollo will own approximately 37.0% of our common stock, assuming the underwriters do not exercise their option to purchase additional shares, or 35.0% if the underwriters exercise their option in full and Popular will own approximately 35.5% of our common stock, assuming the underwriters do not exercise their option to purchase additional shares, or 33.6% if the underwriters exercise their option in full. After the consummation of this offering, the group consisting of Apollo and Popular will beneficially own 72.5% of our shares of outstanding common stock, assuming the underwriters do not exercise their option to purchase up to 3,157,895 additional shares from the selling stockholders. As a result, subject to applicable law and the Stockholder Agreement described in this prospectus, Apollo and Popular will continue to



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control all matters affecting us, including decisions regarding extraordinary business transactions, fundamental corporate transactions, appointment of members to our management, election of directors and our corporate and management policies. The interests of Apollo and/or Popular could conflict with your interests as a holder of our common stock. For example, the concentration of ownership held by Apollo and Popular, the terms of the Stockholder Agreement and our organizational documents (including Apollo's and Popular's quorum rights and consent rights over certain significant corporate actions including amendments to our organizational documents) and Popular's right to terminate certain of its agreements with us in certain situations upon a change of control of EVERTEC, LLC, could delay, defer or prevent certain significant corporate actions that you as a stockholder may otherwise view favorably, including a change of control of us (whether by merger, takeover or other business combination). See "Certain Relationships and Related Party Transactions" for a description of the circumstances under which Popular may terminate certain of its agreements with us. Further, Apollo and Popular will realize substantial benefits from the sale of their shares in this offering and may have less interest in our successor as their ownership decreases. A sale of a substantial number of shares of stock in the future by Apollo or Popular could cause our stock price to decline.

Furthermore, Popular operates in the financial services industry and Apollo Management and its affiliates are in the business of managing funds that make investments in companies and one or more of them may from time to time manage funds that acquire and hold interests in businesses that compete directly or indirectly with us, as well as businesses that represent major customers of our business. Funds and businesses managed by Apollo Management and its affiliates and/or Popular may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

Our amended and restated certificate of incorporation will provide that we expressly renounce any interest or expectancy in any business opportunity, transaction or other matter in which Apollo, Popular or certain of their respective transferees or any director nominated by Apollo, Popular or any of such transferees participates or desires or seeks to participate in, even if the opportunity is one that we would reasonably be deemed to have pursued if given the opportunity to do so. See "Certain Relationships and Related Party Transactions" Related Party Transactions After the Closing of the Merger Stockholder Agreement.

*We will be a controlled company within the meaning of the NYSE listing rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.*

Upon the closing of this offering, Apollo and Popular as a group will continue to control a majority of our voting common stock. As a result, we will be a controlled company within the meaning of applicable corporate governance standards. Under the NYSE listing rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

the requirement that we have a majority of independent directors on our Board;

the requirement that we have a nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;

the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

the requirement for an annual performance evaluation of the nominating and compensation committees.

Following this offering, we intend to utilize the foregoing exemptions from the applicable corporate governance requirements. As a result, we will not have a majority of independent directors nor a separate nominating committee. In addition, our compensation committees will not consist entirely of independent directors and we will not be required to have an annual performance evaluation of the compensation committees. See "Management." Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the applicable corporate governance requirements.

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***Certain underwriters have interests in this offering beyond customary underwriting discounts; specifically, certain underwriters are affiliates of our controlling stockholders and affiliates of an underwriter will receive a portion of the proceeds.***

Each of Apollo Global Securities, LLC, an affiliate of Apollo, and Popular Securities, Inc., an affiliate of Popular, will be an underwriter of this offering. Since each of Apollo and Popular owns more than 10% of our outstanding common stock, a conflict of interest would be deemed to exist under Rule 5121(f)(5)(B) of the Conduct Rules of the Financial Industry Regulatory Authority, or FINRA. In addition, because Popular will receive more than 5% of the net proceeds of this offering as repayment of the existing 11.0% senior notes due 2018 held by Popular, a conflict of interest would be deemed to exist under Rule 5121(f)(5)(C)(ii) of the Conduct Rules of FINRA. In addition, because Apollo and Popular as selling stockholders will receive more than 5% of the proceeds of this offering, a conflict of interest would be deemed to exist under Rule 5121(f)(5)(C)(ii) of the Conduct Rules of FINRA. There may be a conflict of interest between such underwriter's interests (e.g., in negotiating the initial public offering price) and your interest as a purchaser. As affiliates of participants in this offering that may seek to realize the value of their investments in us, these underwriters could have interests beyond customary underwriting discounts. Accordingly, we intend that this offering will be made in compliance with the applicable provisions of Rule 5121. Since neither Apollo Global Securities, LLC nor Popular Securities, Inc. is primarily responsible for managing this offering, pursuant to FINRA Rule 5121, the appointment of a qualified independent underwriter is not necessary. As such, neither Apollo Global Securities, LLC nor Popular Securities, Inc. will confirm sales to accounts in which it exercises discretionary authority without the prior written consent of the customer.

***The price of our common stock may fluctuate significantly and you could lose all or part of your investment.***

Volatility in the market price of our common stock may prevent you from being able to sell your common stock at or above the price you paid for your common stock. The market price for our common stock could fluctuate significantly for various reasons, including:

our operating and financial performance and prospects;

changes in earnings estimates or recommendations by securities analysts who track our common stock or industry;

market and industry perception of our success, or lack thereof, in pursuing our growth strategy; and

sales of common stock by us, our stockholders, Apollo or its affiliates, Popular or members of our management team.

In addition, the stock market has experienced significant price and volume fluctuations in recent years. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price.

***We currently have no plans to pay regular dividends on our common stock, so you may not receive funds without selling your common stock.***

We currently have no plans to pay regular dividends on our common stock. Any payment of future dividends will be at the discretion of our Board and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions applying to the payment of dividends, and other considerations that our Board deems relevant. The terms of the senior secured credit facilities and the indenture governing the notes include limitations on our ability to pay dividends and/or the ability of our subsidiaries to pay dividends to us. Accordingly, you may have to sell some or all of your common stock in order to generate cash flow from your investment.

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***Future sales or the possibility of future sales of a substantial amount of our common stock may depress the price of shares of our common stock.***

We may sell additional shares of common stock in subsequent public offerings or otherwise, including to finance acquisitions. Our amended and restated certificate of incorporation will authorize us to issue 206,000,000 shares of common stock, of which 79,425,092 shares will be outstanding upon consummation of this offering. The outstanding share number includes shares that we or the selling stockholders are selling in this offering, which may be resold immediately in the public market. The remaining outstanding shares are restricted from immediate resale under the lock-up agreements with the underwriters described in the Underwriting (Conflicts of Interest) section of this prospectus, but may be sold into the market in the near future. Following the expiration of the applicable lock-up period, which is 180 days after the date of this prospectus, all shares of our common stock will be freely transferable without restriction or further registration under the Securities Act, except for any such shares which are held or may be acquired by any of our affiliates as that term is defined in Rule 144 under the Securities Act, which will be subject to the resale limitations of Rule 144 and any such shares which are held by parties to the Stockholder Agreement, which are subject to certain transfer restrictions under the Stockholder Agreement. See Shares Eligible for Future Sale for a discussion of the shares of our common stock that may be sold into the public market in the future. Pursuant to the Stockholder Agreement with Apollo and Popular, each of Apollo and Popular have certain rights to demand underwritten registered offerings in respect of the approximately 57,592,563 shares of common stock that they will own immediately following this offering, and we have granted Apollo, Popular and certain members of management incidental registration rights, in respect of shares of common stock. Upon the effectiveness of such a registration statement, all shares covered by the registration statement would be freely transferable. See Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger Stockholder Agreement.

As soon as practicable after the completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act covering 12,089,382 shares of our common stock reserved for issuance under the Equity Incentive Plans and certain options and restricted stock granted outside of the Equity Plans but subject to the terms and conditions of the 2010 Plan. Accordingly, shares of our common stock registered under such registration statement may become available for sale in the open market upon grants under the Equity Incentive Plans, subject to vesting restrictions, Rule 144 limitations applicable to our affiliates and the contractual lock-up provisions described below.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including any shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

***Our organizational documents and Stockholder Agreement may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.***

Provisions of our amended and restated certificate of incorporation, amended and restated bylaws and the Stockholder Agreement may make it more difficult for, or prevent a third party from, acquiring control of us without the approval of our Board and/or each of Apollo and Popular. These provisions include:

a voting agreement among Apollo and Popular to vote such stockholder's shares in favor of the Apollo and Popular director nominees (which currently comprise eight of our nine directors) and the management director and to remove and replace any such directors in accordance with the terms of the Stockholder Agreement and applicable law and an agreement by us to take all actions within our control necessary and desirable to cause the election, removal and replacement of such directors in accordance with the Stockholder Agreement and applicable law;

requiring that a quorum for the transaction of business at any meeting of the stockholders (other than a reconvened meeting with the same agenda as the originally adjourned meeting) consist of (1) stockholders holding a majority of our outstanding voting common stock and entitled to vote at

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such meeting and (2) each of Apollo and Popular, for so long as it owns, together with its respective affiliates, 20% or more of our outstanding voting common stock;

requiring that a quorum for the transaction of business at any meeting of the Board (other than a reconvened meeting with the same agenda as the originally adjourned meeting) consist of (1) a majority of the total number of directors then serving on the Board and (2) at least one director nominated by each of Apollo and Popular, for so long as it owns, together with its respective affiliates, 5% or more of our outstanding voting common stock;

prohibiting cumulative voting in the election of directors;

authorizing the issuance of blank check preferred stock without any need for action by stockholders other than Apollo and Popular;

prohibiting stockholders from acting by written consent unless the action is taken by unanimous written consent;

requiring that each of Apollo and Popular, for so long as it, together with its respective affiliates, owns at least 20% of our outstanding common stock, approve certain corporate actions before we may take those actions, including amendments to our organizational documents, equity issuances, acquisitions or dispositions of material assets and certain other significant matters; and

establishing advance notice requirements for nominations for election to our Board or for proposing matters that can be acted on by stockholders at stockholder meetings, which advance notice requirements are not applicable to (1) any directors nominated in accordance with the terms of the Stockholder Agreement and (2) for so long as Apollo and Popular, together with their respective affiliates, own greater than 50% of our outstanding voting common stock, any other business included in the notice of a meeting at the request of either Apollo or Popular.

Our issuance of shares of preferred stock could delay or prevent a change in control of us. Our Board has authority to issue shares of preferred stock, subject to the approval of each of Apollo and Popular for so long as it, together with its respective affiliates, owns at least 20% of our outstanding common stock and the approval of at least one director nominated by each of Apollo and Popular for so long as it, together with its respective affiliates, owns at least 10% of our outstanding common stock. Our Board may issue preferred stock in one or more series, designate the number of shares constituting any series, and fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of our preferred stock may have the effect of delaying, deferring or preventing a change in control without further action by the stockholders, even where stockholders are offered a premium for their shares.

In addition, Apollo and Popular, under and subject to the Stockholder Agreement and our organizational documents, will have significant control over matters requiring board or stockholder approval, including the election of directors, amendment of our organizational documents and certain corporate transactions. See [Certain Relationships and Related Party Transactions](#) [Related Party Transactions After the Closing of the Merger](#) [Stockholder Agreement](#).

Together, our amended and restated certificate of incorporation, bylaws and Stockholder Agreement could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock. Furthermore, the existence of the foregoing provisions, as well as the significant common stock owned by Apollo and Popular following this offering and their individual rights to nominate a specified number of directors in certain circumstances, could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of us, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition. See [Description of Capital Stock](#) [Certain Anti-Takeover, Limited Liability and Indemnification Provisions](#).

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***You will experience an immediate and substantial dilution in the net tangible book deficit of the common stock you purchase.***

After giving effect to this offering and the other adjustments described elsewhere in this prospectus under **Dilution**, we expect that our pro forma as adjusted net tangible book deficit as of December 31, 2012 would be \$6.99 per share. Based on an assumed initial public offering price of \$19.00 per share, the midpoint of the estimated offering range set forth on the cover page of this prospectus, you will experience immediate and substantial dilution of approximately \$25.99 per share in net tangible book deficit of the common stock you purchase in this offering. See **Dilution**, including the discussion of the effects on dilution from a change in the price of this offering.

***The additional requirements of having a class of publicly traded equity securities may strain our resources and distract management.***

Even though EVERTEC, LLC currently files reports with the SEC, after the consummation of this offering, we will be subject to additional reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, (the **Sarbanes-Oxley Act**), and the Dodd-Frank Act. The Dodd-Frank Act effects comprehensive changes to public company governance and disclosures in the United States and will subject us to additional federal regulation. We cannot predict with any certainty the requirements of the regulations ultimately adopted or how the Dodd-Frank Act and such regulations will impact the cost of compliance for a company with publicly traded common stock. We are currently evaluating and monitoring developments with respect to the Dodd-Frank Act and other new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. We also expect that being a company with publicly traded common stock and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board, particularly to serve on our audit committee, and qualified executive officers.

