TOTAL SYSTEM SERVICES INC
Form 424B5
May 15, 2013
Table of Contents

The information in this Preliminary Prospectus Supplement is not complete and may be changed. This Preliminary Prospectus Supplement and the accompanying Prospectus do not constitute an offer to sell these securities or a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-188453

Subject to completion, dated May 15, 2013

Prospectus Supplement

(to Prospectus dated May 8, 2013)

Total System Services, Inc.

$ % Senior Notes Due 2018

$ % Senior Notes Due 2023

Interest payable and

We are offering $ aggregate principal amount of % Senior Notes due 2018 (the 2018 notes) and $ aggregate principal amount of % Senior Notes due 2023 (the 2023 notes), which we collectively refer to as the notes. The 2018 notes will mature on , 2018 and the 2023 notes will mature on , 2023. We will pay interest on the notes on and of each year, beginning on , 2013. The notes will be issued in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

We may redeem some or all of the notes in whole or in part at any time, together with accrued and unpaid interest, at the redemption prices under the heading Description of Notes Optional Redemption on page S-36. Upon the occurrence of a Change of Control Repurchase Event (as defined herein), we will be required to make an offer to purchase the notes at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest to, but excluding, the date of purchase. See the section entitled Description of Notes Change of Control for more information.

On February 19, 2013, we and our wholly-owned subsidiary signed an Agreement and Plan of Merger (the Merger Agreement) with NetSpend Holdings, Inc. (NetSpend), under which we will acquire NetSpend in an all-cash transaction of approximately $1.4 billion (the Acquisition). If we do not consummate the Acquisition on or before November 15, 2013 or if the Merger Agreement is terminated at any time prior to such date, we will redeem all of the 2023 notes on a special mandatory redemption date at a redemption price described under Description of Notes Special Mandatory Redemption.

The notes will be our unsecured senior obligations and will rank equally in right of payment with all of our other unsecured senior indebtedness outstanding from time to time. The notes will not be listed on any national securities exchange. Currently there is no public market for the notes.

Investing in the notes involves risks. You should consider carefully the risks set forth in “Risk Factors” beginning on page S-7, as well as the risks set forth in our other filings with the Securities and Exchange Commission, which are incorporated by reference in this prospectus supplement and the accompanying prospectus, before investing in the notes.

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

	Price to public(1)	Underwriting discounts and commissions	Proceeds to us (before expenses)(1)
Per 2018 note	%	%	%
2018 notes total	$	$	$
Per 2023 note	%	%	%
2023 notes total	$	$	$
Total	$	$	$

(1) Plus accrued interest, if any, from May , 2013, if settlement occurs after that date.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, société anonyme, and Euroclear Bank S.A./N.V., as operator of the Euroclear System, against payment in New York, New York on or about May , 2013.

Sole Active Book-Running Manager

J.P. Morgan

Passive Book-Running Manager

Mitsubishi UFJ Securities

May , 2013

Table of Contents

Table of contents

Prospectus Supplement

Prospectus

Table of Contents

About this prospectus supplement

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the heading Where You Can Find More Information.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to *TSYS*, *we*, *us*, *our* or simila references mean Total System Services, Inc. and its subsidiaries. If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any fee writing prospectus filed by us with the Securities and Exchange Commission (the SEC).

This prospectus supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this prospectus supplement, the accompanying prospectus or any free writing prospectus filed by us with the SEC and the documents referred to in this prospectus supplement and which are made available to the public.

We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus or any free writing prospectus filed by us with the SEC or any document incorporated by reference is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase, any of the securities and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Table of Contents

Where you can find more information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public from the SEC s web site at http://www.sec.gov. To receive copies of public records not posted to the SEC s web site at prescribed rates, you may complete an online form at http://www.sec.gov, send a fax to (202) 772-9337 or submit a written request to the SEC, Office of FOIA/PA Operations, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) (other than, in each case, information deemed to have been furnished and not filed in accordance with SEC rules), prior to the termination of this offering:

- our Annual Report on Form 10-K, as amended by Form 10-K/A, for the year ended December 31, 2012 (including the portions of our Proxy Statement on Schedule 14A, filed on March 15, 2013, incorporated by reference therein);

- our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013; and

- our Current Reports on Form 8-K filed on February 19, 2013, April 11, 2013, May 2, 2013 and May 8, 2013.

You may request a copy of these filings (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing), at no cost, by writing or calling us at the following address:

Senior Director of Investor Relations

Total System Services, Inc.

One TSYS Way

Columbus, Georgia 31901

Telephone: (706) 644-4918

We have also filed a registration statement (No. 333-188453) with the SEC relating to the securities offered by this prospectus supplement and the accompanying prospectus. This prospectus supplement is part of the registration statement. You may obtain from the SEC a copy of the registration statement and exhibits that we filed with the SEC. The registration statement may contain additional information that may be important to you.

Unless otherwise indicated, currency amounts in this prospectus supplement are stated in U.S. dollars.

Table of Contents

Special note regarding forward-looking statements

The prospectus supplement contains forward-looking statements. We may also make forward-looking statements in reports filed with the SEC that we incorporate by reference in this prospectus supplement. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words believes, expects, anticipates, plans, estimates, intends, shall or similar expressions but are not the exclusive means of identifyin statements. These statements are based on beliefs and assumptions of our management, and on information currently available to our management.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results may differ materially from those in the forward-looking statements contained in this prospectus supplement and in the information incorporated in this document. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict. These factors include, but are not limited to, the following:

our ability to satisfy all conditions to closing and to successfully consummate the Acquisition;

our ability to integrate NetSpend and achieve the anticipated growth opportunities and other benefits of the Acquisition;

continued consolidation among financial institutions and retail clients, including the merger of our clients with entities that are not our clients, the sale of portfolios by our clients to entities that are not our clients and the nationalization or seizure by banking regulators of our clients;

adverse developments with respect to entering into contracts with new clients and retaining current clients;

overall market conditions;

the material breach of security of any of our systems;

our inability to timely, successfully and cost-effectively improve and implement processing systems to provide new products, increased functionality and increased efficiencies;

the expenses associated with the signing of a significant client;

adverse developments with respect to the credit card industry in general, including a decline in the use of cards as a payment mechanism;

the impact of potential and completed acquisitions and similar transactions, including the costs associated therewith and their being more difficult to integrate than anticipated;

the costs and risks associated with our foreign operations;

the costs and effects of litigation, investigations or similar matters or adverse facts and developments relating thereto;

the termination of our relationships with financial institution sponsors;

Table of Contents

changes occur in laws, rules, regulations, credit card association rules, the prepaid industry or other industry standards affecting us and our clients that may result in costly new compliance burdens on us and our clients and lead to a decrease in the volume and/or number of transactions processed;

adverse developments with respect to foreign currency exchange rates;

our inability to anticipate and respond to technological changes, particularly with respect to e-commerce;

successfully managing the potential both for patent protection and patent liability in the context of rapidly developing legal framework for expansive patent protection;

the loss of a major supplier;

the impact on our business, as well as on the risks set forth above, of various domestic or international military or terrorist activities or conflicts;

other factors and information contained in this prospectus supplement and other risk factors described in the Risk Factors and other sections of our Annual Report on Form 10-K for the year ended December 31, 2012 and other filings with the SEC; and

TSYS ability to manage the foregoing and other risks.

Table of Contents

Summary

This summary highlights information contained or incorporated by reference in this prospectus and does not contain all of the information that you should consider in making your investment decision. You should read this summary together with the more detailed information appearing elsewhere in this prospectus and the information in the documents incorporated by reference into this prospectus. You should carefully consider, among other things, the matters discussed in the sections titled Risk Factors below and in our SEC reports that are incorporated by reference into this prospectus.

Total System Services, Inc.

We are a global payment solutions provider that provides services to financial and nonfinancial institutions. Our revenues are derived from these services to financial and nonfinancial institutions, generally under long-term processing contracts. The Company s services are provided through the Company s three operating segments: North America Services, International Services and Merchant Services.

Through the Company s North America Services and International Services segments, we process information through our cardholder systems to financial institutions. Our North America Services segment provides these services to clients in the United States, Canada, Mexico and the Caribbean. Our International Services segment provides services to clients in Europe, India, Middle East, Africa, Asia Pacific and Brazil. Our Merchant Services segment provides merchant services to merchant acquirers and merchants primarily in the United States.

