Secure Financial Transactions — Any Time, Any Place

October 28, 2019

Leslie Seidman, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Submitted via electronic mail to director@fasb.org

Re: File Reference No. 2019-730 Proposed Accounting Standards Update, Debt with Conversion and Other Options (Subtopic 470-20)

Dear Madam:

Euronet Worldwide ("Euronet", the "Company", "we", "us", or "our) appreciates the opportunity to provide our views on the Exposure Document related to the proposed accounting standards update File Reference No. 2019-730 Debt with Conversion and Other Options (Subtopic 470-20) that is open for public comment.

Euronet Worldwide offers payment and transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. Our primary product offerings include comprehensive automated teller machine, point-of-sale, card outsourcing, card issuing and merchant acquiring services; software solutions and cloud-based payment solutions; electronic distribution of prepaid mobile airtime and other electronic payment products; foreign exchange services and global money transfer services.

The Company took an interest in the proposed accounting standards update because of our history of issuing convertible notes over a 15-year period, including the most recent issuance of $525 million of Convertible Notes due 2049 and early retirement of the $352.4 million of Convertible Notes due 2044 (the "Retired Convertible Notes"). The Company elected to settle the conversion of Retired Convertible Notes through a combination of cash and stock. The Company paid cash equal to $1,000 for each $1,000 principal amount of Retired Convertible Notes submitted for conversion and satisfied the remainder of the conversion obligation by issuing shares of the Company's Common Stock. Prior to that in 2004 and 2005, the Company issued $140 million and $175 million respectively, in convertible notes having a 30-year maturity. Both of these issuances were redeemed at face/par value five and six years, respectively, after issuance with no shares issued.

Euronet offers the following comments on certain specific questions raised in the proposed Update:

1: *Should convertible instruments be accounted for as a single unit of account, except in circumstances in which the conversion features are required to be bifurcated by guidance in Topic 815? Please explain why or why not. Under this simplification, would any specific information about convertible instruments be missing in order to understand an entity's financial position and financial performance? If so, please explain what information would be missing and how that information is used.*

We support the Board's efforts to amend certain aspects of ASU 470 to simplify the accounting for convertible instruments by removing the separation models in Subtopic 470-20 for convertible

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instruments. Consequently, a convertible debt instrument would be accounted for as a single liability measured at its amortized cost and a convertible preferred stock would be accounted for as a single equity instrument measured at its historical cost as long as no other features require bifurcation and recognition as derivatives. We agree with the new practice that the liability should not be reduced otherwise because the current practice is misleading to the users of the financial statements.

10: *Should diluted EPS for all convertible instruments be calculated using the if-converted method of diluted EPS? Is the revision to the if-converted method in paragraph 260-10-45-40(b) operable? Please explain why or why not.*

11: *For a contract that may be settled in either cash or shares (except for certain share-based payment arrangements that are classified as liabilities), should an entity presume (and not be allowed to overcome the presumption) share settlement when calculating diluted EPS? Please explain why or why not.*

We believe it is preferable to retain the current practice as the "if-converted" will create volatility in diluted EPS. It is common for companies to issue convertible bonds that may trigger the conversion price which may be settled in cash, shares, or a combination of both. The diluted EPS will be artificially low in the cases when (1) the Company makes a choice of settling the principal with cash and the premium with shares (or a combination of both) or (2) the stock price does not exceed the conversion price before the maturity date.

The Company studied 925 matured convertible bonds issued since 2002. Approximately 49% of the 925 bonds screened were converted at the effective maturity date while the remaining 51% were below the conversion price and did not convert. Should an entity presume share settlement when calculating diluted EPS, more than 51% of the entities would have under reported actual EPS before the maturity date and would be artificially increased when no actual triggering event takes place. Under the proposed standards, clearly the 51% that did not convert will most likely present significantly understated diluted EPS before the liquidation of the bond. In addition, the presumption of share settlement disregards the effect of the economic environment on stock market. While we did not research the 49% that were converted, we understand through conversations with several of the leading investment banking firms that most companies settle the conversion similar to how we settled, that is through the use of cash or the par amount and shares for the premium amount of the redemption, the issuance of $352.4 million discussed earlier. Therefore, the majority of convertible bonds never reach the conversion price, and of the bonds that reached the conversion price, not all of them settle in shares.

The economic recession in the United States from December 2007 to June 2009 severely suppressed the stock market. One can reasonably assume that there were fewer cases of debt conversion during the recession when compared to a bull market, creating volatility in diluted EPS if the "if converted" was adopted. To illustrate the concept, the Company demonstrates below the volatility in diluted EPS year over year when the triggering event is not met.

	Year Prior to Issuance	Year of Issuance	Maturity Date
	As of December 31, 2017	As of December 31, 2018	As of December 31, 2038
Bond Face Value	$ -	$ 600,000,000	$ -
Interest		1%	
Net Income for 12-month Ended	$ 200,000,000	$ 200,000,000	$ 200,000,000
Tax	25%	25%	25%
Stock Price	$ 150	$ 150	$ 150
Conversion Price	$ 180	$ 180	$ 180
Weighted averages shares outstanding			
Basic	50,000,000	50,000,000	50,000,000
Diluted	-	54,000,000	-
Maturity Date	12/31/2019	12/31/2019	12/31/2019
Basic EPS	$ 4.00	$ 4.00	$ 4.00
Diluted EPS	$ -	$ 3.79	$ 4.00
* Assumed share settlement when calculating diluted EPS.			

Accordingly, whether one looks to the example above, and considers our settlement of the $352.4 million issuance or the fact that 51% do not reach the conversion price per the study referenced above, the diluted EPS disclosures would have been initially decreased under the proposed guidance and then subsequently increase if the settlement occurs in cash or the conversion price is not met using the “if converted” method. Given the significance of the movements in diluted EPS, we believe more non-GAAP reporting disclosures will be necessary for the users of the financial statements to have a more accurate understanding of the true economies related to the convertible instrument. We believe, and the majority of historical convertible issuers’ behavior support, the most accurate means of matching economic reality with convertible diluted EPS effects is to report on an if-converted method when the trading price of the companies’ shares exceed conversion price, the real litmus test must be whether EPS is the same before and after settlement of the convertible issuance.

In conclusion, while we fully support the simplified method in accounting for convertible instruments as a single liability, we believe the “if-converted method” will create a misleading result for investors as diluted EPS will initially show a decrease when the bonds are issued and an increase in the period the bonds mature or are settled in cash. This volatility will result in misleading results between quarters.

Thank you for the opportunity to respond. We would be pleased to discuss our comments at your convenience.

Kind regards,

Rick L. Weller
Chief Financial Officer