The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. These requirements may place a strain on our systems and resources. Under Section 404 of the Sarbanes-Oxley Act, we will be required to include a report of management on our internal control over financial reporting in our Annual Reports on Form 10-K beginning with the Form 10-K for the year ending December 31, 2013. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. This may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. If we are unable to conclude that our disclosure controls and procedures and internal control over financial reporting are effective, or if we are no longer an emerging growth company and our independent public accounting firm is unable to provide us with an unqualified report on our internal control over financial reporting in future years, investors may lose confidence in our financial reports and our stock price may decline.

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*If securities analysts do not publish research or reports about our company, or if they issue unfavorable commentary about us or our industry or downgrade our common stock, the price of our common stock could decline.*

The trading market for our common stock will depend in part on the research and reports that third-party securities analysts publish about our company and our industry. One or more analysts could downgrade our common stock or issue other negative commentary about our company or our industry. In addition, we may be unable or slow to attract research coverage. Alternatively, if one or more of these analysts cease coverage of our company, we could lose visibility in the market. As a result of one or more of these factors, the trading price of our common stock could decline.

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**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements that involve risks and uncertainties. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing information and other information that is not historical information. Such forward-looking statements can be identified by the use of forward-looking terminology such as believes, expects, may, estimates, will, should, plans or anticipates or the negative thereof or other variations thereof, comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. Among the factors that significantly impact our business and could impact our business in the future are:

our reliance on our relationship with Popular for a significant portion of our revenues and with Banco Popular, Popular's principal banking subsidiary, to grow our Merchant Acquiring business;

our ability to renew our client contracts on terms favorable to us;

our dependence on our processing systems, technology infrastructure, security systems and fraudulent payment detection systems, as well as on our personnel and certain third parties with whom we do business;

our ability to develop, install and adopt new software, technology and computing systems;

a decreased client base due to consolidations and failures in the financial services industry;

the credit risk of our merchant clients, for which we may also be liable;

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

our dependence on credit card associations, including any adverse changes in credit card association or network rules or fees;

changes in the regulatory environment and changes in international, legal, political, administrative or economic conditions;

the geographical concentration of our business in Puerto Rico;

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

our ability to execute our geographic expansion and acquisition strategies;

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our ability to protect our intellectual property rights against infringement and to defend ourselves against claims of infringement brought by third parties;

our ability to recruit and retain the qualified personnel necessary to operate our business;

our ability to comply with federal, state and local regulatory requirements;

evolving industry standards and adverse changes in global economic, political and other conditions;

our high level of indebtedness and restrictions contained in our debt agreements, including the senior secured credit facilities and the indenture governing the notes, as well as debt that could be incurred in the future;

our ability to generate sufficient cash to service our indebtedness and to generate future profits; and

other risks and uncertainties discussed in this prospectus, including in the section entitled Risk Factors.



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These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should, therefore, be considered in light of various factors, including those set forth in this prospectus under Risk Factors, in Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this prospectus. In light of such risks and uncertainties, we caution you not to rely on these forward-looking statements in deciding whether to participate in this offering. These forward-looking statements speak only as of the date of this prospectus, and we do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

### **INDUSTRY AND MARKET DATA**

This prospectus includes industry data that we obtained from periodic industry publications, including the November 2011, May 2012 and July 2012 Nilson Reports, the January 2013 Gartner Dataquest Market Statistics and the 2012 World Payments Report. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable. This prospectus also includes market share and industry data that were prepared primarily based on management's knowledge of the industry and industry data. Unless otherwise noted, statements as to our market share and market position relative to our competitors are approximated and based on management estimates using the above-mentioned latest-available third-party data and our internal analyses and estimates. While we are not aware of any misstatements regarding any industry data presented herein, our estimates, in particular as they relate to market share and our general expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed under Risk Factors, Cautionary Notice Regarding Forward-Looking Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus.

The Gartner report, Forecast: Enterprise IT Spending by Vertical Industry Market, Worldwide, 2010-2016, 4Q12 Update, January 2013, described herein (the Gartner Report), represents data, research opinion or viewpoints published as part of a syndicated subscription service by Gartner, Inc. and are not representations of fact. The Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report are subject to change without notice.

### **NON-GAAP FINANCIAL MEASURES**

Our comparison of Successor and Predecessor periods, EBITDA, Adjusted EBITDA and Adjusted Net Income, as presented in this prospectus, are supplemental measures of our performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States of America (GAAP). They are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as alternatives to cash flows from operating activities, as indicators of cash flows or as measures of our liquidity.

We define the three months ended December 31, 2010 as the financial results of Holdings for the period from its inception on June 25, 2010 to December 31, 2010, consisting primarily of merger and advisory-related costs incurred prior to the Merger on September 30, 2010, and following the Merger consisting primarily of EVERTEC, LLC results of operations (the Successor period).

We define EBITDA as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA as further adjusted to exclude unusual items and other adjustments as described under Summary Summary Historical Consolidated and Combined Financial Data. We define Adjusted Net Income as net income as adjusted to exclude unusual items and other adjustments as described under Summary Summary Historical Consolidated and Combined Financial Data. We caution investors that amounts presented in accordance with our definitions of EBITDA, Adjusted EBITDA and Adjusted Net Income

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

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

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

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

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

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

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

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

### **EMERGING GROWTH COMPANY STATUS**

We are an emerging growth company as defined in the recently-enacted Jumpstart Our Business Startups Act (the JOBS Act), and we are eligible to take advantage of certain exemptions from various reporting and disclosure requirements that are applicable to public companies that are not emerging growth companies. See Risk Factors Risks Related to Our Business As an emerging growth company under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain reporting and disclosure requirements, which may make our future public filings different than that of other public companies.

Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the Securities Act) for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain new accounting standards until those standards would otherwise apply to private companies. However, we are choosing to opt out of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period is irrevocable.



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We will remain an emerging growth company until the earliest of: (i) the last day of the fiscal year during which we had total annual gross revenues of \$1 billion or more, (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement, (iii) the date on which we have, during the previous 3-year period, issued more than \$1 billion in non-convertible debt, or (iv) the date on which we are deemed a large accelerated filer as defined under the federal securities laws.

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**USE OF PROCEEDS**

Assuming an initial public offering price of \$19.00 per share, the midpoint of the range set forth on the cover page of this prospectus, we estimate that we will receive net proceeds from this offering of approximately \$117.4 million, after deducting underwriting discounts and other estimated expenses of \$7.6 million payable by us. We will not receive any net proceeds from the sale by the selling stockholders of shares in this offering.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$19.00 per share would increase (decrease) the net proceeds to us from this offering by \$6.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated expenses payable by us. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and estimated expenses payable by us, by approximately \$18.0 million, assuming the initial public offering price per share remains the same.

We intend to use the net cash proceeds from this offering to redeem approximately \$91.0 million principal amount of the outstanding notes pursuant to the equity claw redemption feature of the notes, and to pay the redemption premiums and accrued interest thereon, and pay a portion of the approximately \$16.4 million fee required to terminate the consulting agreements with Apollo Management and with Popular.

The notes, which are co-issued by EVERTEC, LLC and EVERTEC Finance Corp., were issued on September 30, 2010 in the aggregate principal amount of \$220.0 million and on May 7, 2012 in the aggregate principal amount of \$40.0 million. The proceeds of the additional notes issued on May 7, 2012 were used to fund a portion of the \$270.0 million special dividend paid on May 9, 2012 that is further described under Dividend Policy. All of the notes were issued under the indenture dated as of September 30, 2012 and mature on October 1, 2018. The notes bear interest at a rate of 11.0% per annum. As of December 31, 2012, the principal outstanding balance of the notes was \$250.5 million. Under the terms of the indenture relating to the notes, we may use the cash proceeds from this offering to redeem up to \$91.0 million principal amount of the notes at a redemption price equal to 111.0% of the principal amount thereof plus accrued and unpaid interest to the redemption date. The redemption of the notes will be in accordance with the terms of the indenture. We expect that prior to the completion of this offering, EVERTEC, LLC and EVERTEC Finance Corp. will issue a redemption notice (which we expect will specify that the redemption date for the notes will be on or about the 30<sup>th</sup> day following the date of such notice so long as this offering is completed) and that the redemption of the notes using the net cash proceeds from this offering will occur following this offering. See Description of Certain Indebtedness Notes.

Popular, which is a selling stockholder in this offering and an affiliate of one of the underwriters, holds approximately \$35.0 million principal amount of the notes, which will be repaid with the proceeds of this offering as described above. See Underwriting (Conflicts of Interest).

If we complete the debt refinancing as described in Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes, we intend to redeem the remaining principal amounts outstanding under the notes and repay the existing senior secured facilities with a portion of the proceeds from such refinancing. There can be no assurance that we will be able to enter into the new senior secured credit facilities and consummate the debt refinancing on the terms described in this prospectus or at all.

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**DIVIDEND POLICY**

We currently intend to retain all future earnings, if any, for use in the operation of our business and to fund future growth. The decision whether to pay dividends will be made by our Board in light of conditions then existing, including factors such as our financial condition, earnings, available cash, business opportunities, legal requirements, restrictions in our debt agreements and other contracts, and other factors our Board deems relevant.

We are a holding company and have no direct operations. We will only be able to pay dividends from our available cash on hand and funds received from our subsidiaries, Holdings and EVERTEC, LLC, whose ability to make any payments to us will depend upon many factors, including their operating results and cash flows. In addition, the senior secured credit facilities and the indenture governing the notes limit EVERTEC, LLC's ability to pay distributions on its equity interests. See Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Obligations and Description of Certain Indebtedness.

We paid a special dividend to our stockholders on May 9, 2012 in the aggregate amount of approximately \$270.0 million. This dividend was financed with net proceeds from a \$170.0 million incremental term loan entered into by EVERTEC, LLC and an offering of \$40.0 million of 11% senior notes due 2018, together with cash on hand. In addition, on December 18, 2012 we paid a special dividend to our stockholders and authorized an equitable adjustment to holders of vested options as discussed below in the aggregate amount of approximately \$50.3 million. This dividend and equitable adjustment was financed primarily with cash on hand at EVERTEC, LLC. In the case of stockholders who held restricted shares at the time of such dividend, the per share dividend amount was paid or is payable in accordance with the terms and conditions of the applicable restricted stock award agreement. The equitable adjustment was effective on December 18, 2012 and was paid (in the case of options that had vested at such time) or is payable as such options vest (in the case of options that were outstanding at such time but will vest in the future) in the form of a one-time cash bonus to holders of such options for shares of our common stock in the amount of \$0.69 per share. In the case of options that had vested as of December 18, 2012, the equitable adjustment was paid on December 21, 2012 and in the case of unvested options will be paid in the future as the options vest, subject to our ability at such time to comply with our debt agreements and applicable law. We have not otherwise paid any dividends on our capital stock since the Merger.

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The following table sets forth our capitalization as of December 31, 2012:

(1) On an actual basis; and

(2) On a pro forma basis giving further effect to our sale of 6,578,948 shares of common stock in this offering at an assumed offering price of \$19.00, which is the midpoint of the range listed on the cover page of this prospectus.

The following table does not take into account the potential refinancing of our outstanding indebtedness under the existing senior secured credit facilities and the redemption of any portion of the indebtedness under the notes that remains outstanding after application of the proceeds from this offering with the proceeds from the new senior secured credit facilities.

You should read this table in conjunction with Selected Historical Consolidated and Combined Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical financial statements and the related notes appearing elsewhere in this prospectus, as well as the sections Summary Summary Historical Consolidated and Combined Financial Data and Use of Proceeds included in this prospectus.

(In thousands)	December 31, 2012	
	Actual	Pro Forma <sup>(1)</sup> (unaudited)
Cash	\$ 25,634	\$ 25,634
Debt:		
Senior secured credit facilities		
Senior secured revolving credit facility <sup>(2)</sup>	\$ 14,000	\$ 14,000
Senior secured term loan facility <sup>(3)</sup>	495,023	495,023
11% senior notes <sup>(3)</sup>	250,500	159,500
Other short-term borrowings	12,995	12,995
Total debt, including current portion <sup>(4)</sup>	772,518	681,518
Stockholders' equity		
Preferred stock		
Class A common stock	721	794
Class B common stock	7	
Additional paid-in capital	52,155	169,536
Accumulated earnings <sup>(5)</sup>	70,414	50,511
Accumulated other comprehensive loss	(842)	(842)
Total stockholders' equity	122,455	219,999
Total capitalization	\$ 894,973	\$ 901,517

(1) A \$1.00 increase (decrease) in the assumed initial public offering price of \$19.00 per share would increase (decrease) cash and total capitalization by \$6.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated expenses payable by us.