For the year ended December 31, 2012, our revenues were $1,871 million and our net income attributable to TSYS common shareholders was $244 million. For the three months ended March 31, 2013, our revenues were $465 million and net income attributable to TSYS common shareholders was $57 million.

Our principal executive officers are located at One TSYS Way, Columbus, Georgia, 31901. Our telephone number at that address is (706) 649-2310. We maintain a website at www.tsys.com. None of the information on our website is part of this prospectus.

Acquisition of NetSpend

On February 19, 2013, we and our wholly-owned merger subsidiary entered into the Merger Agreement with NetSpend, pursuant to which, upon the terms and subject to the conditions set forth in the Merger Agreement, our merger subsidiary will merge with and into NetSpend, with NetSpend continuing as the surviving corporation and our wholly-owned subsidiary. We refer to this transaction as the Acquisition.

NetSpend is a leading provider of general-purpose reloadable prepaid (GPR) debit cards and related financial services to the estimated 68 million underbanked consumers in the United States who do not have a traditional bank account or who rely on alternative financial services. GPR cards generally have the same functionality as traditional bank debit cards, serving as access devices to an FDIC-insured depository account with a bank. NetSpend offers some of their cardholders features, such as direct deposit, interest-bearing savings accounts, bill pay functionality, card-to-card transfer capability, personal financial management tools and online and mobile phone card account access. NetSpend s mission is to develop products and services that empower underbanked consumers with the convenience, security and freedom to be self-banked. NetSpend markets cards through multiple distribution channels, including alternative financial service providers, traditional retailers, direct-to-consumer and online marketing programs and contractual relationships with corporate employers.

We expect the Acquisition to close by mid-2013, subject to NetSpend stockholder approval, regulatory approvals and other customary closing conditions. The Merger Agreement does not contain any financing contingencies. A special meeting of stockholders of NetSpend will be held on May 22, 2013 to approve the Merger Agreement. Concurrently with entering into the Merger Agreement, we entered into a voting agreement with certain stockholders of NetSpend who together hold shares of NetSpend common stock and preferred stock representing an aggregate of approximately 37% of the outstanding voting securities of NetSpend. Under the voting agreement, these stockholder parties agreed to vote all of their voting shares in favor of the approval of the Merger Agreement and the Acquisition and the other transactions contemplated by the Merger Agreement. For more information, see the section entitled Where You Can Find More Information.

Acquisition financing

We will acquire NetSpend in an all cash transaction valued at approximately $1.4 billion, which includes the payment of related fees and expenses.

On September 10, 2012, we entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Regions Bank and U.S. Bank National Association, as syndication agents, and the other lenders named therein. The credit agreement, as amended, provides for a $350 million five-year unsecured revolving credit facility (which may be increased up to an additional $350 million under certain circumstances) (the Revolving Credit Facility) and a $150 million five-year unsecured term loan, which was borrowed in full at closing (the Existing Term Loan).

Concurrently with entering into the Merger Agreement, we obtained commitments for a 364-day $1.2 billion bridge term loan facility from JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC and The Bank of Tokyo-Mitsubishi UFJ, Ltd. Thereafter, JPMorgan Chase Bank, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. assigned portions of their commitments to other bridge facility lenders. On April 8, 2013, we entered into a credit agreement for a $200 million five-year unsecured term loan with JPMorgan Chase Bank, N.A., as administrative agent, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as syndication agent, and other lenders party thereto (the New Term Loan). We may draw on the New Term Loan only in connection with the consummation of the Acquisition. At the time we entered into the New Term Loan, the total commitments under the bridge term loan facility were reduced from $1.2 billion to $1 billion. The commitments of the lenders to provide the bridge term loan facility and the New Term Loan are subject to, among other conditions, the consummation of the Acquisition. We intend to issue the notes in this offering in lieu of borrowing under the bridge term loan facility.

We intend to finance the Acquisition with the net proceeds from this offering, the New Term Loan, cash on hand and borrowings under the Revolving Credit Facility.

Table of Contents

The Acquisition is not conditioned upon the closing of this offering, and this offering is not conditioned upon, and may be settled before, the closing of the Acquisition. We can provide no assurances that the Acquisition will occur in the anticipated time frame, or at all, or on the terms set forth in the Merger Agreement, or that the anticipated benefits of the Acquisition will be realized. If we do not consummate the Acquisition on or before November 15, 2013 or if the Merger Agreement is terminated at any time prior to such date, we will redeem all of the 2023 notes on a special mandatory redemption date at a redemption price described under Description of Notes Special Mandatory Redemption.

Table of Contents

The offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the notes.

Issuer	Total System Services, Inc., a Georgia Corporation.
Notes Offered	$ aggregate principal amount of % Senior Notes due 2018. $ aggregate principal amount of % Senior Notes due 2023.
Maturity	The 2018 notes will mature on , 2018 and the 2023 notes will mature on , 2023.
Interest	The 2018 notes will bear interest at a rate of % per annum. The 2023 notes will bear interest at a rate of % per annum. All interest on the notes will accrue from May , 2013.
Interest Payment Dates	Each and beginning on , 2013, and on the respective maturity dates.
Ranking	The notes will be the senior unsecured obligations of Total System Services, Inc. and will rank equally with all of its existing and future senior indebtedness from time to time outstanding. As of March 31, 2013, we had on a consolidated basis approximately $193.6 million of unsubordinated debt outstanding, all of which was unsecured, including amounts outstanding under bank credit facilities. As of March 31, 2013, after giving pro forma effect to this offering, the Acquisition and the related financing transactions, we would have had on a consolidated basis approximately $ of unsubordinated debt outstanding, of which $ was unsecured, including amounts outstanding under bank credit facilities, this offering and the New Term Loan.
	All existing and future liabilities of subsidiaries of Total System Services, Inc. will be effectively senior to the notes. As of March 31, 2013, our subsidiaries had outstanding approximately $147.8 million of total liabilities, including $21.2 million of debt (excluding, in each case, intercompany liabilities). We expect the total liabilities of our subsidiaries (which will include NetSpend) to increase by $216.8 million, as of March 31, 2013, after giving pro forma effect to the Acquisition.
Optional Redemption	We may redeem some or all of the notes at any time at the redemption prices equal to the amounts indicated under the heading Description of Notes Optional Redemption.

Table of Contents

Special Mandatory Redemption	In the event that we do not consummate the Acquisition on or before November 15, 2013 or the Merger Agreement is terminated at any time on or before such date, we will redeem all of the 2023 notes on a special mandatory redemption date at a redemption price equal to 101% of the aggregate principal amount of the notes, plus accrued and unpaid interest to, but excluding, the special mandatory redemption date. See Description of Notes Special Mandatory Redemption.
Change of Control	Upon the occurrence of a Change of Control Repurchase Event, we will be required to make an offer to purchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase. See Description of Notes Change of Control.
Form and Denomination	The notes will be issued in the form of one or more fully registered global securities, without coupons, in denominations of $2,000 in principal amount and integral multiples of $1,000 in excess thereof. These global notes will be deposited with the trustee as custodian for, and registered in the name of, a nominee of The Depository Trust Company, or DTC. Except in the limited circumstances described under Description of Notes Book-Entry Settlement and Clearance , notes in certificated form will not be issued or exchanged for interests in global securities.
Use of Proceeds	The net proceeds from this offering will be approximately $ million, after deducting the underwriters discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to pay a portion of the $1.4 billion purchase price of the Acquisition and related fees and expenses. We expect to pay the remaining amount of the purchase price and related fees and expenses from the New Term Loan, cash on hand and borrowings under the Revolving Credit Facility. See Use of Proceeds.
Further Issuances	We may issue additional notes of a series ranking equally and ratably with each series of notes offered by this prospectus supplement in all respects, so that such additional notes will be consolidated and form a single series with such notes offered by this prospectus supplement.
Sinking Fund	None.
Trading	The notes are new issues of securities with no established trading market. We do not intend to apply for listing of the notes on any securities exchange. The underwriters have advised us that they intend to make a market in the notes, but they are not obligated to do so and may discontinue market-making at any time without notice.

	See Underwriting in this prospectus supplement for more information about possible market-making by the underwriters.
Trustee	Wells Fargo Bank, National Association.
Governing Law	State of New York.
Risk Factors	You should carefully consider all of the information in this prospectus supplement and the accompanying prospectus and the documents incorporated herein by reference. In particular, you should evaluate the information set forth under Special Note Regarding Forward-Looking Statements and Risk Factors in this prospectus supplement and Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, which is incorporated by reference herein, before deciding whether to invest in the notes.