(2) We had borrowing availability of \$35.3 million under the revolving credit facility (after giving effect to \$14.0 million of outstanding short-term borrowings and \$0.7 million of outstanding letters of credit). See Description of Certain Indebtedness Senior Secured Credit Facilities.

(3) Actual amount does not give effect to original issue discount or premium. The pro forma amount for the notes reflects the redemption of \$91.0 million principal amount of notes with the proceeds from this offering. See Use of Proceeds.

(4)

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We currently intend to refinance our indebtedness under the existing senior secured credit facilities and the balance of the notes that are not being redeemed with the proceeds from this offering with the proposed \$800.0 million new senior secured credit facilities. However, no assurance can be given that we will be able to consummate the debt refinancing on the terms described in this prospectus or at all. See [Use of Proceeds](#) and [Description of Certain Indebtedness - Refinancing of Senior Secured Credit Facilities and Notes](#).

- (5) The pro forma amount reflects (i) \$10.0 million of redemption premiums (\$7 million, net of tax) on the notes to be redeemed with the proceeds from this offering as described in [Use of Proceeds](#), (ii) \$16.4 million of expense (\$11.5 million, net of taxes) to be recognized related to the termination fee payable under the consulting agreements with each of Apollo and Popular as described in [Use of Proceeds](#), and (iii) \$1.4 million loss on the extinguishment of debt (net of tax), to be recorded in connection with the redemption of the notes to be redeemed with a portion of the proceeds of this offering.



**Table of Contents****DILUTION**

Dilution is the amount by which the offering price paid by the purchasers of the common stock to be sold in this offering exceeds the net tangible book value (deficit) per share of common stock after the offering. Net tangible book value per share is determined at any date by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of shares of common stock deemed to be outstanding at that date. There will be shares of our common stock reserved for future awards under the Equity Incentive Plans as of the consummation of this offering.

Our net tangible book value (deficit) as of December 31, 2012 was \$(653.0) million, or \$(8.96) per share. After giving effect to the receipt of approximately \$117.4 million of estimated net proceeds from our sale of 6,578,948 shares of common stock in this offering at an assumed offering price of \$19.00 per share, which represents the midpoint of the range set forth on the front cover of this prospectus, the redemption of our outstanding notes and the payment of fees to terminate the consulting agreements, our as adjusted net tangible book value (deficit) as of December 31, 2012 would have been approximately \$(555.5) million, or \$(6.99) per share. This represents an immediate decrease in our net tangible book value (deficit) of \$1.97 per share to our existing stockholders and an immediate dilution of \$25.99 per share to new investors purchasing shares of common stock in the offering. The following table illustrates this substantial and immediate per share dilution to new investors:

	<b>Per Share</b>
Assumed initial public offering price per share	\$ 19.00
Net tangible book value (deficit) before the offering	(8.96)
Increase per share attributable to investors in the offering	1.97
As adjusted net tangible book value (deficit) after the offering	(6.99)
Dilution per share to new investors	\$ 25.99

A \$1.00 increase (decrease) in the assumed initial public offering price of \$19.00 per share would decrease (increase) our as adjusted net tangible book value (deficit) by \$6.2 million, or \$0.08 per share, and increase (decrease) the dilution per share to new investors in this offering by \$0.92, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated expenses payable by us.

The following table summarizes on an as adjusted basis as of December 31, 2012, giving effect to:

the total number of shares of common stock purchased from us;

the total consideration paid to us, assuming an initial public offering price of \$19.00 per share (before deducting the estimated underwriting discounts and offering expenses payable by us in connection with this offering); and

the average price per share paid by our existing stockholders and by new investors purchasing shares in this offering:

	<b>Shares Purchased</b>		<b>Total Consideration</b>		<b>Average Price</b>
	<b>Number</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Per Share</b>
Existing stockholders	72,846,144	91.72%	522,012	80.68%	\$ 7.17
Investors in the offering	6,578,948	8.28%	125,000	19.32%	19.00
<b>Total</b>	<b>79,425,092</b>	<b>100%</b>	<b>647,012</b>	<b>100%</b>	<b>\$ 8.15</b>

A \$1.00 increase (decrease) in the assumed initial public offering price of \$19.00 per share (the midpoint of the range set forth on the cover page of this prospectus) would increase (decrease) total consideration paid by new investors, total consideration paid by all stockholders and the average price per share by \$6.6 million, \$6.6 million and \$0.08, respectively, assuming the number of shares offered by us, as set forth on the

cover page of this prospectus, remains the same.

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**SELECTED HISTORICAL CONSOLIDATED AND COMBINED FINANCIAL DATA**

The following table sets forth our selected historical consolidated and combined financial data as of the dates and for the periods indicated. The selected consolidated financial data as of and for the years ended December 31, 2012 and 2011 have been derived from the audited consolidated financial statements of EVERTEC, included elsewhere in this prospectus. The selected historical consolidated financial data as of December 31, 2010, and for the three months ended December 31, 2010 have been derived from the audited consolidated financial statements of EVERTEC (Successor), not included in this prospectus. The selected historical combined financial data as of December 31, 2009 and 2008, and for the nine months ended September 30, 2010 and the years ended December 31, 2009 and 2008 have been derived from the audited combined financial statements of EVERTEC Business Group (Predecessor), not included in this prospectus.

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

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	Successor			Predecessor		
	Year ended	Year ended	June 25, 2010	Nine	Years ended	
	December 31,	December 31,	(inception) to	months	December 31,	
	2012	2011	December 31,	ended	2009	2008
			2010	September 30,		
				2010		
<b>(Dollar amounts in thousands, except per share data)</b>						
<b>Statements of Income Data:</b>						
Merchant acquiring, net	\$ 69,591	\$ 61,997	\$ 14,789	\$ 39,761	\$ 48,744	\$ 47,782
Payment processing	94,801	85,691	21,034	56,777	74,728	72,159
Business solutions	177,292	173,434	46,586	118,482	152,827	161,171
<b>Total revenues</b>	<b>341,684</b>	<b>321,122</b>	<b>82,409</b>	<b>215,020</b>	<b>276,299</b>	<b>281,112</b>
Cost of revenues, exclusive of depreciation and amortization shown below	158,860	155,377	41,839	113,246	150,070	164,421
Selling, general and administrative expenses	31,686	33,339	8,392	27,000	25,639	27,643
Depreciation and amortization	71,492	69,891	17,722	19,425	24,500	30,389
<b>Total operating costs and expenses</b>	<b>262,038</b>	<b>258,607</b>	<b>67,953</b>	<b>159,671</b>	<b>200,209</b>	<b>222,453</b>
Income from operations	79,646	62,515	14,456	55,349	76,090	58,659
Interest income	320	797	118	360	1,048	1,283
Interest expense	(54,331)	(50,957)	(13,436)	(70)	(91)	(170)
Earnings of equity method investments	564	833		2,270	3,508	4,229
Other (expenses) income	(8,491)	(18,201)	(36,164)	2,276	7,942	9,449
<b>Income (loss) before income taxes</b>	<b>17,708</b>	<b>(5,013)</b>	<b>(35,026)</b>	<b>60,185</b>	<b>88,497</b>	<b>73,450</b>
Income tax (benefit) expense	(59,658)	(29,227)	(14,450)	23,017	30,659	23,914
<b>Net income (loss) from continuing operations</b>	<b>77,366</b>	<b>24,214</b>	<b>(20,576)</b>	<b>37,168</b>	<b>57,838</b>	<b>49,536</b>
Net income from discontinued operations				117	1,813	3,673
<b>Net income (loss)</b>	<b>\$ 77,366</b>	<b>\$ 24,214</b>	<b>\$ (20,576)</b>	<b>\$ 37,285</b>	<b>\$ 59,651</b>	<b>\$ 53,209</b>
Net income (loss) per common share from continuing operations <sup>(1)(2)</sup>	\$ 1.06	\$ 0.33	\$ (0.29)	\$ 0.52	\$ 0.81	\$ 0.69
Cash dividends declared per common share <sup>(2)</sup>	\$ 4.39	\$	\$	\$	\$	\$
<b>Balance Sheet Data (at period end):</b>						
Cash	\$ 25,634	\$ 56,200	\$ 55,199	\$	\$ 11,891	\$ 24,734
Working capital <sup>(3)</sup>	33,078	87,267	62,226		82,272	94,220
Total assets	977,745	1,046,860	1,092,179		243,445	260,906
Total long-term liabilities	758,395	615,713	673,736		481	1,969
Total debt	763,756	523,833	562,173		1,413	2,802
Total net debt <sup>(4)</sup>	738,122	467,633	506,974			
Total equity	122,455	366,176	339,613		211,475	228,469

(1) For each of the periods presented above, net income per common share from continuing operations represents basic and diluted earnings per common share from continuing operations, respectively, except for the years ended December 31, 2012 and 2011, in which the diluted earnings per common share from continuing operations amounted to \$1.01 and \$0.33, respectively.

(2) Adjusted to reflect the two for one stock split effective April 1, 2013.

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- (3) Working capital is defined as the excess of current assets over current liabilities.
- (4) Total net debt is defined as total debt (including short-term borrowings) less cash.

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

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) covers: (i) the results of operations for the years ended December 31, 2012 and 2011; and (ii) the financial condition as of December 31, 2012 and 2011. See Note 1 of the Notes to Audited Consolidated Financial Statements for additional information about the Company and the basis of presentation of our financial statements. You should read the following discussion and analysis in conjunction with the financial statements and related notes appearing elsewhere herein. This MD&A contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those indicated in the forward-looking statements. See Cautionary Notice Regarding Forward-Looking Statements for a discussion of the risks, uncertainties and assumptions associated with these statements.*

**Overview**

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

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

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

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

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

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

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

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

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

### **Separation from and Key Relationship with Popular**

Prior to the Merger on September 30, 2010, EVERTEC, LLC was 100% owned by Popular, the largest financial institution in the Caribbean, and operated substantially as an independent entity within Popular. After the consummation of the Merger, Popular retained an approximately 49% indirect ownership interest in EVERTEC, LLC and is our largest customer. In connection with, and upon consummation of, the Merger, EVERTEC, LLC entered into a 15-year Master Services Agreement, as well as several other related agreements, with Popular. Under the terms of the Master Services Agreement, Popular agreed to continue to utilize our services on an ongoing exclusive basis, for the duration of the agreement, on commercial terms consistent with the terms of our historical relationship. Additionally, Popular granted us a right of first refusal on the development of certain new financial technology products and services for the duration of the Master Services Agreement.

### **Recent Developments**

On April 17, 2012, EVERTEC, LLC was converted from a Puerto Rico corporation to a Puerto Rico limited liability company (the Conversion) for the purpose of improving the consolidated tax efficiency of EVERTEC, LLC and its subsidiaries by taking advantage of recent changes to the Puerto Rico Internal Revenue Code of 2011, as amended (the PR Code), that permit limited liability companies to be treated as partnerships that are pass-through entities for Puerto Rico tax purposes. Through this new structure, EVERTEC, LLC will benefit from at least \$30.0 million of net operating losses (NOLs) and \$6.3 million in certain other tax attributes for Puerto Rico income tax purposes that prior to the Conversion and change in tax law were available to Holdings but not to EVERTEC, LLC. We expect our strong cash flow characteristics to be enhanced through the utilization of these NOLs and tax attributes, which will reduce our cash tax liability in years we generate taxable income. Concurrent with the Conversion, EVERTEC Intermediate Holdings, LLC (formerly known as Carib Holdings, LLC and, prior to the Conversion, Carib Holdings, Inc., Holdings), which is EVERTEC, LLC's direct parent, was also converted from a Puerto Rico corporation to a Puerto Rico limited liability company and we were formed in order to act as the new parent company of Holdings.

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In addition, in May 2012, among other things, EVERTEC, LLC (i) issued \$40.0 million principal amount of additional 11% senior notes due 2018 ( notes ), (ii) incurred \$170.0 million of secured incremental term loans and (iii) made a distribution of approximately \$267.2 million to Holdings, which was ultimately paid as cash dividends to the stockholders of EVERTEC, Inc.

On October 19, 2012, our subsidiary EVERTEC, LLC was granted a tax exemption under the Economic Incentives Act for the Development of Puerto Rico, Act No. 73 of May 28, 2008 ( Act 73 ). Under this grant, EVERTEC, LLC will benefit from a preferential income tax rate on industrial development income, as well as from tax exemptions with respect to its municipal and property tax obligations for certain activities derived from its data processing operations in Puerto Rico. The grant has a term of 15 years effective as of January 1, 2012 with respect to income tax obligations and January 1, 2013 with respect to municipal and property tax obligations.

The grant establishes a base taxable income amount with respect to EVERTEC, LLC s industrial development income, which amount will continue to be subject to the ordinary income tax rate under existing law. Applicable taxable income in excess of the established base taxable income amount will be subject to a preferential rate of 4%. The base taxable income amount will be ratably reduced to zero by the fourth taxable period at which point all of EVERTEC, LLC s applicable industrial development income will be taxed at the preferential rate of 4% for the remaining period of the grant. Our industrial development income consists primarily of our data processing activities in Puerto Rico, which represented approximately 74% of our taxable income for the year ended December 31, 2012. The grant also establishes a 90% exemption on certain real and personal property taxes and a 60% exemption on municipal taxes, in each case imposed on EVERTEC, LLC. In addition, distributions to stockholders by EVERTEC, Inc. of the industrial development income will not be subject to Puerto Rico tollgate taxes.

The grant contains customary commitments, conditions and representations that EVERTEC, LLC will be required to comply with in order to maintain the grant. The more significant commitments include: (i) maintaining at least 750 employees in EVERTEC, LLC s Puerto Rico data processing operations during 2012 and at least 700 employees for the remaining years of the grant; and (ii) investing at least \$200 million in building, machinery, equipment or computer programs to be used in Puerto Rico during the effective term of the grant (to be made in \$50 million increments over four year capital investment cycles). Failure to meet the requirements could result, among other things, in reductions in the benefits of the grant or revocation of the grant in its entirety, which could result in EVERTEC, LLC or EVERTEC, Inc. paying additional taxes or other payments relative to what such parties would be required to pay if the full benefits of the grant are available. In addition, the protection from Puerto Rican tollgate taxes on distributions to stockholders may be lost.

On December 18, 2012, EVERTEC, LLC paid a cash distribution of approximately \$50.3 million to its parent company, Holdings, primarily using cash on hand, and Holdings in turn paid a distribution to EVERTEC, Inc. EVERTEC, Inc. used the proceeds of such distribution to pay a dividend to its stockholders and to pay an equitable adjustment to holders of vested options as discussed below in the aggregate amount of approximately \$50.3 million. Effective December 18, 2012, our Board approved an equitable adjustment to stock options previously granted pursuant to the 2010 Plan payable in form of a one-time cash bonus to holders of vested options for shares of common stock in the amount of \$0.69 per share, which in the case of vested options was paid on December 21, 2012 and in the case of unvested options will be paid in the future as the options vest, subject to certain conditions. The adjustment was made pursuant to the 2010 Plan, which requires EVERTEC, Inc. to make an equitable adjustment to outstanding options upon the occurrence of certain events, including the payment of dividend.

For additional information regarding these recent events, see Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger Reorganization, Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger Tax Payment Agreement and Dividend Policy.



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### **Factors and Trends Impacting the Results of Our Operations**

The ongoing migration from cash and paper methods of payment to electronic payments continues to benefit the transaction processing industry globally. The increased penetration of electronic payments has been a driver for many merchants to offer acceptance of such methods in order to increase customer traffic and drive sales. We believe that the penetration of electronic payments in the markets where we principally operate is significantly lower relative to the U.S. market and that this ongoing shift will continue to generate substantial growth opportunities for our business. For example, currently the adoption of banking products, including electronic payments, in the Latin American and Caribbean region is lower relative to the mature U.S. and European markets. We believe that the unbanked and underbanked population in our markets will continue to shrink, and therefore drive incremental penetration and growth of electronic payments in Puerto Rico and other Latin American regions.

In addition, our revenue is also impacted by the trend in outsourcing of in-house technology systems and processes. The medium and small size institutions in the Latin American markets in which we operate currently face challenges in updating and renewing their IT legacy computer systems, which we believe will continue the trend to outsource in-house technology systems and processes. We believe that our technology and business outsourcing solutions cater to the evolving needs of the financial institution customer base we target, by providing integrated, open, flexible, customer-centric and efficient IT products and services.

We also expect our results of operations to be impacted by regulatory changes which occur as the payments industry has come under increased scrutiny from lawmakers and regulators. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act ) signed into law in July 2010 is an example of such scrutiny and of changes in laws and regulations that could impact our operating results and financial condition.

In addition, our financial condition and results of operations are, in part, dependent on the economic and general conditions of the geographies in which we operate.

### **Recent Accounting Pronouncements**

For a description of recent accounting standards, see Note 2 of the Notes to Audited Consolidated Financial Statements appearing elsewhere in this prospectus.

### **Non-GAAP Financial Measures**

EBITDA, Adjusted EBITDA and Adjusted Net Income, as presented in this prospectus, are supplemental measures of our performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States of America ( GAAP ). They are not measurements of our financial performance under GAAP and should not be considered as alternatives to total revenues, net income or any other performance measures derived in accordance with GAAP or as alternatives to cash flows from operating activities or as measures of our liquidity.

For more information regarding EBITDA, Adjusted EBITDA and Adjusted Net Income, including a quantitative reconciliation of EBITDA, Adjusted EBITDA and Adjusted Net Income to the most directly comparable GAAP financial performance measure, which is net income, see Net Income Reconciliation to EBITDA, Adjusted EBITDA and Adjusted Net Income and Covenant Compliance below.

### **Overview of Results of Operations**

The following briefly describes the components of revenues and expenses as presented in the Consolidated Statements of Income and Comprehensive Income. Descriptions of the revenue recognition policies are detailed in Note 1 of the Notes to Audited Consolidated Financial Statements appearing elsewhere in this prospectus.

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*Merchant acquiring, net.* Merchant acquiring revenues consist of revenues from services that allow merchants to accept electronic methods of payment. Our standard merchant contract has an initial term of one or three years, with automatic one-year renewal periods. In the merchant acquiring segment, revenues include a discount fee and membership fees charged to merchants, debit network fees and rental income from POS devices and other equipment, net of credit card interchange and assessment fees charged by credit cards associations (such as VISA or MasterCard) or payment networks. The discount fee is generally a percentage of the sales amount of a credit or debit card transaction value. We also charge merchants for other services that are unrelated to the number of transactions or the transaction value.

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

*Payment processing.* Payment processing revenues are comprised of revenues related to providing access to the ATH network and other card networks to financial institutions, including related services such as authorization, processing, management and recording of ATM and POS transactions, and ATM management and monitoring. Payment processing revenues also include revenues from card processing services (such as credit and debit card processing, authorization and settlement and fraud monitoring and control to debit or credit issuers), payment processing services (such as payment and billing products for merchants, businesses and financial institutions) and EBT (which principally consist of services to the Puerto Rico government for the delivery of government benefits to participants).

We generally enter into one to five year contracts with our private payment processing clients and one year contracts with our government payment processing clients. For ATH network and processing services, revenues are primarily driven by the number of transactions processed. Revenues are derived primarily from network fees, transaction switching and processing fees, and the selling and leasing of POS devices. For card issuer processing, revenues are primarily dependent upon the number of cardholder accounts on file, transactions and authorizations processed, the number of cards embossed and other processing services. For EBT services, revenues are primarily derived from the number of beneficiaries on file.

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

*Business solutions.* Business solutions revenues consist of revenues from a full suite of business process management solutions including specifically core bank processing, network hosting and management, IT consulting services, business process outsourcing, item and cash processing, and fulfillment. We generally enter into one to five year contracts with our private business solutions clients and one year contracts with our government business solutions clients.

In addition, we are a reseller of hardware and software products and these resale transactions are generally one-time transactions. Revenues from sales of hardware or software products are recognized once the following four criteria are met: (i) evidence of an agreement exists, (ii) delivery and acceptance has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collection of the selling price is reasonably assured.

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

*Cost of revenues.* This caption includes the costs directly associated with providing services to customers as well as product and software sales, including software licensing and maintenance costs, telecommunications costs, personnel and infrastructure costs to develop and maintain applications, operate computer networks and provide associated customer support, and other operating expenses.

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*Selling, general and administrative.* This caption primarily consists of salaries, wages and related expenses paid to sales personnel, administrative employees and management, advertising and promotional costs, audit and legal fees, and other selling expenses.

*Depreciation and amortization.* This caption consists of our depreciation and amortization expense. Following the completion of the Merger, our depreciation and amortization expense increased as a result of the purchase price allocation adjustments to reflect the fair market value and revised useful life assigned to property and equipment and intangible assets in connection with the Merger.

**Results of Operations**

The following tables set forth certain consolidated financial information for the years ended December 31, 2012 and 2011. The following tables and discussion should be read in conjunction with the information contained in our Audited Consolidated Financial Statements and the notes thereto appearing elsewhere in this prospectus.

**Comparison of the years ended December 31, 2012 and 2011**

The following tables present the components of our audited consolidated statements of income and comprehensive income by business segment and the change in those amounts for the years ended December 31, 2012 and 2011.

*Revenues*

<i>(Dollar amounts in thousands)</i>	Years ended December 31,		Variance	
	2012	2011		
Merchant acquiring, net	\$ 69,591	\$ 61,997	\$ 7,594	12%
Payment processing	94,801	85,691	9,110	11%
Business solutions	177,292	173,434	3,858	2%
Total revenues	\$ 341,684	\$ 321,122	\$ 20,562	6%

Total revenues for the year ended December 31, 2012 were \$341.7 million, representing an increase of \$20.6 million or 6% as compared to the corresponding 2011 period.

Merchant acquiring revenues for the year ended December 31, 2012 were \$69.6 million, representing an increase of \$7.6 million or 12% as compared to the corresponding 2011 period. The increase in merchant acquiring revenues during 2012 was primarily attributable to a \$5.0 million increase in transaction volumes in our core business.

Payment processing revenues for the year ended December 31, 2012 were \$94.8 million, representing an increase of \$9.1 million or 11% as compared to the corresponding 2011 period. The increase in payment processing revenues during 2012 was primarily attributable to an increase in accounts on file and volume of ATH network and processing transactions of \$5.3 million and \$3.8 million, respectively.

Business solutions revenues for the year ended December 31, 2012 were \$177.3 million, representing an increase of \$3.9 million or 2% as compared to the corresponding 2011 period. The increase in business solutions revenues during 2012 was primarily due to higher demand for network and core banking services of \$9.0 million, partially offset by lower demand for IT consulting and item processing services of \$5.0 million.

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<i>(Dollar amounts in thousands)</i>	Years ended December 31,		Variance	
	2012	2011		
Cost of revenues, exclusive of depreciation and amortization shown below	\$ 158,860	\$ 155,377	\$ 3,483	2%
Selling, general and administrative expenses	31,686	33,339	(1,653)	-5%
Depreciation and amortization	71,492	69,891	1,601	2%
Total operating costs and expenses	\$ 262,038	\$ 258,607	\$ 3,431	1%

Total operating costs and expenses for the year ended December 31, 2012 were \$262.0 million, representing an increase of \$3.4 million or 1% as compared to the corresponding 2011 period.

Cost of revenues for the year ended December 31, 2012 were \$158.9 million, representing an increase of \$3.5 million or 2% as compared to the corresponding 2011 period. The increase in cost of revenues during 2012 was primarily attributable to a \$2.2 million non-cash asset write-off, \$0.9 million increase in equipment expenses and \$0.8 million increase in professional expenses, partially offset by a \$2.3 million decrease in personnel expenses as a result of cost control initiatives. Gross margin percentage for the year ended December 31, 2012 improved to 53.5% from 51.6% in 2011. The improvement in gross margin was principally driven by our highly scalable technology platform which allows us to support incremental volumes with low incremental costs.

Selling, general and administrative expenses for the year ended December 31, 2012 were \$31.7 million, representing a decrease of \$1.7 million or 5% as compared to the corresponding 2011 period. The decrease in selling, general and administrative expenses in 2012 was primarily attributable to a reduction in personnel costs of \$1.4 million as a result of cost control initiatives.

Depreciation and amortization expense for the year ended December 31, 2012 was \$71.5 million, representing an increase of \$1.6 million or 2% as compared to the corresponding 2011 period. The increase in depreciation and amortization expense in 2012 was primarily a result of an increase in capital expenditures associated with certain new projects.

*Income from operations*

The following table presents income from operations by reportable segments.

<i>(Dollar amounts in thousands)</i>	Years ended December 31,		Variance	
	2012	2011		
Segment income from operations				
Merchant acquiring	\$ 33,836	\$ 30,258	\$ 3,578	12%
Payment processing	53,682	45,031	8,651	19%
Business solutions	39,845	36,690	3,155	9%
Total segment income from operations	127,363	111,979	15,384	14%
Merger related depreciation and amortization and other unallocated expenses <sup>(1)</sup>	(47,717)	(49,464)	1,747	-4%
Income from operations	\$ 79,646	\$ 62,515	\$ 17,131	27%

(1) Represents certain incremental depreciation and amortization expenses generated as a result of the Merger, non-recurring compensation and benefits expenses, and professional fees.

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Income from operations for the year ended December 31, 2012 was \$79.6 million, representing an increase of \$17.1 million or 27% as compared to the corresponding 2011 period. The increase in income from operations

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in 2012 was driven by the aforementioned factors impacting our revenues and operating costs and expenses. For a reconciliation of the income from operations to net income see Note 21 of the Notes to Audited Consolidated Financial Statements.