Table of Contents

Risk factors

Investing in the notes involves risks. In considering whether to purchase the notes, you should carefully consider all of the information set forth in this prospectus supplement, the accompanying prospectus, any free writing prospectus with respect to this offering filed by us with the SEC and the documents incorporated by reference herein and therein. In particular, you should carefully consider the specific risks described below in addition to the risks described under the heading Item 1A. Risk Factors contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which is incorporated by reference herein. You could lose part or all of your investment.

The risks and uncertainties discussed in this prospectus supplement and in the documents incorporated by reference herein are those we currently believe may materially affect us. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial also may materially and adversely affect our business, financial condition and results of operations.

Risks relating to the Acquisition

The completion* of *the Acquisition is subject to a number of closing conditions, and we can provide no assurances that it will be completed.

Although we expect to complete the Acquisition in mid-2013, the Acquisition is subject to a number of closing conditions. The transaction is subject to the approval of NetSpend s stockholders and other risks and uncertainties, such as the possibility that NetSpend could receive an unsolicited proposal from a third party or that either NetSpend or we could exercise their or our respective termination rights. In addition, in a putative class action lawsuit pending in the Court of Chancery of the State of Delaware, an alleged NetSpend stockholder has filed a motion to preliminarily enjoin consummation of the Acquisition. A hearing on the plaintiff s motion took place on May 10, 2013, and a decision with respect to such motion is expected in the near term. Therefore, we can provide no assurances that the Acquisition will occur in the anticipated time frame, or at all, or on the terms set forth in the Merger Agreement. If the Acquisition is not consummated or is not consummated within the expected time frame or on the terms set forth in the Merger Agreement, it could have a material adverse effect on our financial position and results of operations.

We will incur significant additional indebtedness* as *a result of the Acquisition.

As of March 31, 2013, we had $193.6 million of total indebtedness. We will acquire NetSpend in an all cash transaction valued at approximately $1.4 billion which includes the payment of related fees and expenses. We intend to finance the Acquisition with the net proceeds from this offering, the New Term Loan, cash on hand and borrowings under the Revolving Credit Facility. We expect that upon completion of this offering, the Acquisition and the related financing transactions, our total indebtedness will increase to approximately $ billion. See Capitalization.

We may encounter difficulties in fully integrating NetSpend into our business and may not fully achieve, or achieve within a reasonable time frame, expected strategic objectives and other expected benefits of the Acquisition.

If the Acquisition is consummated, the success of the Acquisition will depend, in part, on our ability to realize the anticipated growth opportunities and potential synergies and cost savings from the integration of NetSpend with our existing business. There may be substantial difficulties, costs and delays involved in the integration of the NetSpend business with our own,

Table of Contents

including distracting management from day-to-day operations, potential incompatibility of corporate cultures and costs and delays in implementing common systems and procedures. In addition, the process of integrating the operations of NetSpend could cause an interruption of, or loss of momentum in, the activities of one or more of our combined businesses and the possible loss of key personnel. Any one or all of these factors may increase our operating costs or lower our anticipated financial performance. Also, many of these factors are outside of our control. Achieving the anticipated growth opportunities and potential synergies and cost savings of the Acquisition will depend on successful integration of the businesses. Our failure to fully integrate NetSpend and achieve the expected benefits of the Acquisition could have a material adverse effect on our financial condition and results of operations.

If we successfully acquire NetSpend, the acquired business may underperform relative to our expectations.

Following completion of the Acquisition, we may not be able to maintain the levels of revenue, earnings or operating efficiency that we and NetSpend have achieved or might achieve separately. NetSpend s business and financial performance are subject to certain risks and uncertainties, including competition from prepaid debt cards and other alternative financial services and from transaction processors and banks and other financial institutions, the risk of the loss of, or changes to, its relationships with MetaBank or any of its other issuing banks or with any of its distributors, and the risk of a breach of its computer systems or other unauthorized disclosure of cardholder data. Furthermore, NetSpend is subject to certain laws and regulations that are currently not applicable to our business. We may be unable to achieve the same growth, revenues and profitability that NetSpend has achieved in the past. Our failure to do so could have a material adverse effect on our financial condition and results of operations.

Risks relating to the notes

Your ability to transfer the notes may be limited since there is no public market for the notes and we do not know if an active trading market will ever develop, or, if a market does develop, whether it will be sustained.

The notes will constitute a new issue of securities for which there is no existing trading market. We do not intend to apply for listing or quotation of the notes on any securities exchange or stock market. We cannot assure you as to the development or liquidity of any trading market for the notes. The underwriters have advised us that they currently intend to make a market in the notes, as permitted by applicable laws and regulations. However, the underwriters are not obligated to do so, and any market-making with respect to the notes may be discontinued at any time without notice. If no active trading market develops, you may be unable to resell your notes at any price or at their fair market value.

The liquidity of any market for the notes will depend on a number of factors, including:

- our credit ratings with major credit rating agencies;
- the prevailing interest rates being paid by other companies similar to us;
- the market price of our common shares;
- our financial condition, operating performance and future prospects;

Table of Contents

- the market for similar securities;
- the overall condition of the financial markets; and
- the interest of securities dealers in making a market for the notes.

The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the notes. Therefore, we cannot assure you that you will be able to sell your notes at a particular time or that the price that you receive when you sell your notes will be favorable.

Changes in our credit ratings may adversely affect the value of the notes.

In connection with this offering, we expect to receive credit ratings for the notes from Moody s Investors Service, Inc. and Standard & Poor s Ratings Services. These ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of any such rating may be obtained from such rating agency. There can be no assurance that the original credit ratings for the notes will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency s judgment, circumstances so warrant. Additionally, credit rating agencies evaluate the industries in which we operate as a whole and may change their credit rating for us based on their overall view of such industries. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes and increase our corporate borrowing costs.

We may be unable to generate the cash flow to service our debt obligations, including the notes.

We cannot assure you that our business will generate sufficient cash flow to enable us to service our indebtedness, including the notes, or to make anticipated capital expenditures. Our ability to pay our expenses and satisfy our debt obligations, refinance our debt obligations and fund planned capital expenditures will depend on our future performance, which will be affected by general economic, financial, competitive, legislative, regulatory and other factors beyond our control. Based upon current levels of operations, we believe cash flow from operations and available cash will be adequate for the foreseeable future to meet our anticipated requirements for working capital, capital expenditures and scheduled payments of principal and interest on our indebtedness, including the notes. However, if we are unable to generate sufficient cash flow from operations or to borrow sufficient funds in the future to service our debt, we may be required to sell assets, reduce capital expenditures, refinance all or a portion of our existing debt (including the notes) or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or borrow more money on terms acceptable to us, if at all.

We may still be able to incur substantially more debt.

We may be able to incur substantial indebtedness in the future. The terms of the indenture governing the notes will not prohibit us from doing so. If we incur any additional indebtedness that ranks equally with the notes, the holders of that debt will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our company.

Table of Contents

The provisions of the notes relating to change of control transactions will not necessarily protect you in the event of a highly leveraged transaction.

The terms of the notes will not necessarily afford you protection in the event of a highly leveraged transaction that may adversely affect the value of the notes, including a reorganization, recapitalization, restructuring, merger or other similar transactions involving us. As a result, we could enter into any such transaction even though the transaction could increase the total amount of our outstanding indebtedness, adversely affect our capital structure or otherwise adversely affect the holders of the notes. These transactions may not involve a change in voting power or beneficial ownership or, even if they do, may not involve a change of the magnitude required under the definition of Change of Control Repurchase Event in the indenture governing the notes to trigger the protections described in this prospectus supplement, notably that the transactions are accompanied or followed within 60 days by a downgrade in the rating of the notes, following which the notes are no longer rated investment grade . If any such transaction should occur, the value of your notes may decline.

The terms of the notes do not provide protection against some types of important corporate events and may not protect your investment, and the negative covenants that are included the indenture that govern the notes may have a limited effect.

The indenture governing the notes does not, among other things:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity and, accordingly, does not protect holders of the notes in the event that we experience significant adverse changes in our financial condition or results of operations;

- restrict our ability to repurchase or prepay our securities or other indebtedness; or

- restrict our ability to make investments or to repurchase or pay dividends or make other payments in respect of our common stock or other securities ranking junior to the notes.