*Non-operating (expenses) income*

<i>(Dollar amounts in thousands)</i>	Years ended December 31,		Variance	
	2012	2011		
Non-operating (expenses) income				
Interest income	\$ 320	\$ 797	\$ (477)	-60%
Interest expense	(54,331)	(50,957)	(3,374)	-7%
Earnings of equity method investment	564	833	(269)	-32%
Other expenses	(8,491)	(18,201)	9,710	53%
Total non-operating (expenses) income	\$ (61,938)	\$ (67,528)	\$ 5,590	8%

Total non-operating expenses for the year ended December 31, 2012 were \$61.9 million, representing a decrease of \$5.6 million or 8% as compared to the 2011 period. The decrease in non-operating expenses in 2012 was primarily driven by lower other expenses of \$9.7 million, partially offset by an increase in interest expense of \$3.4 million from the issuance of additional debt in May 2012.

Other expenses during 2012 were primarily comprised of debt issuance costs of \$8.8 million and \$2.2 million related to personnel separation, partially offset by an unrealized gain of \$0.9 million related to the fair value adjustment of certain assets and a \$1.3 million foreign currency translation gain. For the corresponding 2011 period, other expenses were primarily driven by a \$14.5 million charge related to the voluntary retirement program, debt issuance costs of \$2.2 million and \$1.2 million from the settlement of a derivative related to our acquisition of an equity interest in CONTADO from Popular.

*Income tax benefit*

Income tax benefit for the year ended December 31, 2012 was \$59.7 million as compared to \$29.2 million for the corresponding 2011 period. The income tax benefit in 2012 was primarily attributable to a \$66.4 million reduction of our deferred tax liability as a result of the tax grant we received during the fourth quarter of 2012. The tax grant reduced our marginal corporate income tax rate from 30% to 4% on industrial development income, which represented approximately 74% of our taxable income for the year ended December 31, 2012.

The income tax benefit in 2011 was primarily attributable to a \$27.6 million reduction in the Company's deferred tax liability following the enactment of certain tax reforms in Puerto Rico on January 31, 2011 which reduced the marginal corporate income tax rate from 39% to 30%.

See Note 17 of the Notes to Audited Consolidated Financial Statements included elsewhere in this prospectus for additional information regarding income taxes.

*Net Income*

Net income for the year ended December 31, 2012 was \$77.4 million as compared to \$24.2 million for the corresponding 2011 period. Net income for the 2012 period was favorably impacted by the aforementioned \$66.4 million income tax benefit and by income before income taxes of \$17.7 million. Net income for the 2011 period was also driven by a \$29.2 million income tax benefit on extinguishing a portion of our deferred tax liability, partially offset by a \$5.0 million loss before income taxes.

**Table of Contents****Liquidity and Capital Resources****Liquidity**

Our principal source of liquidity is cash generated from operations, while our primary liquidity requirements are the funding of capital expenditures and working capital needs. We also have a \$50 million revolving credit facility of which \$35.3 million was available as of December 31, 2012, after giving effect to \$14.0 million of short-term borrowings outstanding and a \$0.7 million letter of credit on behalf of EVERTEC Costa Rica, S.A. as of December 31, 2012. In addition, our international operations have credit facilities available of approximately \$3.9 million in aggregate.

At December 31, 2012, we had cash of \$25.6 million of which \$21.4 million is in possession of our subsidiaries located outside of Puerto Rico for purposes of (i) funding the respective subsidiary's current business operations and (ii) funding potential future investment outside of Puerto Rico. Over the long-term, it is the Company's intention to reinvest these funds outside Puerto Rico and based on its forecast, the Company's current liquidity requirements would not require the repatriation of these funds for purposes of funding the Company's Puerto Rico operations over a long-term period or debt service obligations. However, if in the future the Company determines that there is no longer a need to maintain such cash within its foreign subsidiaries, it may elect to distribute such cash to the Company in Puerto Rico. Distributions from the Company's foreign subsidiaries to Puerto Rico may be subject to tax withholdings and other tax consequences.

Our primary use of cash is for operating expenses, working capital requirements, capital expenditures and debt service obligations as they become due. Also, we may pay dividends to our stockholders if approved by our Board at its sole discretion and in compliance with EVERTEC, LLC's debt covenants. On May 9, 2012, we paid a cash dividend of \$269.8 million to our stockholders and on December 18, 2012, we paid a cash dividend to our stockholders and made an equitable adjustment to holders of vested options in an aggregate amount of approximately \$50.3 million. For additional information, see Note 13 of the Notes to Audited Consolidated Financial Statements.

Under the senior secured credit facilities, EVERTEC, LLC is required to make prepayments from a portion of excess cash flows as a result of increases in the senior secured leverage ratio. As of December 31, 2012, the senior secured leverage ratio was 2.93. Accordingly, within five business days after the filing of EVERTEC, LLC's audited financial statements for the year ended December 31, 2012, it will be required to make a prepayment of \$6.1 million. For additional information, see Senior Secured Credit Facilities below.

Based on our current level of operations, we believe our cash flows from operations and available senior secured revolving credit facility will be adequate to meet our liquidity needs for the next twelve months. However, our ability to fund future operating expenses and capital expenditures and our ability to make scheduled payments of interest, to pay principal on or refinance our indebtedness and to satisfy any other of our present or future debt obligations will depend on our future operating performance, which will be affected by general economic, financial and other factors beyond our control.

*Comparison of the years ended December 31, 2012 and 2011*

The following table presents our cash flows from operations for the years ended December 31, 2012 and 2011.

<i>(Dollar amounts in thousands)</i>	<b>Years ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Cash provided by operating activities	\$ 82,664	\$ 69,371
Cash used in investing activities	(27,042)	(31,747)
Cash used in financing activities	(86,188)	(36,623)
(Decrease) increase in cash	\$ (30,566)	\$ 1,001

Net cash provided by operating activities for the year ended December 31, 2012 was \$82.7 million as compared to \$69.4 million for the year ended December 31, 2011. The increase of \$13.3 million was primarily

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due to an increase in cash earnings from operations of \$19.8 million partially offset by a net change in assets and liabilities of \$6.5 million. Accounts receivable as of December 31, 2012 were \$78.6 million, representing an increase of approximately \$17.7 million as compared to the prior year period. The increase was primarily attributable to the timing of billings and collections at year end and does not represent a change in our collections policies, average collection periods or credit worthiness of our clients.

Net cash used in investing activities for the year ended December 31, 2012 was \$27.0 million as compared to \$31.7 million for the year ended December 31, 2011. The decrease of \$4.7 million was primarily due to our acquisition of an equity interest in CONTADO for \$9.2 million in 2011 partially offset by a \$4.1 million increase in the acquisition of property, equipment and intangibles in 2012.

Net cash used in financing activities for the year ended December 31, 2012 was \$86.2 million as compared to \$36.6 million for the year ended December 31, 2011. During the year ended December 31, 2012 we paid \$320.0 million in dividend, which was partially funded and offset by \$235.7 million in proceeds from the issuance of long-term debt and short-term borrowings. During the year ended December 31, 2011 cash used in financing activities was primarily attributable to a \$38.6 million voluntary repayment and purchase of our long-term debt.

In connection with this offering, we intend to enter into new \$800.0 million senior secured credit facilities to refinance all of the outstanding indebtedness under the existing senior secured credit facilities and to redeem any portion of the indebtedness under the notes that remains outstanding after the application of the net proceeds from this offering as described under *Use of Proceeds*. For a description of the anticipated terms of the new senior secured credit facilities, see *Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes*. There is no assurance that we will be able to consummate the new senior secured credit facilities on the terms described in this prospectus or at all.

### ***Capital Resources***

Our principal capital expenditures are for hardware and computer software (purchased and internally developed) and additions to property and equipment. We invested approximately \$27.5 million and \$23.4 million for the years ended December 31, 2012 and 2011, respectively. Capital expenditures are expected to be funded by cash flows from operations and, if necessary, borrowings under the revolving credit facility.

### **Financial Obligations**

#### ***Senior Secured Credit Facilities***

In connection with the Merger, on September 30, 2010 EVERTEC, LLC entered into senior secured credit facilities consisting of (1) a \$355.0 million six-year term loan facility and (2) a \$50.0 million five-year revolving credit facility. The term loan facility was subject to quarterly amortization payments totaling 1% per annum of the original principal amount of the facility, with the balance payable on the final maturity date. As a result of a voluntary repayment made on May 4, 2011, EVERTEC, LLC has no scheduled quarterly amortization payment obligation until the final lump-sum payment at the maturity date. However, the senior secured credit agreement contains certain provisions that may require prepayments as a result of increases in the senior secured leverage ratio. If the senior secured leverage ratio at year end is equal to or greater than 2.50, a 50% prepayment of the excess cash flow generated must be made. If the senior secured leverage ratio is less than or equal to 2.50 and greater than 2.00, a 25% prepayment of the excess cash flow is required. If the senior secured leverage ratio is less than or equal to 2.00 no prepayments are necessary. At December 31, 2012, the senior secured leverage ratio was 2.93. As a result of this ratio being higher than 2.50, EVERTEC, LLC is required to make a prepayment within five business days after the filing of EVERTEC, LLC's audited financial statements for the year ended December 31, 2012 of approximately \$6.1 million.

The senior secured credit facilities allow EVERTEC, LLC to obtain, on an uncommitted basis at the sole discretion of participating lenders, an incremental amount of term loan and/or revolving credit facility commitments not to exceed the maximum principal amount of debt that would not cause EVERTEC, LLC's senior secured leverage ratio to exceed 3.25 to 1.00.



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The senior secured revolving credit facility is available for general corporate purposes and includes borrowing capacity available for letters of credit and for short-term borrowings referred to as swing line borrowings. All obligations under the senior secured credit facilities are unconditionally guaranteed by Holdings and, subject to certain exceptions, each of EVERTEC, LLC's existing and future wholly-owned subsidiaries. All obligations under the senior secured credit facilities, and the guarantees of those obligations, are secured by substantially all of EVERTEC, LLC's assets and the assets of the guarantors, subject to certain exceptions. Borrowings under the senior secured term loan facility and the revolving credit facility bear interest, at our option, at a rate equal to a margin over either (a) a base rate as defined in the credit agreement or (b) a LIBOR rate.

On March 3, 2011, these senior secured credit facilities were amended to, among other things, reduce the interest rate margins payable on the term loan and revolving loan borrowings, decrease the applicable LIBOR and alternate base rate floors, and increase the amount available for future borrowings under the uncommitted incremental facility. The amendment also modified certain restrictive covenants to provide us generally with additional flexibility. The amendment did not modify the term or the size of the existing credit facilities.

On April 7, 2011, EVERTEC, LLC repaid \$1.7 million of borrowings under the term loan using the cash received from Popular in connection with the acquisition of CONTADO as required under the terms of the senior secured credit facilities. In addition, on May 4, 2011, EVERTEC, LLC made a voluntary prepayment of \$24.7 million on the term loan. There was no penalty associated with these prepayments.

On May 9, 2012, EVERTEC, LLC entered into an amendment to the agreement governing the senior secured credit facilities to allow, among other things, a restricted dividend payment in an amount not to exceed \$270.0 million and certain adjustments to the financial covenant therein. In addition, we borrowed an additional \$170.0 million under a secured incremental term loan. As of December 31, 2012, the principal outstanding balance under the senior secured term loan and revolving credit facility amounted to \$495.0 million and \$14.0 million, respectively.

### ***Senior Notes***

In connection with the Merger on September 30, 2010, EVERTEC, LLC issued \$220.0 million of unsecured 11% senior notes due 2018.

On May 7, 2012, EVERTEC, LLC and EVERTEC Finance Corp., as co-issuers, issued \$40.0 million aggregate principal amount of 11% senior notes due 2018. These notes constituted Additional Notes under the indenture pursuant to which the notes were originally issued on September 30, 2010. In addition, we obtained a consent from the holders of the notes as of the record date of April 27, 2012 to amend the limitation on restricted payments covenant in the indenture in order to allow additional dividend or distribution payments by EVERTEC, LLC in an aggregate amount not to exceed \$270.0 million.

EVERTEC, LLC's existing wholly-owned subsidiaries that guarantee its obligations under the senior secured credit facilities also guarantee the notes. The notes bear interest at a fixed rate of 11.0% per annum and mature on October 1, 2018. The notes are not subject to any mandatory or sinking fund payments. However, under certain circumstances related to change of control or asset sales (each as defined in the indenture governing the notes), EVERTEC, LLC may be required to offer to purchase notes. As of December 31, 2012, the principal outstanding balance of the notes was \$250.5 million.