The indenture governing the notes does contain covenants limiting our ability to create certain liens on our properties, enter into certain sale and leaseback transactions with respect to our properties, and consolidate or merge with, or convey, transfer or lease all or substantially all our assets, taken as a whole, to, another person. However, the covenants limiting liens and sale and leaseback transactions contain exceptions that will allow us to incur liens with respect to material assets. For these reasons, you should not consider the covenants in the indenture governing the notes as a significant factor in evaluating whether to invest in the new notes. See Description of Notes Certain Covenants.

The notes will be effectively subordinated in right of payment to any secured indebtedness to the extent of the assets securing such indebtedness.

The notes are our senior unsecured general obligations and will be effectively subordinated in right of payment to any existing or future secured indebtedness to the extent of the assets securing such indebtedness. Although the indenture governing the notes limits our ability to incur liens on our property, the notes will be effectively subordinated to any debt secured by any such property. In the event of our liquidation or insolvency or other events of default on any such secured debt or upon acceleration of the notes in accordance with their terms, we will be permitted to make payment on the notes only after any such secured debt has been paid up to the value of the assets securing such debt. After paying any such secured debt, we may not have sufficient assets remaining to pay any or all amounts due on the notes. In the event of our bankruptcy, liquidation or reorganization or upon acceleration of the notes, payment on the notes could be less, ratably, than on any such secured debt.

The notes are the obligations of Total System Services, Inc. and not obligations of our subsidiaries and will be structurally subordinated to any indebtedness of our subsidiaries. Structural subordination increases the risk that we will be unable to meet our obligations on the notes.

In addition to the notes offered hereby, the indenture governing the notes permits us and our subsidiaries to incur additional indebtedness. The notes will be structurally subordinated to any indebtedness incurred by our subsidiaries. Our subsidiaries are separate and distinct legal entities, and none of our subsidiaries will guarantee the notes or otherwise have any obligations to make payments in respect of the notes. As a result, claims of holders of the notes will be effectively subordinated to the indebtedness and other liabilities of our subsidiaries.

Our cash flow and our ability to meet our obligations on the notes when they mature is partially dependent upon the distribution of earnings, loans or other payments by our subsidiaries to us. Our subsidiaries will have no obligation to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries earnings and other business considerations. Our right to receive any assets of any subsidiary upon its bankruptcy, liquidation, dissolution or similar proceeding, and, therefore, our right to participate in those assets, will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors, and following payment by that subsidiary of its liabilities, the subsidiary may not have sufficient assets remaining to make payments to us as a shareholder or otherwise. In addition, even if we were a creditor of any of our subsidiaries, our right as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to the indebtedness held by us.

If we do not complete the Acquisition on or before November 15, 2013 or if the Merger Agreement is terminated at any time prior to such date, then we will redeem all of the 2023 notes and, as a result, holders of the 2023 notes may not obtain their expected return on the 2023 notes.

We may not be able to complete the Acquisition within the time period specified under Description of Notes Special Mandatory Redemption or the Merger Agreement may be terminated prior to such time. Our ability to consummate the Acquisition is subject to various closing conditions. If we are not able to consummate the Acquisition on or before November 15, 2013 or if the Merger Agreement is terminated on or before such date, we will redeem all of the 2023 notes at a redemption price equal to 101% of the aggregate principal amount of the redeemed 2023 notes, plus accrued and unpaid interest from the date of initial issuance to, but excluding, the special mandatory redemption date. As a result, holders of the 2023 notes may not obtain their expected return on the notes. If we complete the Acquisition within the specified time frame, holders of the 2023 notes will have no right to require us to redeem the 2023 notes pursuant to the special mandatory redemption provision, nor will holders of the 2023 notes have any right to require us to redeem their 2023 notes if, between the closing of the 2023 notes offering and the closing of the Acquisition, the terms of the Acquisition change. See Description of Notes Special Mandatory Redemption.

Table of Contents

We may not be able to purchase the notes upon a special mandatory redemption event or a change of control repurchase event.

In addition to our obligation to redeem all of the 2023 notes, if we do not complete the Acquisition within the time period specified under Description of Notes Special Mandatory Redemption, we will be required to offer to purchase all outstanding notes upon the occurrence of a Change of Control Repurchase Event (as described under Description of Notes Change of Control in this prospectus supplement). In either case, such mandatory redemption or repurchase at the option of holders would be at a price equal to 101% of the aggregate principal amount outstanding on the date of such Special Mandatory Redemption or Change of Control Repurchase Event, as applicable, plus accrued and unpaid interest from the date of initial issuance to, but excluding, the redemption or repurchase date. If we do not have sufficient funds to pay the redemption or repurchase price for all of the notes to be redeemed or repurchased, an event of default under the indenture governing the notes would occur. We would need to seek third-party financing to the extent we do not have available funds to meet our redemption or repurchase obligation. However, we cannot assure you that we would be able to obtain such financing. In addition, our ability to redeem or repurchase the notes for cash may be limited by law or the terms or other agreements relating to our indebtedness outstanding at the time. Our failure to make cash payments in respect of notes to be redeemed or repurchased would cause a default under the indenture governing the notes, which could result in defaults under our other debt agreements and have material adverse consequences for us and the holders of the notes.

You may not be able to determine when a Change of Control Repurchase Event has occurred and may not be able to require us to purchase the notes as a result of a change in the composition of the directors on our board.

The definition of change of control, which is a condition precedent to a Change of Control Repurchase Event, includes a phrase relating to the sale, lease or transfer of all or substantially all of our assets. There is no precisely established definition of the phrase substantially all under applicable law. Accordingly, your ability to require us to repurchase your notes as a result of a sale, lease or transfer of less than all of our assets to another individual, group or entity may be uncertain.

In addition, a recent Delaware Chancery Court decision found that incumbent directors are permitted to approve as a continuing director any person, including one nominated by a dissident stockholder and not recommended by the board of directors, as long as the approval is granted in good faith and in accordance with the board s fiduciary duties. Accordingly, you may not be able to require us to purchase your notes as a result of a change in the composition of our board of directors unless a court were to find that such approval was not granted in good faith or violated the board s fiduciary duties. The court also observed that certain provisions in indentures, such as continuing director provisions, could function to entrench an incumbent board of directors and could raise enforcement concerns if adopted in violation of a board s fiduciary duties. If such a provision were found unenforceable, you would not be able to require us to purchase your notes upon a change of control resulting from a change in the composition of our board. See Description of Notes Change of Control.

Table of Contents

Restrictive covenants in our indenture governing the notes and our bank credit facilities may adversely affect our ability to operate our business.

The indenture governing the notes contain various covenants that limit our ability and the ability of our subsidiaries to, among other things:

- incur liens;
- enter into sale-leaseback transactions; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

The Change of Control Repurchase Event provisions described above may deter certain mergers, tender offers and other takeover attempts involving us by increasing the capital required to effectuate such transactions. In addition, our bank credit facilities also contains other and more restrictive covenants. Our bank credit facilities also require us to maintain specified financial ratios and satisfy other financial condition tests. As a result of these covenants and conditions, we will be limited in the manner in which we can conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs. Accordingly, these restrictions may limit our ability to successfully operate our business. A failure to comply with these restrictions could lead to an event of default, which could result in an acceleration of the indebtedness. Our future operating results may not be sufficient to enable compliance with these covenants to remedy any such default. In addition, in the event of an acceleration, we may not have or be able to obtain sufficient funds to make any accelerated payments, including those under the notes. See Description of Notes Certain Covenants.

Redemption may adversely affect your return on the notes.

We have the right to redeem some or all of the notes prior to maturity, as described under Description of Notes Optional Redemption in this prospectus supplement. We may redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the notes.

Table of Contents

Use of proceeds

The net proceeds from this offering will be approximately $ million, after deducting the underwriters discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to pay a portion of the $1.4 billion purchase price of the Acquisition and related fees and expenses. We expect to pay the remaining amount of the purchase price and related expenses from the New Term Loan, cash on hand and borrowings under the Revolving Credit Facility.

The Acquisition is not conditioned upon the closing of this offering, and this offering is not conditioned upon, and may be settled before, the closing of the Acquisition. We can provide no assurances that the Acquisition will occur in the anticipated time frame, or at all, or on the terms set forth in the Merger Agreement, or that the anticipated benefits of the Acquisition will be realized. If we do not consummate the Acquisition on or before November 15, 2013 or if the Merger Agreement is terminated at any time prior to such date, we will redeem all of the 2023 notes on a special mandatory redemption date at a redemption price described under Description of Notes Special Mandatory Redemption and the net proceeds from the 2018 notes will be used for general corporate purposes.