In connection with this offering, we intend to enter into \$800.0 million senior secured credit facilities to refinance all of our outstanding indebtedness under the existing senior secured credit facilities and to redeem any outstanding indebtedness under the notes that remains outstanding after the application of the net proceeds from this offering. For a description of the terms of the debt refinancing, see Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes. We intend to use a portion of the net proceeds from this offering to repay approximately \$91.0 million principal amount of the notes. If we are able to consummate the debt refinancing as described in this prospectus, we intend to redeem the remaining principal amount outstanding under the notes and to repay all amounts outstanding under the existing senior secured credit facilities with a portion of

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the net cash proceeds from such debt refinancing, and any amounts remaining under the new senior secured credit facilities following consummation of such debt refinancing will be available for working capital and for general corporate purposes. There can be no assurance that we will be able to consummate the debt refinancing on the terms described in this prospectus or at all.

### ***Other Short-Term Borrowings***

In December 2012, we entered into a financing agreement in the ordinary course of business, to purchase certain software and related services in the amount of \$13.0 million to be repaid in three payments over a term of 10 months.

### ***Covenant Compliance***

The senior secured credit facilities and the indenture governing the notes contain various restrictive covenants. The senior secured credit facilities require EVERTEC, LLC to maintain on a quarterly basis a specified maximum senior secured leverage ratio. The senior secured leverage ratio as defined in its credit facility (total first lien senior secured debt minus available cash, up to a maximum of \$50.0 million, as defined, to Adjusted EBITDA) must be less than 3.85 to 1.0 at December 31, 2012. In addition, the senior secured credit facilities, among other things, restrict EVERTEC, LLC's ability to incur indebtedness or liens, make investments, declare or pay any dividends to our parent and prepay indebtedness that is junior to such debt. The indenture, among other things: (a) limits EVERTEC, LLC's ability and the ability of its subsidiaries to incur additional indebtedness, issue certain preferred shares, incur liens, pay dividends or make certain other restricted payments and enter into certain transactions with affiliates; (b) limits EVERTEC, LLC's ability to enter into agreements that would restrict the ability of its subsidiaries to pay dividends or make certain payments to its parent company; and (c) places restrictions on EVERTEC, LLC's ability and the ability of its subsidiaries to merge or consolidate with any other person or sell, assign, transfer, convey or otherwise dispose of all or substantially all of our assets. However, all of the covenants in these agreements are subject to significant exceptions. As of December 31, 2012, the senior secured leverage ratio was 2.93 to 1.0.

EVERTEC, LLC has the ability to incur additional debt, subject to limitations imposed by the senior secured credit facilities and the indenture governing the notes. Under the indenture, in addition to specified permitted indebtedness, we will be able to incur additional indebtedness as long as on a pro forma basis our fixed charge coverage ratio (the ratio of Adjusted EBITDA to fixed charges, as defined) is at least 2.0 to 1.0. In this prospectus, we refer to the term "Adjusted EBITDA" to mean EBITDA as so defined and calculated for purposes of determining compliance with the senior secured leverage ratio based on the financial information for the last twelve months at the end of each quarter.

### ***Net Income Reconciliation to EBITDA, Adjusted EBITDA and Adjusted Net Income***

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

We present EBITDA and Adjusted EBITDA because we consider them important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our presentation of Adjusted EBITDA is consistent with the equivalent measurements that are contained in the senior secured credit facilities and the indenture governing the notes in testing EVERTEC, LLC's compliance with covenants therein such as the senior secured leverage ratio and the fixed charge coverage ratio. We use Adjusted Net Income to measure our overall profitability because it better reflects our cash flow generation by capturing the actual cash taxes paid rather than our tax expense as calculated under GAAP and excludes the impact of the non-cash amortization and depreciation that was created as a result of the Merger. In addition, in evaluating EBITDA, Adjusted EBITDA and Adjusted Net Income, you should be aware that in the future we may incur expenses such as those excluded

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in calculating them. Further, our presentation of these measures should not be construed as an inference that our future operating results will not be affected by unusual or nonrecurring items.

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

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

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

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

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

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

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

EBITDA, Adjusted EBITDA and Adjusted Net Income are not measurements of liquidity or financial performance under GAAP. You should not consider EBITDA, Adjusted EBITDA and Adjusted Net Income as alternatives to cash flows from operating activities or any other performance measures determined in accordance with GAAP, as an indicator of cash flows, as a measure of liquidity or as an alternative to operating or net income determined in accordance with GAAP.

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

<b>(Dollar amounts in thousands)</b>	<b>Year ended December 31, 2012</b>
<b>Net income</b>	<b>\$ 77,366</b>
Income tax benefit	(59,658)
Interest expense, net	54,011
Depreciation and amortization	71,492
<b>EBITDA</b>	<b>143,211</b>
Software maintenance reimbursement and other costs <sup>(a)</sup>	2,429
Equity income <sup>(b)</sup>	1,057
Compensation and benefits <sup>(c)</sup>	3,795
Pro forma cost reduction adjustments <sup>(d)</sup>	2,150
Transaction, refinancing and other non-recurring fees <sup>(e)</sup>	15,246
Management fees <sup>(f)</sup>	2,982
Purchase accounting <sup>(g)</sup>	(1,284)

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<b>Adjusted EBITDA</b>	<b>169,586</b>
Pro forma EBITDA adjustments <sup>(h)</sup>	(2,150)
Operating depreciation and amortization <sup>(i)</sup>	(31,287)
Cash interest expense <sup>(j)</sup>	(48,921)
Cash income taxes <sup>(k)</sup>	(2,785)
 <b>Adjusted Net Income</b>	 <b>\$ 84,443</b>

- (a) Primarily represents reimbursements received for certain software maintenance expenses as part of the Merger.
- (b) Represents CONTADO's non-cash equity income, net of cash dividends received. See Certain Relationships and Related Party Transactions Related Party Transactions after the Closing of the Merger CONTADO and Serfinsa.
- (c) Mainly represents a one-time payment of \$2.2 million as a result of the former CEO's employment modification agreement. Also, includes other adjustments related to non-cash equity based compensation.

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- (d) Represents the pro forma effect of the expected net savings primarily in compensation and benefits from the reduction of certain temporary employees and professional services. This pro forma amount was calculated using the net amount of actual expenses for temporary employees and professional services for the 12 month period prior to their replacement and/or elimination net of the incremental cost of the new full-time employees that were hired.
- (e) Represents primarily: (i) costs associated with the issuance and refinancing of EVERTEC's debt of approximately \$8.8 million; (ii) costs associated with certain non-recurring corporate transactions, including, for example, costs related to EVERTEC, LLC's conversion to an LLC and the distributions made to EVERTEC, LLC's direct parent of \$3.9 million; and (iii) a nonrecurring, non-cash asset write-off of \$1.6 million.
- (f) Represents the management fee payable to our equity sponsors. See *Certain Relationships and Related Party Transactions* *Related Party Transactions in Connection with the Closing of the Merger* *Consulting Agreements*.
- (g) Represents the elimination of purchase accounting impacts associated with certain customer service and software related arrangements where EVERTEC, LLC receives reimbursements from Popular.
- (h) Represents the elimination of EBITDA adjustments to reflect the pro forma effect of the expected net savings primarily in compensation and benefits and professional services as discussed in note (d) above.
- (i) Represents operating depreciation and amortization expense which excludes amounts generated as a result of the Merger.
- (j) Represents interest expense adjusted to exclude non-cash amortization of the debt issue cost, premium and accretion of discount.
- (k) Represents cash taxes paid.

**Contractual Obligations**

The Company's contractual obligations as of December 31, 2012 are as follows:

(Dollar amounts in thousands)	Total	Payment due by periods			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Long term debt <sup>(1)</sup>	\$ 999,879	\$ 54,910	\$ 109,553	\$ 564,250	\$ 271,166
Operating leases <sup>(2)</sup>	11,190	4,664	6,094	432	
Short-term borrowings	26,995	26,995			
Other long-term liabilities	3,072		685	2,387	
<b>Total</b>	<b>\$ 1,041,136</b>	<b>\$ 86,569</b>	<b>\$ 116,332</b>	<b>\$ 567,069</b>	<b>\$ 271,166</b>

- (1) Long-term debt includes the payments of cash interest (based on interest rates as of December 31, 2012 for variable rate debt) and aggregate principal amount of the senior secured term loan facility and the notes, as well as commitments fees related to the unused portion of the senior secured revolving credit facility, as required under the terms of the long-term debt agreements. The amount of long-term debt does not give effect to the mandatory prepayment of \$6.1 million under the senior secured term loan facility to be made within five business days of the filing of EVERTEC, LLC's audited financial statements for the year ended December 31, 2012, as explained above. However, the interest payments reported as long-term debt includes the impact of such payment.
- (2) Includes certain facilities and equipment under operating leases. See Note 20 of the Notes to Audited Consolidated Financial Statements for additional information regarding operating lease obligations.

Amounts in the table do not reflect the use of proceeds of this offering as described in *Use of Proceeds* or the contemplated debt refinancing as described under *Description of Other Indebtedness* *Refinancing of Senior Secured Credit Facilities and Notes*.

**Critical Accounting Estimates**

Our consolidated financial statements are prepared in accordance with GAAP. In connection with the preparation of our financial statements, we are required to make estimates and assumptions about future events, and apply judgments that affect the reported amounts of certain assets and liabilities, and in some instances, the reported amounts of revenues and expenses during the period.

We base our assumptions, estimates, and judgments on historical experience, current events and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. However, because future events are inherently uncertain and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. A summary of significant accounting policies is included in Note 1 of the Notes to Audited Consolidated Financial Statements appearing elsewhere in this prospectus. We believe that the following accounting estimates are the most critical and they require our most difficult, subjective or complex judgments, resulting for the need to make estimates about this effect of matters that are inherently uncertain.

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### ***Revenue recognition***

The Company's revenue recognition policy follows the guidance from Accounting Standards Codification (ASC) 605-25, *Revenue Recognition - Multiple-Element Arrangements* and Accounting Standards Update (ASU) 2009-13, *Multiple-Deliverable Revenue Arrangements*, which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements. The Company recognizes revenue when the following four criteria are met: (i) evidence of an agreement exists, (ii) delivery and acceptance has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collection of the selling price is reasonably assured.

For multiple deliverable arrangements, we evaluate each arrangement to determine if the elements or deliverables within the arrangement represent separate units of accounting pursuant to ASC 605-25. If the deliverables are determined to be separate units of accounting, revenues are recognized as units of accounting are delivered and the revenue recognition criteria are met. If the deliverables are not determined to be separate units of accounting, revenues for the delivered services are combined into one unit of accounting and recognized (i) over the life of the arrangement if all services are consistently delivered over such term, or if otherwise, (ii) at the time that all services and deliverables have been delivered. The selling price for each deliverable is based on vendor specific objective evidence (VSOE) if available, third party evidence (TPE) if VSOE is not available, or management best estimate of selling price (BESP) if neither VSOE nor TPE is available. We establish VSOE of selling price using the price charged when the same element is sold separately. We bifurcate or allocate the arrangement consideration to each of the deliverables based on the relative selling price of each unit of accounting.

We have two main categories of revenues according to the type of transactions we enter into with our customers: (a) transaction-based fees and (b) fixed fees and time and material.

#### ***Transaction-based fees***

We provide services that generate transaction-based fees. Typically transaction-based fees depend on factors such as number of accounts or transactions processed. These factors typically consist of a fee per transaction or item processed, a percentage of dollar volume processed or a fee per account on file, or some combination thereof. Revenues derived from transaction-based fee contracts are recognized when the underlying transactions are processed, which constitutes delivery of service.

Revenues from business contracts in our Merchant Acquiring segment are primarily comprised of discount fees charged to the merchants based on the sales amount of transactions processed. Revenues include a discount fee and membership fees charged to merchants and debit network fees as well as POS rental fees. Pursuant to the guidance from ASC 605-45-45, *Revenue Recognition - Principal Agent Considerations*, we record merchant acquiring revenues net of interchange and assessments charged by the credit and debit card network associations and recognize such revenues at the time of the sale (when a transaction is processed).

Payment processing revenues are comprised of revenues related to providing access to the ATH network and other card networks to financial institutions, and related services. Payment processing revenues also include revenues from card issuer processing services (such as credit and debit card processing, authorization and settlement, and fraud monitoring and control to debit or credit card issuers), payment processing services (such as payment and billing products for merchants, businesses and financial institutions) and EBT (which principally consists of services to the Puerto Rico government for the delivery of government benefits to participants). Revenues in our Payment Processing segment are primarily comprised of fees per transaction processed or per account on file, or a combination of both, and are recognized at the time transactions are processed or on a monthly basis for accounts on file.

Transaction-based fee revenues within our Business Solutions segment consist of revenues from business process management solutions including core bank processing, business process outsourcing, item and cash

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processing, and fulfillment. Transaction-based fee revenues generated by our core bank processing services are derived from fees based on various factors such as the number of accounts on file (e.g., savings or checking accounts, loans, etc.), and the number of transactions processed or registered users (e.g., for online banking services). For services dependent on the number of transactions processed, revenues are recognized as the underlying transactions are processed. For services dependent on the number of users or accounts on file, revenues are recognized on a monthly basis based on the number of accounts on file each month. Item and cash processing revenues are based upon the number of items (e.g., checks) processed and revenues are recognized when the underlying item is processed. Fulfillment services include technical and operational resources for producing and distributing print documents such as statements, bills, checks and benefits summaries.

Fulfillment revenues are based upon the number of pages for printing services and the number of envelopes processed for mailing services. Revenues are recognized as services are delivered based on a fee per page printed or envelope mailed, as applicable.

### *Fixed fees and time and material*

We also provide services that generate a fixed fee per month or fees based on time and expenses incurred. These services are mostly provided in our Business Solutions segment. Revenues are generated from our core bank solutions, network hosting and management and IT consulting services.

In core bank solutions, we mostly provide access to applications and services such as back-up or recovery, hosting and maintenance that enable a bank to operate the related hosted services accessing our IT infrastructure. These contracts generally contain multiple elements or deliverables which are evaluated by us and revenues are recognized according to the applicable guidance. Revenues are derived from fixed fees charged for the use of hosted services and are recognized on a monthly basis as delivered. Set-up fees are billed to the customer when the service is rendered; however, they are deferred and recognized as revenues over the term of the arrangement or the expected period of the customer relationship, whichever is longer, as set-up services rarely provide value to the customer on a stand-alone basis and are interrelated with the service to be provided under the contract.

In network hosting and management, we provide hosting services for network infrastructure at our facilities, automated monitoring services, maintenance of call centers, and interactive voice response solutions, among other related services. Revenues are primarily derived from monthly fees as services are delivered. Set-up fees are billed up-front to the customer when the set-up service is rendered; however, they are deferred and recognized as revenues over the term of the arrangement or the expected period of the customer relationship, whichever is longer, as set-up services rarely provide value to the customer on a stand-alone basis and are interrelated with the service to be provided under the contract. There are some arrangements under this line of service category that may contain undelivered elements. In such cases, the undelivered elements are evaluated and recognized when the services are delivered or at the time that all deliverables under the contract have been delivered.

IT consulting services primarily consist of time billings based upon the number of hours dedicated to each client. Revenues from time billings are recognized as services are delivered.

We also charge members of the ATH network an annual membership fee; however, these fees are deferred and recognized as revenues on a straight-line basis over the year and recorded in our Payment Processing segment. In addition, occasionally we are a reseller of hardware and software products and revenues from these resale transactions are recognized when such product is delivered and accepted by the client.

### *Service level arrangements*

The Company's service contracts may include service level arrangements ( SLA ) generally allowing the customer to receive a credit for part of the service fee when the Company has not provided the agreed level of services. The SLA performance obligation is committed on a monthly basis, thus SLA performance is monitored

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and assessed for compliance with arrangements on a monthly basis, including determination and accounting for its economic impact, if any.

***Goodwill and other intangible assets***

Goodwill represents the excess of the purchase price and related costs over the value assigned to net assets acquired. Goodwill is not amortized, but is tested for impairment at least annually. Last year, the goodwill impairment test used was a two-step process at each reporting unit level. The first step used to identify potential impairment, compared the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeded its carrying amount, goodwill of the reporting unit was not considered impaired and the second step of the impairment test was unnecessary. If needed, the second step consisted of comparing the implied fair value of the reporting unit with the carrying amount of that goodwill.

For 2012, the Company used a qualitative assessment option or step zero for the goodwill impairment test for all of its reporting units. With this process, the Company first assesses whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the answer is no, then the fair value of the reporting unit does not need to be measured, and step one and step two are bypassed. In assessing the fair value of a reporting unit, which is based on the nature of the business and reporting unit's current and expected financial performance, the Company uses a combination of factors such as general macroeconomic conditions, industry and market conditions, overall financial performance and the entity and reporting unit specific events.

Other identifiable intangible assets with a definitive useful life are amortized using the straight-line method. These intangibles are evaluated periodically for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Other identifiable intangible assets with a definitive useful life acquired in the Merger, include customer relationship, trademark, software packages and non-compete agreement. Customer relationship was valued using the excess earnings method under the income approach. Trademark was valued using the relief-from-royalty method under the income approach. Software packages, which include capitalized software development costs, were recorded at cost. Non-compete agreement was valued based on the estimated impact that theoretical competition would have on revenues and expenses.

***Allowance for doubtful accounts***

An allowance for doubtful accounts is provided based on the estimated uncollectible amounts of the receivables. The estimate is primarily based on a review of the current status of specific accounts receivable. Receivables are considered past due if full payment is not received by the contractual date. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted.

***Share-based compensation***

On September 30, 2010, the Holdings board of directors adopted the Carib Holdings, Inc. 2010 Equity Incentive Plan (the 2010 Plan ) to grant stock options, rights to purchase shares, restricted stock units and other stock-based rights to employees, directors, consultants and advisors of the Company. On April 17, 2012, in connection with the Reorganization, the Company assumed the 2010 Plan and all of the outstanding equity awards issued thereunder or subject thereto. The Company expenses employee stock-based payments under the fair value method. ASC 718, Compensation-Stock Compensation, which requires compensation cost for the fair value of stock-based payments at the date they are granted to be recognized over the requisite service period. The Company estimates the fair value of stock-based awards, on a contemporaneous basis, at the date they are granted using the Black-Sholes-Merton option pricing model for Tranche A options and the Monte Carlo simulation analysis for Tranche B and Tranche C options using the following assumptions: (1) stock price;



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(2) risk-free rate; (3) expected volatility; (4) expected annual dividend yield and (5) expected term. The risk-free rate is based on the U.S. Constant Maturities Treasury Interest Rate as of the grant date. The expected volatility is based on a combination of historical volatility and implied volatility from publicly traded companies in our industry. The expected annual dividend yield is based on management's expectations of future dividends as of the grant date. The expected term is based on the vesting time of the options.

Based upon an assumed initial public offering price of \$19.00, the mid-point of the range reflected on the cover page of this prospectus, the aggregate intrinsic value of outstanding stock options vested and unvested as of December 31, 2012 was \$87.9 million, as presented in the table below.

Stock options	Shares	Weighted-average exercise prices <sup>(1)</sup>	IPO price	Excess of IPO price	Aggregate intrinsic value based on estimated IPO price
Vested	604,656	\$ 1.30	\$ 19.00	\$ 17.70	\$ 10,702
Unvested	4,572,926	2.11	19.00	16.89	77,237
	5,177,582	\$ 2.06	\$ 19.00	\$ 16.98	\$ 87,939

(1) The exercise prices were reduced in 2012 to reflect an equitable adjustment of \$3.71 per share in connection with a cash dividend. See Note 14 of the Notes to Audited Consolidated Financial Statements.

See Note 14 of the Notes to Audited Consolidated Financial Statements appearing elsewhere in this prospectus for details regarding the Company's share-based compensation.

**Valuation of Our Common Stock**

The fair value of the common stock underlying stock-based awards is determined by the Company's board of directors using an internal valuation. The board of directors intends all awards to be exercisable at a price per share equal to the per share fair value of the Company's common stock on the date of the grant. In the absence of a public trading market, management estimates the fair value of the Company's common stock based on the financial performance of the Company measured using Adjusted EBITDA, calculated using the most recent quarterly information, and an acquisition multiple that management believes is representative of the implied market value for the Company. See Share-based Compensation above.

On August 1, 2012, the most recent option grant date, the Company's board of directors determined the fair value of our common stock in connection with stock options granted to an employee. We believe the following factors contributed to the increase in the fair value of our common stock since August 1, 2012:

*Recent stock market performance.* Since August 1, 2012, overall stock market conditions and valuations of the comparable public companies utilized in determining both the value of common stock on August 1, 2012 and the estimated pricing range set forth on the front cover of this prospectus have improved significantly.

*Tax Grant.* On October 19, 2012, our subsidiary EVERTEC, LLC was granted a 15-year tax exemption from the Government of Puerto Rico. The tax grant significantly enhances EVERTEC's profitability and free cash flow and thus has a material impact on the valuation of the Company. Due to uncertainty around the timing and receipt of the tax grant, its value was not included in our August 1, 2012 valuation. See Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments.

*Refinancing.* In connection with this offering, we intend to enter into \$800 million of new senior secured credit facilities. We expect to use these net proceeds to deleverage our balance sheet and refinance indebtedness. As a result of improved debt market conditions,

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deleveraging of our balance sheet and transition to a public company, we expect to obtain the aforementioned new debt on substantially better terms and pricing than was available at the time of the August 1, 2012 valuation and significantly reduce our future interest expense. See Note 2 to Summary Summary Historical Consolidated and Combined Financial Data for the effects of interest expense reduction.

*Strong Fourth Quarter 2012 Results.* We completed fiscal year 2012 with strong momentum, achieving fourth quarter 2012 revenue and Adjusted EBITDA growth of 6% and 29%, respectively. We continue

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to see stronger than expected penetration of our products and services in new and existing markets since our August 1, 2012 valuation.

*Public Market Valuation Emphasis and Stock Illiquidity.* The estimated pricing range valuation reflects an increased emphasis on future rather than historical financial performance. In addition, the estimated pricing range assumes a successful initial public offering will ultimately occur and represents an estimate of the fair value of unrestricted and freely tradable stock.

***Income tax***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred 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 effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of income in the period that includes the enactment date. We recognize the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. A deferred tax valuation allowance is established if it is considered more likely than not that all or a portion of the deferred tax asset will not be realized.

All companies within EVERTEC are legal entities which file separate income tax returns. Notwithstanding, a proportionate share of Banco Popular's income tax expense based upon reportable taxable income using the statutory tax rates in Puerto Rico related to the merchant acquiring business and Ticketpop business has been recorded in the EVERTEC Business Group's combined financial statements that include the nine months ended September 30, 2010 as required under the separate return method to allocate the intercorporate tax for a carve-out. That allocation is not included in the Company's income tax returns. No temporary differences that give rise to any deferred tax asset or liability resulted as part of this allocation.

See Note 17 of the Notes to Audited Consolidated Financial Statements appearing elsewhere in this prospectus for details regarding the Company's income taxes.

***JOBS Act***

We qualify as an emerging growth company, as such term is defined in the JOBS Act, which was signed into law on April 5, 2012. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies. However, we are choosing to opt out of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period is irrevocable.

The JOBS Act also contains provisions that, among other things, reduce certain reporting requirements for emerging growth companies. We are in the process of evaluating the benefits of relying on these reduced reporting requirements.

***Off Balance Sheet Arrangements***

As of December 31, 2012, we had one outstanding letter of credit of \$0.7 million with a maturity of less than three months.

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### **Debt Repurchases**

We have in the past purchased and we or our affiliates in the future may, from time to time, purchase the notes. Any such future purchase may be made through open market or privately negotiated transactions with third parties (who may be our affiliates) or pursuant to tender, exchange or other offers, upon such terms and at such prices as we or any such affiliates may determine. See Note 11 of the Notes to Audited Consolidated Financial Statements appearing elsewhere in this prospectus for additional information regarding our past purchases of notes.

### **Seasonality**

EVERTEC's business generally experiences increased activity during the traditional holiday shopping periods and around other nationally recognized holidays.

### **Effect of Inflation**

While inflationary increases in certain inputs costs, such as occupancy, labor and benefits, and general administrative costs, have an impact on our operating results, inflation has had minimal net impact on our operating results during the last three years, except for our operation in Venezuela which was not acquired as part of the Merger, as overall inflation has been offset by increased selling process and cost reduction actions. We cannot assure you, however, that we will not be affected by general inflation in the future.

### **Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risks arising from our normal business activities. These market risks principally involve the possibility of change in interest rates that will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rates and prices.

#### ***Interest rate risks***

We issued fixed and floating-rate debt which is subject to fluctuations in interest rates in respect of our floating-rate debt. Borrowings under the senior secured credit facilities accrue interest at variable rates but are subject to floors or minimum rates. A 100 basis point increase in the applicable margins over our floor(s) on our debt balances outstanding as of December 31, 2012, under the senior secured credit facilities would increase our annual interest expense by approximately \$5.0 million. The impact on future interest expense as a result of future changes in interest rates will depend largely on the gross amount of our borrowings at that time as well as the final terms of the debt refinancing described elsewhere in this prospectus. See *Description of Certain Indebtedness Refinancing of Senior Secured Credit Facilities and Notes*.

#### ***Foreign exchange risk***

We conduct business in certain countries in Latin America. Some of this business is conducted in the countries' local currencies. The resulting foreign currency translation adjustments, from operations for which the functional currency is other than the U.S. dollar, are reported in accumulated other comprehensive loss in the consolidated balance sheets, except for highly inflationary environments in which the effects would be included in other operating income in the consolidated statements of income and comprehensive income. At December 31, 2012 and 2011, the Company had \$0.8 million and \$1.3 million, respectively, in an unfavorable foreign currency translation adjustment as part of accumulated other comprehensive loss.