Pending use of the net offering proceeds as described above, we intend to invest the net proceeds in short-term interest-bearing accounts, securities or similar investments.

Table of Contents

Ratio of earnings to fixed charges

The following table sets forth our historical consolidated ratio of earnings to fixed charges for each of the periods indicated. This ratio shows the extent to which our business generates enough earnings after payment of all expenses other than interest and income taxes to make interest payments on debt.

	Year ended December 31,					Three months ended March 31,
	2008	**2009**	**2010**	**2011**	**2012**	**2013(2)**
Ratio of earnings to fixed charges(1)	20.9x	29.8x	34.8x	37.0x	44.4x	16.0x

(1) For purposes of this ratio, Earnings consists of income from before income taxes and fixed charges. Fixed charges consist of interest on indebtedness, amortization of debt issuance costs and debt discounts and expense and the amount of rental payments on operating leases which management believes is a reasonable approximation of the interest factor related to rental payments.

(2) The results for the three months ended March 31, 2013 include costs associated with the Acquisition, including legal and advisory costs of $3.5 million and bridge financing costs of $2.7 million.

Table of Contents

Selected financial data

The following table summarizes our financial information. We prepared this information using our audited consolidated financial statements for each of the years in the five-year period ended December 31, 2012, which have been audited by KPMG LLP, and our unaudited consolidated financial statements for the three month periods ended March 31, 2012 and 2013. You should read this information in conjunction with our audited and unaudited consolidated financial statements and notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, each of which is incorporated herein by reference. See Where You Can Find More Information. This selected consolidated historical financial data does not necessarily indicate the results to be expected in the future.

(in thousands, except per share data)	Year ended December 31, 2008	2009	2010	2011	2012	Three months ended March 31, 2012	2013
Income Statement Data:							
Total revenues	$ 1,711,534	1,677,483	1,717,577	1,808,966	1,870,972	461,162	464,996
Operating income	$ 371,122	344,026	309,429	322,456	357,652	84,831	74,903
Income from continuing operations, net of tax	$ 253,085	225,720	208,866	222,662	249,923	57,644	59,149
Loss from discontinued operations, net of tax	(1,409)	(6,544)	(3,245)				
Net income	251,676	219,176	205,621	222,662	249,923	57,644	59,149
Net income attributable to noncontrolling interests	(1,576)	(3,963)	(11,674)	(2,103)	(5,643)	(1,249)	(2,121)
Net income attributable to TSYS common shareholders	$ 250,100	215,213	193,947	220,559	244,280	56,395	57,028
Basic earnings per share (EPS)* attributable to TSYS common shareholders:							
Income from continuing operations	$ 1.27	1.12	1.00	1.15	1.30	0.30	0.31
Loss from discontinued operations	(0.01)	(0.03)	(0.02)				
Net income	$ 1.26	1.09	0.99	1.15	1.30	0.30	0.31
Diluted EPS* attributable to TSYS common shareholders:							
Income from continuing operations	$ 1.27	1.12	1.00	1.15	1.29	0.30	0.30
Loss from discontinued operations	(0.01)	(0.03)	(0.02)				
Net income	$ 1.26	1.09	0.99	1.15	1.29	0.30	0.30
Cash dividends declared per share	$ 0.28	0.28	0.28	0.31	0.40	0.10	0.10

Table of Contents

(in thousands)	2008	2009	2010	At December 31, 2011	2012	At March 31, 2013
Balance Sheet Data:						
Cash and cash equivalents	$ 211,408	450,254	394,795	316,337	247,612	223,097
Total assets	$ 1,550,024	1,710,954	1,952,261	1,858,392	2,023,838	2,039,194
Obligations under long-term debt and capital leases, excluding current portion	$ 209,871	205,123	225,276	63,593	192,014	185,746
Total shareholders equity	$ 990,949	1,175,801	1,241,124	1,301,289	1,425,210	1,454,801

* Note: Basic and diluted EPS amounts for continuing operations and net income do not total due to rounding.

Table of Contents

Capitalization

The following table sets forth our cash and cash equivalents and our capitalization as of March 31, 2013 on:

an actual basis; and

a pro forma basis to give effect to this offering, the New Term Loan and borrowings under the Revolving Credit Facility and the anticipated application of the proceeds therefrom and cash on hand in connection with the consummation of the Acquisition as described under Use of Proceeds.

You should read this table in conjunction with our consolidated financial statements, the related notes and the other financial information contained in our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

	At March 31, 2013	
(in thousands)	**Actual**	**Pro forma**
Cash and cash equivalents	$ 223,097	$
Long-term debt (including current portion)		
The Existing Term Loan	$ 144,375	$
The Revolving Credit Facility		
The New Term Loan		
% Senior Notes due 2018 offered hereby		
% Senior Notes due 2023 offered hereby		
Other long-term debt	49,017	
Total long-term debt	193,592	
Total shareholders equity	1,454,801	
Noncontrolling interests	18,156	
Total Equity	1,472,957	
Total capitalization	$ 1,666,549	$

The Acquisition is not conditioned upon the closing of this offering, and this offering is not conditioned upon, and may be settled before, the closing of the Acquisition. We can provide no assurances that the Acquisition will occur in the anticipated time frame, or at all, or on the terms set forth in the Merger Agreement, or that the anticipated benefits of the Acquisition will be realized. If we do not consummate the Acquisition on or before November 15, 2013 or if the Merger Agreement is terminated at any time prior to such date, we will redeem all of the 2023 notes on a special mandatory redemption date at a redemption price equal to 101% of the aggregate principal amount of the notes, plus accrued and unpaid interest to, but excluding, the special mandatory redemption date, see Description of Notes Special Mandatory Redemption , and the net proceeds from the 2018 notes will be used for general corporate purposes.

Table of Contents

Unaudited pro forma condensed combined financial data

The unaudited pro forma condensed combined financial information gives effect to the Acquisition of NetSpend by TSYS and the related financing transactions. Due to the estimated significance of the Acquisition, and the probable nature of the Acquisition, the unaudited pro forma condensed combined financial information is presented in this prospectus supplement even though the Acquisition has not yet been consummated.

The unaudited pro forma condensed combined balance sheet assumes that the Acquisition and the related financing transactions took place on March 31, 2013. The unaudited pro forma condensed combined statements of income for the year ended December 31, 2012 and the three months ended March 31, 2013 assume that the Acquisition and the related financing transactions took place on January 1, 2012.

The historical consolidated financial information has been prepared to give effect to pro forma events that are (1) directly attributable to the Acquisition and the related financing transactions, (2) factually supportable, and (3) with respect to the statements of income, expected to have a continuing impact on the combined results of TSYS and NetSpend. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial information. In addition, the unaudited pro forma condensed combined financial information was based on and should be read in conjunction with the following historical consolidated financial statements and accompanying notes of TSYS and NetSpend for the applicable periods, which are incorporated by reference into this prospectus supplement:

- the audited consolidated financial statements of TSYS as of and for the year ended December 31, 2012 and the related notes;
- the audited consolidated financial statements of NetSpend as of and for the year ended December 31, 2012 and the related notes;
- the unaudited financial statements of TSYS as of and for the three months ended March 31, 2013 and the related notes; and
- the unaudited financial statements of NetSpend as of and for the three months ended March 31, 2013 and the related notes.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only. The pro forma information is not necessarily indicative of what the combined company s financial position or results of operations actually would have been had the Acquisition and the related financing transactions been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company. There were no material transactions between TSYS and NetSpend during the periods presented in the unaudited pro forma condensed combined financial information that would need to be eliminated.

Table of Contents

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting under existing U.S. generally accepted accounting principles, or GAAP standards, which are subject to change and interpretation. TSYS has been treated as the acquirer in the Acquisition for accounting purposes. The acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between these preliminary estimates (for example estimates as to value of acquired property, equipment and software as well as intangible assets) and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company s future results of operations and financial position.

The unaudited pro forma combined financial information does not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the Acquisition or the costs to combine the operations of TSYS and NetSpend or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

Table of Contents

Total System Services, Inc. and NetSpend Holdings, Inc.

Unaudited Pro Forma Condensed Combined Balance Sheet

At March 31, 2013

(in thousands of dollars)

	TSYS	NetSpend	Pro forma Adjustments		Pro forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 223,097	33,439	(76,437)	(a)	$ 180,099
Restricted cash	9,046				9,046
Accounts receivable, net	237,257	12,336			249,593
Deferred income tax assets	8,232	7,620			15,852
Prepaid expenses and other current assets	89,070	10,570			99,640
Total current assets	566,702	63,965	(76,437)		554,230
Property and equipment, net	252,797	24,529	(13,356)	(b)	263,970
Computer software, net	254,785		92,268	(c)	347,053
Contract acquisition costs, net	162,094				162,094
Goodwill	517,147	128,567	912,947	(d)	1,558,661
Other intangible assets, net	124,325	19,661	366,839	(e)	510,825
Equity investments	91,751				91,751
Deferred income tax assets	5,125		18,853	(f)	23,978
Other assets	64,468	26,406	10,735	(g)	101,609
Total assets	$ 2,039,194	263,128	1,311,849		$ 3,614,171
Liabilities					
Current liabilities:					
Accounts payable	$ 33,143	8,001			$ 41,144
Current portion of notes payable	24,363	12,000	(2,000)	(h)	34,363
Accrued salaries and employee benefits	23,007		4,152	(i)	27,159
Current portion of obligations under capital leases	16,539				16,539
Other current liabilities	123,145	37,329	(3,331)	(j)	157,143
Total current liabilities	220,197	57,330	(1,179)		276,348
Long-term debt, excluding current portion	169,229	58,000	1,282,000	(h)	1,509,229
Deferred income tax liabilities	54,103	5,490	161,507	(k)	221,100
Obligations under capital leases, excluding current portion	16,517				16,517
Other long-term liabilities	65,602	3,663			69,265
Total liabilities	525,648	124,483	1,442,328		2,092,459
Redeemable noncontrolling interest	40,589				40,589
Equity					
Shareholders equity:					
Preferred stock		1	(1)	(l)	
Common stock	20,280	88	21	(l)	20,389
Additional paid-in capital	139,815	194,104	(165,441)	(l)	168,478
Accumulated other comprehensive income (loss), net	(9,431)	630	(630)	(m)	(9,431)

Treasury stock	(283,403)	(137,269)	137,269	(n)	(283,403)
Retained earnings	1,587,540	81,091	(101,697)	(o)	1,566,934
Total shareholders equity	1,454,801	138,645	(130,479)		1,462,967
Noncontrolling interests in consolidated subsidiaries	18,156				18,156
Total equity	1,472,957	138,645	(130,479)		1,481,123
Total liabilities and equity	$ 2,039,194	263,128	1,311,849		$ 3,614,171

See the accompanying notes to the unaudited pro forma condensed combined financial information.

Table of Contents

Total System Services, Inc. and NetSpend Holdings, Inc.

Unaudited Pro Forma Condensed Combined Statement of Income

Year Ended December 31, 2012

(in thousands of dollars, except per share amounts)

	TSYS	NetSpend	Pro forma Adjustments		Pro forma Combined
Total revenues	$ 1,870,972	351,332	(235)	(a)	$ 2,222,069
Cost of services	1,262,310	169,066	5,225	(b)	1,436,601
Salaries, depreciation and amortization		70,106	(70,106)	(c)	
Selling, general and administrative expenses	251,010	41,243	47,879	(d)	340,132
Amortization of acquisition intangibles			92,083	(e)	92,083
Other losses		36,988		(k)	36,988
Operating income	357,652	33,929	(75,316)		316,265
Nonoperating income (expenses)	(2,798)	(2,459)	(36,840)	(h)	(42,097)
Income before income taxes, noncontrolling interests and equity in income of equity investments	354,854	31,470	(112,156)		274,168
Income taxes	115,102	12,603	(40,488)	(i)	87,217
Income before noncontrolling interests and equity in income of equity investments	239,752	18,867	(71,668)		186,951
Equity in income of equity investments	10,171				10,171
Net income	249,923	18,867	(71,668)		197,122
Net income attributable to noncontrolling interests	(5,643)				(5,643)
Net income attributable to TSYS common shareholders	$ 244,280	18,867	(71,668)		$ 191,479
Basic earnings per share	$ 1.30	0.23		(j)	$ 1.01
Diluted earnings per share	$ 1.29	0.22		(j)	$ 1.00
Basic weighted-average shares	188,030	73,251			189,199
Diluted weighted-average shares	189,292	84,321			191,677

See the accompanying notes to the unaudited pro forma condensed combined financial information.

Table of Contents

Total System Services, Inc. and NetSpend Holdings, Inc.

Unaudited Pro Forma Condensed Combined Statement of Income

Three Months Ended March 31, 2013

(in thousands of dollars, except per share amounts)

	TSYS	NetSpend	Pro forma Adjustments		Pro forma Combined
Total revenues	$ 464,996	117,261	(134)	(a)	$ 582,123
Cost of services	320,558	61,798	(42)	(b)	382,314
Salaries, depreciation and amortization		18,896	(18,896)	(c)	
Selling, general and administrative expenses	66,054	15,531	12,771	(d)	94,356
Amortization of acquisition intangibles			24,986	(e)	24,986
Other losses		2,704	(2,704)	(f)	
Mergers and acquisition expenses	3,481		(3,481)	(g)	
Operating income	74,903	18,332	(12,768)		80,467
Nonoperating income (expenses)	1,018	(691)	(9,129)	(h)	(8,802)
Mergers and acquisition expenses	(2,743)		2,743	(g)	
Income before income taxes, noncontrolling interests and equity in income of equity investments	73,178	17,641	(19,154)		71,665
Income taxes	17,846	6,351	(8,160)	(i)	16,037
Income before noncontrolling interests and equity in income of equity investments	55,332	11,290	(10,994)		55,628
Equity in income of equity investments	3,817				3,817
Net income	59,149	11,290	(10,994)		59,445
Net income attributable to noncontrolling interests	(2,121)				(2,121)
Net income attributable to TSYS common shareholders	$ 57,028	11,290	(10,994)		$ 57,324
Basic earnings per share	$ 0.31	0.14		(j)	$ 0.30
Diluted earnings per share	$ 0.30	0.14		(j)	$ 0.30
Basic weighted-average shares	186,807	69,520			187,976
Diluted weighted-average shares	188,081	81,494			190,466

See the accompanying notes to the unaudited pro forma condensed combined financial information.

Table of Contents

Notes to the unaudited pro forma condensed combined financial information

(in thousands, except per share amounts)

1. Estimate of consideration expected to be transferred and preliminary allocation of consideration to assets acquired

The following is a preliminary estimate of consideration expected to be transferred to effect the Acquisition:

	Conversion calculation	Estimated fair value	Form of consideration
Number of shares of NetSpend common shares issued and outstanding as of March 31, 2013 (after conversions and accelerations)	82,363		
Multiplied by cash consideration per common share outstanding	$ 16.00	$ 1,317,800	Cash
Number of NetSpend nonvested awards as of March 31, 2013 expected to be assumed in exchange for a TSYS equivalent nonvested award	1,595		
Multiplied by the Exchange Ratio	0.6811		
Number of TSYS equivalent nonvested awards	1,087		
Fair value of TSYS equivalent nonvested awards	$ 23.49	$ 25,524	TSYS common stock
Less amount allocated to postcombination expense over the remaining service period		(21,417)	
Amount considered purchase consideration		$ 4,107	
Number of NetSpend stock options unvested as of March 31, 2013 expected to be assumed in exchange for a TSYS equivalent stock option	2,866		
Multiplied by the Option Exchange Ratio	0.6811		
	1,952		
Fair value of TSYS equivalent stock options(1)	$ 14.79	$ 28,878	TSYS stock options
Less amount allocated to postcombination expense over the remaining service period		(4,213)	
Amount considered purchase consideration		$ 24,665	
Expected repayment of NetSpend s revolving credit facility		$ 70,000	
Estimate of consideration expected to be transferred(2)		$ 1,416,572	

(1) The fair value of the TSYS equivalent stock option was estimated as of April 24, 2013 using the Black-Scholes valuation model utilizing the assumptions noted below. The expected volatility of the TSYS stock price is based on the average historical volatility over the expected term based on daily closing stock prices. The expected term of the option is based on NetSpend s historical employee stock option exercise behavior as well as the remaining contractual exercise term. The stock price volatility and expected term are based on TSYS best estimates at this time, both of which impact the fair value of the option calculated under the Black-Scholes methodology and, ultimately, the total consideration that will be recorded at the effective time of the Acquisition.