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**BUSINESS**

**Company Overview**

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

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

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

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

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

Our broad suite of services span the entire transaction processing value chain and include a range of front-end customer facing solutions as well as back-end support services. These include: (i) merchant acquiring services, which enable POS and e-commerce merchants to accept and process electronic methods of payment such as debit, credit, prepaid and electronic benefits transfer ( EBT ) cards; (ii) payment processing services, which enable financial institutions and other issuers to manage, support and facilitate the processing for credit, debit, prepaid, ATM and EBT card programs; and (iii) business process management solutions, which provide mission critical technology solutions such as core bank processing, as well as information technology ( IT ) outsourcing and cash management services to financial institutions, enterprises and governments. We provide these services through a highly scalable, end-to-end technology platform that we manage and operate in-house. Our end-to-end technology platform includes solutions that encompass the entire transaction processing value chain. This enables us to provide front-end processing services, such as the electronic capture and authorization of transactions at the point-of-sale, and back-end services, such as the clearing and settlement of transactions and account reconciliation for card issuers. Our platform provides us with the broad range of capabilities, flexibility and operating leverage that enable us to innovate and develop new services, differentiate ourselves in the marketplace and generate significant operating efficiencies to continue to maximize profitability.

We sell and distribute our services primarily through a proprietary direct sales force with strong customer relationships. We are also increasingly building a variety of indirect sales channels which enable us to leverage

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the distribution capabilities of partners in adjacent markets, including value-added resellers, joint ventures and merchant acquiring alliances. Given our breadth across the transaction processing value chain, our customer base is highly diversified by size, type and geographic footprint.

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

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

### **History and Separation from Popular**

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

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

### **Industry Trends**

#### ***Shift to Electronic Payments***

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

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### ***Fast Growing Latin American and Caribbean Financial Services and Payments Markets***

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

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

### ***Ongoing Technology Outsourcing Trends***

Financial institutions globally are facing significant challenges including the entrance of non-traditional competitors, the compression of margins on traditional products, significant channel proliferation and increasing regulation that could potentially curb profitability. Many of these institutions have traditionally fulfilled their IT needs through legacy computer systems, operated by the institution itself. Legacy systems are generally highly proprietary, inflexible and costly to operate and maintain and we believe the trend to outsource in-house technology systems and processes by financial institutions will continue. According to estimates published by Gartner Dataquest Market Statistics in January 2013, the banking and securities sector in Latin America is forecasted to have \$29 billion of annual IT expenditures by 2016. We believe our ability to provide integrated, open, flexible, customer-centric and efficient IT products and services cater to the evolving needs of our customers, particularly for small- and mid-sized financial institutions in the Latin American markets in which we operate.

### ***Industry Innovation***

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

### ***Our Competitive Strengths***

#### ***Market Leadership in Latin America and the Caribbean***

We believe we have an inherent competitive advantage relative to U.S. competitors based on our ability to locally leverage our infrastructure, as well as our first-hand knowledge of the Latin American and Caribbean

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

***Diversified Business Model Across the Transaction Processing Value Chain***

Our leadership position in the region is driven in part by our diversified business model which provides the full range of merchant acquiring, payment processing and business solutions services to financial institutions, merchants, corporations and government agencies across different geographies. We offer end-to-end technology solutions through a single provider and we have the ability to tailor and customize the features and functionality of all our products and services to the specific requirements of our customers in various industries and across geographic markets. We believe the breadth of our offerings enables us to penetrate our customer base from a variety of perspectives and positions us favorably to cross-sell our other offerings over time. For example, we may host a client's electronic cash register software (part of the Business Solutions segment), acquire transactions that originate at that electronic cash register (part of the Merchant Acquiring segment), route the transaction through the ATH network (part of the Payment Processing segment), and finally settle the transaction between the client and the issuer bank (part of the Payment Processing segment). In addition, we can serve customers with disparate operations in several geographies with a single integrated technology solution that enables them to access one processing platform and manage their business as one enterprise. We believe these services are becoming increasingly complementary and integrated as our customers seek to capture, analyze and monetize the vast amounts of data that they process across their enterprises. As a result, we are able to capture significant value across the transaction processing value chain and believe that this combination of attributes represents a differentiated value proposition vis-à-vis our competitors who have a limited product and service offering.

***Broad and Deep Customer Relationships and Recurring Revenue Business Model***

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



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new market opportunities. In addition, we believe the recurring nature of our business model provides us with significant revenue and earnings stability.

### ***Highly Scalable, End-to-End Technology Platform***

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

### ***Experienced Management Team with a Strong Track Record of Execution***

We have grown our revenue organically by introducing new products and services and expanding our geographic footprint throughout Latin America. We have a proven track record of creating value from operational and technology improvements and capitalizing on cross-selling opportunities. We have combined new leadership at EVERTEC, bringing many years of industry experience, with long-standing leadership at the operating business level. In 2012, Peter Harrington, former President of Latin America and Canada for First Data Corporation, joined our management team as our President and Chief Executive Officer. Also, in 2012, Philip Steurer, former Senior Vice President of Latin America for First Data Corporation, joined our management team as our Chief Operating Officer. Mr. Harrington and Mr. Steurer both have extensive experience managing and growing transaction processing businesses in Latin America as well as North America, Asia and Europe. In addition, we successfully executed our separation from Popular, transitioning EVERTEC from a division of a larger company to a stand-alone entity with public company best practices. Instrumental to this transition was our Chief Financial Officer Juan J. Román, former CFO of Triple-S Management, a publicly listed insurance company. Collectively our management team benefits from an average of over 20 years of industry experience and we believe they are well positioned to continue to drive growth across business lines and regions.

### ***Our Growth Strategy***

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

#### ***Continue Cross-Sales to Existing Customers***

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

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

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

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### ***Expand in the Latin American Region***

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

### ***Develop New Products and Services***

Our experience with our customers provides us with insight into their needs and enables us to continuously develop new transaction processing services. We plan to continue growing our merchant, financial institution, corporate and government customer base by developing and offering additional value-added products and services to cross-sell along with our core offerings. We intend to continue to focus on these and other new product opportunities in order to take advantage of our leadership position in the transaction processing industry in the Latin American and Caribbean region.

### ***Our Business***

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

### ***Merchant Acquiring***

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

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

### ***Payment Processing***

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

At the point-of-sale, we sell transaction processing technology solutions, similar to the services in our Merchant Acquiring business, to other merchant acquirers to enable them to service their own merchant customers. We also offer terminal driving solutions to merchants, merchant acquirers (including our Merchant Acquiring business) and financial institutions, which provide the technology to securely operate, manage and

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monitor POS terminals and ATMs. We also rent POS devices to financial institution customers who seek to deploy them across their own businesses. We currently provide technology services for over 4,100 ATMs and over 104,000 POS terminals in the region and are continuously certifying new machines and devices to expand this reach.

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

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

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

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

### ***Business Solutions***

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

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

For additional information regarding the Company's segments, see Note 21 of the Notes to Audited Consolidated Financial Statements appearing elsewhere in this prospectus.

### **Competition**

Competitive factors impacting the success of our services include the quality of the technology-based application or service, application features and functions, ease of delivery and integration, ability of the provider to maintain, enhance, and support the applications or services, and price. We believe that we compete favorably in each of these categories. In addition, we believe that our relationship with Banco Popular, large market share and financial institution industry expertise, combined with our ability to offer multiple applications, services and integrated solutions to individual customers, enhances our competitiveness against companies with more limited offerings.

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In Merchant Acquiring, we compete with several other service providers and financial institutions, including Vantiv, Inc., First Data Corporation, Global Payment Inc., Elavon, Inc., Sage Payment Solutions and some local banks. Also, the card associations and payment networks are increasingly offering products and services that compete with ours. The main competitive factors are price, brand awareness, strength of the relationship with financial institutions, system functionality, service capabilities and innovation. Our business is also impacted by the expansion of new payment methods and devices, card association business model expansion, and bank consolidation.

In Payment Processing, we compete with several other third party card processors and debit networks, including First Data Corporation, Fidelity National Information Services, Inc., Fiserv, Inc., Total System Services, Inc., Vantiv, Inc. and Global Payment Inc. Also, card associations and payment networks are increasingly offering products and services that compete with our products and services. The main competitive factors are price, system performance and reliability, system functionality, security, service capabilities and disaster recovery and business continuity capabilities.

In Business Solutions, our main competition includes internal technology departments within financial institutions, retailers, data processing or software development departments of large companies and/or large computer manufacturers. Main competitive factors are price, system performance and reliability, system functionality, security, service capabilities, and disaster recovery and business continuity capabilities.

## **Intellectual Property**

We own numerous registrations for several trademarks in different jurisdictions and own or have licenses to use certain software and technology, which are critical to our business and future success. For example, we own the ATH and EVERTEC trademarks, which are associated by the public, financial institutions and merchants with high quality and reliable electronic commerce, payments, and debit network solutions and services. Such goodwill allows us to be competitive, retain our customers, and expand our business. Further, we also use a combination of (i) proprietary software, and (ii) duly licensed third party software to operate our business and deliver secure and reliable products and services to our customers. The licensed software is subject to terms and conditions that we consider within industry standards. Most are perpetual licenses and the rest are term licenses with renewable terms. In addition, we monitor these license agreements and maintain close contact with our suppliers to ensure their continuity.

We seek to protect our intellectual property rights by securing appropriate statutory intellectual property protection in the relevant jurisdictions, including patents. We also protect proprietary know-how and trade secrets through company confidentiality policies, licenses, programs, and contractual agreements.

For a description of our arrangements with Popular regarding intellectual property, see [Certain Relationships and Related Party Transactions](#).

## **Employees**

As of December 31, 2012, we employed 1,660 persons across 6 countries in Latin America and the Caribbean. None of our employees are subject to collective bargaining agreements, and we consider our relationships with our employees to be good. We have not experienced any work stoppages.

## **Government Regulation and Payment Network Rules**

### ***Oversight by the Federal Reserve***

Popular is a bank holding company that has elected to be treated as a financial holding company under the provisions of the Graham-Leach-Bliley Act of 1999. Because of Popular's control of us, we are deemed to be a subsidiary of Popular for purposes of the BHC Act and therefore we are subject to regulation and oversight by

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the Board of Governors of the Federal Reserve System (the Federal Reserve Board ) and our activities are subject to several related significant restrictions, the more significant of which are discussed below.

### *Transactions with Affiliates*

There are various restrictions on our ability to borrow from, and engage in certain other transactions with, Popular's bank subsidiaries, Banco Popular and Banco Popular North America ( BPNA ). In general, Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve Board's Regulation W require that any covered transaction that we enter into with Banco Popular or BPNA (or any of their respective subsidiaries), as the case may be, must be secured by designated amounts of specified collateral and must be limited to 10% of Banco Popular's or BPNA's, as the case may be, capital stock and surplus. In addition, all covered transactions between Banco Popular or BPNA, on the one hand, and Popular and all of its subsidiaries and affiliates (which for these purposes includes EVERTEC, LLC) on the other hand, must be limited to 20% of Banco Popular's or BPNA's, as the case may be, capital stock and surplus. Covered transactions are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve Board) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate.

In addition, Section 23B and Regulation W require all transactions between us and either Banco Popular or BPNA be on terms and conditions, including credit standards, that are substantially the same or at least as favorable to Banco Popular or BPNA, as the case may be, as those prevailing at the time for comparable transactions involving other non-affiliated companies or, in the absence of comparable transactions, on terms and conditions, including credit standards, that in good faith would be offered by Banco Popular or BPNA to, or would apply to, non-affiliated companies.

### *Permissible Activities*

As long as we are deemed to be controlled by Popular for bank regulatory purposes, we may conduct only those activities that are authorized for a bank holding company or a financial holding company under the BHC Act, Federal Reserve Board's Regulation K and other relevant U.S. federal banking laws. These activities generally include activities that are related to banking, financial in nature or incidental to financial activities. In addition, restrictions placed on Popular as a result of supervisory or enforcement actions may restrict us or our activities in certain circumstances, even if these actions are unrelated to our conduct or business. We are considered to be a foreign subsidiary of a bank holding company under the Federal Reserve Board's regulations. Consequently, we rely on the authority granted under the Federal Reserve Board's Regulation K to conduct our data processing, management consulting and related activities outside the United States. The Federal Reserve Board's Regulation K generally limits activities of a bank holding company outside the United States that are not banking or financial in nature or necessary to carry on such activities. Furthermore, before our predecessor was acquired by Popular, it was engaged in certain activities that are not otherwise permissible for a foreign subsidiary under the banking regulations. We continue to engage in such activities pursuant to