Table of Contents

Notes to the unaudited pro forma condensed combined financial information

(in thousands, except per share amounts)

TSYS believes that the fair value of the TSYS stock options that will be issued to the holders of the NetSpend stock options exceeds the fair value of NetSpend stock options. Accordingly, a portion of the fair value of the converted stock options was recognized as a component of the purchase price and additional amounts have been reflected as compensation expense. TSYS will also recalculate the fair values of the NetSpend stock options and the converted options as of the closing date, to determine the fair value amounts, to be recorded as compensation expense.

The weighted-average assumptions used for the valuation of TSYS stock options:

Stock price	$ 23.49
Strike price	$ 8.86
Expected volatility	30%
Risk-free interest rate	1.70%
Dividend yield	1.95%
Expected term	1.13 years
Black-Scholes value per option	$ 14.79

(2) The estimated consideration expected to be transferred reflected in the unaudited pro forma condensed combined financial information does not purport to represent what the actual consideration transferred will be when the Acquisition is completed. In accordance with ASC Topic 805, the fair value of equity securities issued as part of the consideration transferred will be measured on the closing date of the Acquisition at the then-current market price. This requirement will likely result in a per share equity component different from the $23.49 assumed in the unaudited pro forma condensed combined financial information and that difference may be material. TSYS believes that an increase or decrease by as much as 20% in the TSYS common stock price on the closing date of the Acquisition from the common stock price assumed in the unaudited pro forma condensed combined financial information is reasonably possible based upon the recent history of TSYS common stock price. A change of this magnitude would increase or decrease the consideration expected to be transferred by about $5 million, which would be reflected in the unaudited pro forma condensed combined financial information as an increase or decrease to goodwill.

The following is a preliminary estimate of the assets to be acquired and the liabilities to be assumed by TSYS in the Acquisition, reconciled to the estimate of consideration expected to be transferred:

Consideration:	
Cash	$ 1,317,800
Fair value of TSYS equivalent nonvested awards	4,107
Fair value of TSYS equivalent stock options	24,665
Repayment of NetSpend s revolving credit facility	70,000
	$ 1,416,572

Recognized amounts of identified assets and liabilities assumed:

Cash	$ 33,439
Accounts receivable	12,336
Deferred tax asset	7,620
Prepaid expenses and other current assets	10,570
Property and equipment	11,173
Computer software	92,268
Identifiable intangible assets	386,500
Other assets	37,963
Accounts payable	(8,001)
Accrued salaries and employee benefits	(4,152)

Table of Contents

Notes to the unaudited pro forma condensed combined financial information

(in thousands, except per share amounts)

Other current liabilities	(33,998)
Deferred taxes, net	(166,997)
Other long-term liabilities	(3,663)
Total identifiable net assets	375,058
Goodwill	1,041,514
Purchase Price	$ 1,416,572

2. Adjustments to unaudited pro forma condensed combined balance sheet:

(a) The sources and uses of funds relating to the proposed Acquisition and financing transactions are as follows:

Sources(1):	
Notes offered hereby(2)	$ 1,000,000
New Term Loan	200,000
Borrowings under the Revolving Credit Facility	150,000
Total sources	$ 1,350,000
Uses:	
Repayment of NetSpend s revolving credit facility	$ (70,000)
Cash consideration to shareholders of NetSpend common stock at $16.00 per share	(1,317,800)
Estimated remaining TSYS and NetSpend Acquisition related transaction costs including certain costs related to the bridge term loan facility which TSYS does not expect to utilize (excludes $5.4 million of fees paid as of March 31, 2013 related to the bridge term loan facility)(3)	(38,637)
Total uses	$ (1,426,437)
Net effect on cash	$ (76,437)

(1) See Note 2(h) for a description of the Acquisition financing.

(2) Assumes the issuance of $1.0 billion of notes in this offering. As discussed in Note 2(h), the actual amount of notes offered hereby may be higher or lower.

(3) The unaudited pro forma condensed combined balance sheet assumes that the estimated remaining transaction costs will be paid in conjunction with the closing of the Acquisition.

(b) Reflects adjustments reclassifying historical computer software costs from property and equipment, net to computer software, net. For purposes of computing pro forma adjustments, we have assumed that the historical values of tangible fixed assets acquired reflect fair value and have recorded those amounts as part of the preliminary estimated purchase price allocation. These tangible fixed assets are being amortized using the straight-line method over their historical estimated remaining useful lives.

Table of Contents

Notes to the unaudited pro forma condensed combined financial information

(in thousands, except per share amounts)

(c) Reflects adjustments for the following:

Estimated fair value of technology (computer software) intangible asset being acquired	$ 81,100
Reclass historical computer software costs from property and equipment, net to computer software, net	13,356
Reclass historical developed technology from other intangible assets, net to computer software, net	170
Eliminate NetSpend s historical computer software, net	(2,358)
Total	$ 92,268

For additional information, see Note 2(e).

(d) Reflects adjustments for the following:

Estimated transaction goodwill	$ 1,041,514
Eliminate NetSpend s historical goodwill	(128,567)
Total	$ 912,947

For additional information regarding estimated transaction goodwill, see Note 1.

(e) As of the effective time of the Acquisition, identifiable intangible assets are required to be measured at fair value and these acquired assets could include assets that are not intended to be used or sold or that are intended to be used in a manner other than their highest and best use.

For purposes of computing pro forma adjustments, we have estimated a fair value adjustment for identifiable assets based on a preliminary valuation study, and are being amortized using the straight-line method over assumed estimated useful lives. The amounts and useful lives are subject to change based upon the finalization of appraisals and valuation study estimates and could differ materially from the pro forma amounts presented herein. The pro forma adjustments to other intangible assets, net and computer software, net reflect the following:

To record the estimated fair value of the following identifiable intangible assets:	
Channel relationships estimated 8 year weighted average useful life	$ 302,000
Trade names estimated 5 year weighted average useful life	45,000
Technology (computer software) estimated 7 year weighted average useful life	81,100

Database estimated 5 year weighted average useful life	27,000
Covenant-not-to-compete estimated 6 year weighted average useful life	12,500
Eliminate NetSpend s historical intangible assets	(21,849)
	$ 445,751

Table of Contents

Notes to the unaudited pro forma condensed combined financial information

(in thousands, except per share amounts)

Total change from the unaudited historical balance sheet:	
Other intangible assets, net	
Record estimated fair value of identifiable intangible assets	$ 386,500
Reclass historical developed technology intangible asset from other intangible assets, net to computer software, net	(170)
Eliminate NetSpend s historical other intangible assets	(19,491)
	$ 366,839
Computer software, net	
Record estimated fair value of technology (computer software) intangible assets	$ 81,100
Reclass historical computer software costs from property and equipment, net to computer software, net	13,356
Reclass historical developed technology intangible asset from other intangible assets, net to computer software, net	170
Eliminate NetSpend s historical other intangible assets	(2,358)
	$ 92,268

(f) Reflects adjustments for the following:

Record deferred tax asset on equity portion of consideration	$ 9,372
Record deferred tax asset on estimated remaining TSYS and NetSpend Acquisition related transaction costs(1)	9,481
Total	$ 18,853

(1) See Note 2(k) for a description of the adjustments for long-term deferred income tax liabilities.

(g) Reflects adjustments for the following:

Deferral of costs associated with new debt issued in connection with the Acquisition(1)	$ 8,550
Write-off NetSpend s unamortized debt issuance costs	(815)
Client contract extension payment contingent upon closing	3,000
Total	$ 10,735

(1) Deferred debt issuance costs expected to be amortized over the term of the associated new debt.

Table of Contents

Notes to the unaudited pro forma condensed combined financial information

(in thousands, except per share amounts)

(h) Reflects adjustments for the following:

New borrowings(1):	
Notes offered hereby(2)	$ 1,000,000
New Term Loan	200,000
Borrowings under the Revolving Credit Facility	150,000
Total	$ 1,350,000
Repayments:	
NetSpend revolving credit facility	(70,000)
Net change in debt	$ 1,280,000
Total change from the unaudited historical balance sheet:	
Current portion of NetSpend s revolving credit facility	$ (12,000)
Current portion of the New Term Loan	10,000
Long-term debt, excluding current portion, of NetSpend s revolving credit facility	(58,000)
Long-term debt, excluding current portion, of new debt	1,340,000
Total	$ 1,280,000

(1) The cash portion of the Acquisition, as well as the repayment of approximately $70 million of NetSpend s assumed debt, is expected to be funded through net proceeds from an expected issuance of the notes, the New Term Loan, cash on hand and borrowings under the Revolving Credit Facility. We have received commitments from several banks for a syndicated $1.0 billion bridge term loan facility that may be used for funding in the event the Acquisition closes prior to obtaining permanent financing. In addition, we entered into the New Term Loan, which may be drawn in connection with the consummation of the Acquisition. For purposes of the unaudited pro forma condensed combined financial information, we assumed the use of permanent financing in lieu of the bridge term loan facility. For additional information, see Summary Acquisition Financing.

(2) Assumes the issuance of $1.0 billion of notes in this offering. The actual amount of notes offered hereby may be higher or lower, which may impact whether we use cash on hand, increase or decrease assumed borrowing levels under the Revolving Credit Facility or utilize a portion of the bridge term loan facility to finance the Acquisition.

(i) Reflects adjustments for reclass of accruals for salaries and benefits from other current liabilities to accrued salaries and benefits.

(j) Reflects adjustments for the following:

Write-off of the current portion of deferred revenue for which no future service obligation remains(1)	$ (369)
Client contract extension payment contingent upon closing	3,000
Reduce current taxes payable for tax benefit associated with write-off of NetSpend s historical debt issuance costs	(294)
Reclass accruals for salaries and benefits from other current liabilities to accrued salaries and benefits	(4,152)
To eliminate Acquisition related transaction costs including advisory and legal fees accrued in the three months ended March 31, 2013 assumed to be paid in conjunction with the closing of the Acquisition	(1,516)
Total	$ (3,331)

Table of Contents

Notes to the unaudited pro forma condensed combined financial information

(in thousands, except per share amounts)

(1) After the completion of the Acquisition, TSYS revenue will reflect the decreased valuation of NetSpend s deferred revenue. Although long-term there will be no continuing impact on the combined operating results, the majority of this deferred revenue would have been recognized by NetSpend in the next two years. To show the anticipated effect on the condensed combined operating results after the completion of the Acquisition, the unaudited pro forma condensed combined statements of income were also adjusted to reflect the decreased value of NetSpend s historical deferred revenue.

(k) Reflects adjustments for the following:

Establish deferred tax liability for the increase in the basis of identified acquired intangible assets(1)	$ 168,804
Elimination of NetSpend s previous deferred tax liability associated with historical intangible assets	(7,297)
Total change in deferred income tax liabilities	$ 161,507

(1) See Note 2(e) for additional information regarding identified intangible assets.

(l) Reflects adjustments for the following:

Eliminate NetSpend s preferred stock	$ (1)
Eliminate NetSpend s common stock	$ (88)
Record common stock issuance at par value for the Acquisition	109
Total	$ 21
Eliminate NetSpend s additional paid-in capital	$ (194,104)
Record common stock issuance for the Acquisition	28,663
Total	$ 165,441

(m) Reflects adjustments to eliminate NetSpend s accumulated other comprehensive income.

(n) Reflects adjustments to eliminate NetSpend s treasury stock.

(o) Reflects adjustments for the following:

Eliminate NetSpend retained earnings	$ (81,091)
To record estimated impact of writing off NetSpend s historical debt issuance costs, net	(521)
To record estimated impact of writing off NetSpend s deferred tax liability associated with historical intangible assets	7,297
To eliminate impact of adjustments	(6,776)
To record estimated non-recurring costs for remaining TSYS Acquisition related transactions costs and certain costs related to the bridge term facility which TSYS does not expect to utilize (excludes $2.7 million incurred by TSYS in the three months ended March 31, 2013), net of taxes	(20,606)
Total	$ (101,697)

Table of Contents

Notes to the unaudited pro forma condensed combined financial information

(in thousands, except per share amounts)

3. Adjustments to unaudited pro forma condensed combined statements of income:
The pro forma adjustments do not reflect the following material items that are expected to result directly from the Acquisition and which are expected to impact our statement of operations within twelve months following the Acquisition:

Acquisition and related financing transactions costs currently estimated at approximately $30 million relating to fees to investment bankers, attorneys, accountants, and other professional advisors, and other transaction-related costs that will likely not be capitalized as deferred financing costs; and

The effect of anticipated cost savings or operating efficiencies expected to be realized and related restructuring charges such as technology and infrastructure integration expenses, and other costs related to the integration of NetSpend into TSYS.

(a) Reflects adjustments for the following:

	Year ended December 31, 2012	Three months ended March 31, 2013
Reduction in revenue related to the write-off of deferred revenue for which no future service obligation remains (1)	$ (235)	(134)

(1) See Note 2(j) for the estimated reduction to NetSpend s historical deferred revenue.

(b) Reflects adjustments for the following:

	Year ended December 31, 2012	Three months ended March 31, 2013
Reclass NetSpend s historical depreciation and amortization	$ 11,476	3,071
Eliminate NetSpend s historical intangible asset amortization expense	(208)	(18)
	(6,043)	(3,095)

Reclass TSYS historical intangible asset amortization to amortization of acquisition intangibles		
	$ 5,225	(42)

(c) Reflects adjustments for the following:

	Year ended December 31, 2012	Three months ended March 31, 2013
Reclass NetSpend s historical depreciation and amortization	$ (13,778)	(3,778)
Reclass NetSpend s historical salaries, benefits and other personnel costs	(56,328)	(15,118)
	$ (70,106)	(18,896)

S-31

Table of Contents

Notes to the unaudited pro forma condensed combined financial information

(in thousands, except per share amounts)

(d) Reflects adjustments for the following:

	Year ended December 31, 2012	Three months ended March 31, 2013
Reclass NetSpend s historical depreciation and amortization	$ 2,302	707
New intangible asset amortization	65,819	16,454
Eliminate NetSpend s historical intangible asset amortization expense	(2,087)	(572)
New compensation arrangements	2,003	501
Record share-based compensation expense from converted NetSpend options and nonvested awards	9,554	2,389
Reclass TSYS historical intangible asset amortization to amortization of acquisition intangibles	(86,040)	(21,892)
Reclass NetSpend s travel expenses from other losses		66
Reclass NetSpend s historical salaries, benefits and other personnel costs	56,328	15,118
	$ 47,879	12,771

(e) The pro forma adjustment to expenses reflects the additional intangible asset amortization. The components of the adjustments to amortization of acquisition intangibles are as follows:

	Year ended December 31, 2012	Three months ended March 31, 2013
Reclass TSYS historical intangible asset amortization	$ 26,264	8,532
Record new intangible asset amortization expense	65,819	16,454
	$ 92,083	24,986

(f) The pro forma adjustment to expenses reflects the elimination of NetSpend s legal and advisory costs in connection with the Acquisition.

(g) The pro forma adjustment to expenses reflects the elimination of TSYS legal and advisory costs and bridge financing costs in connection with the Acquisition:

	Year ended December 31, 2012	Three months ended March 31, 2013
Eliminate TSYS legal and advisory expenses associated with the Acquisition	$	3,481
Eliminate TSYS expenses associated with the bridge term loan facility		2,743
Total	$	6,224

Table of Contents

Notes to the unaudited pro forma condensed combined financial information

(in thousands, except per share amounts)

(h) The pro forma adjustment to expenses reflects interest expense related to the notes, the New Term Loan and $150 million of additional borrowings under the Revolving Credit Facility. The components of the adjustments to other expenses, net are as follows:

	Year ended December 31, 2012	Three months ended March 31, 2013
Eliminate NetSpend s historical interest expense on debt to be repaid	$ 2,110	609
Eliminate NetSpend s historical debt issuance cost amortization	326	81
Interest expense on new debt used to finance the Acquisition(1)	(37,800)	(9,450)
Amortization of deferred financing fees related to new debt	(1,476)	(369)
Total	$ (36,840)	(9,129)

(1) For the anticipated new borrowings that will be used to finance the Acquisition, see Note 2(h). For purposes of computing pro forma adjustments for interest expense, we have made certain assumptions regarding our debt structure at the closing of the Acquisition, and interest rates on our outstanding debt. These estimates are preliminary and actual results could differ materially from the pro forma amounts presented herein. An increase or decrease of 0.125% to the assumed blended average interest rate of 2.8% would change interest expense by approximately $1.7 million per year.

(i) This represents the tax effect of adjustments to income before income taxes and equity income primarily related to the expense associated with incremental debt to partially finance the Acquisition and increased amortization resulting from estimated fair value adjustments for acquired intangibles. TSYS has assumed a 36.1% blended tax rate representing the estimated combined effective U.S. federal and state statutory rates. This estimated blended tax rate recognizes tha