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EDITED TRANSCRIPT

GDOT - Q3 2015 Green Dot Corp Earnings Call

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PRESENTATION

Operator

Good day and welcome to the Green Dot Corporation third-quarter 2015 earnings conference call. Please note that the contents of this call are being recorded.

I would now like to turn the conference over to Mr. Christopher Mammone, Vice President of Investor Relations for Green Dot. Please go ahead, sir.

Chris Mammone - *Green Dot Corporation - VP of IR*

Thank you and good afternoon, everyone. On today's call we will discuss 2015's third quarter performance, updated thoughts regarding our 2015 outlook and preliminary thoughts about 2016. Following these remarks, we will open the call for questions.

For those of you that have not yet accessed the earnings press release that accompanies this call and webcast, it can be found at www.ir.greendot.com. Additional operational data have been provided in a supplemental table within our press release.

As a reminder, our comments include forward-looking statements about, among other things, our expectations regarding future results and performance. Please refer to the cautionary language in the earnings release and in Green Dot's filings with the Securities and Exchange Commission, including the most recent Form 10-Q that we filed on August 10, 2015 for additional information concerning factors that could cause actual results to differ materially from the forward-looking statements.

During the call, we will make reference to financial measures that do not conform to generally accepted accounting principles. This information may be calculated differently than similar non-GAAP data presented by other companies.

Quantitative reconciliations of our non-GAAP financial information to their most directly comparable GAAP financial information appears in today's press release. The content of this call is property of Green Dot Corporation and subject to copyright protection. Now I'd like to turn the call over to Steve.

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Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Thank you, Chris, and welcome everyone to our third quarter earnings call. With me is interim CFO, Mark Shifke.

Here are the headlines, Green Dot posted Q3 2015 revenue of $146.5 million, $22.2 million of adjusted EBITDA and EPS of $0.15. These results are a tad softer than our expectations on the top line and ahead of expectations on the bottom line.

We expect to end the year slightly below our guidance range on revenue and within our original guidance range on adjusted EBITDA and EPS, despite the increased Walmart rev share rates and a larger than expected revenue impact from the discontinuation of MoneyPak and its ecosystem affects over the course of the year. Mark will have more details on our revenue performance in his section of the call.

As promised we're returning capital to shareholders with the execution of a $40 million Accelerated Share Repurchase program initiated in September. We have another $110 million of headroom remaining in our current $150 million authorization and we intend to continue to buy shares next year. And lastly, today we will provide you with preliminary and high-level commentary on our expectations for 2016 so you can have a better understanding of our model for next year, in advance of our Q4 call where we will provide formal 2016 guidance.

As all of you know, we made a difficult decision earlier this year to discontinue the sale of our MoneyPak product. As a result of the MoneyPak discontinuation, combined with losses in revenue and profitability from our private label business, we have been battling rather severe headwinds that have been reflected in our legacy revenues and earnings.

As I'm about to discuss, we have undertaken significant steps to offset the declines create new and potentially more profitable products and rollout new programs and initiatives that have the potential to position Green Dot for significant growth as we rebuild our business throughout 2016 in order to position ourselves for solid 2017 and beyond. Green Dot's legacy business is a portfolio business so nothing happens overnight.

But I think you'll see that we have taken concrete steps to turn the tide with a number of new initiatives designed to create the opportunity for growth and a brighter future. While there are many exciting programs and initiatives that we hope to announce throughout the year, let me share with you today just those initiatives that are actually in the process of being deployed now and that we expect to start having positive impacts on our results starting early next year.

First, we expect our private label business line to benefit from a number of new initiatives including a new money card product at Walmart. While I can't go into specifics until that product launches on the rack, we believe that, based on extensive research, the new money card can be expected to have a better adoption rate, higher customer engagement and retention than other money card offerings, providing us the opportunity to stop the declines and grow that business over time.

In our branded business line, we have a number of new products and initiatives that we expect to generate positive results over the course of next year and the years that follow. For example, we have added new and compelling features to our best-selling Green Dot everyday prepaid card and we're adding a new debit card product for national distribution that is intended to attract a more broad-based market segment with a compelling consumer value proposition.

Additionally, all of our new-line of prepaid cards will allow card holders to write checks to pay the rent and other bills where a paper check is required. They can also deposit checks using their cell phone camera and direct deposit customers will now enjoy access to the direct deposit money up to two days before payday. All of our products will also have new pricing plans that are designed to attract the best, high-use prepaid customers while providing Green Dot with superior unit economics compared with our current slate of products.

We also intend to expand the distribution of GoBank next year with at least one new distribution partnership while enhancing the consumer version of GoBank sold online and at Walmart with a new marketing look and feel and a new value proposition that we think will help attract more customers including those who already have a checking account at another bank.

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In addition, we are excited to let you know that we have developed a new small-business version of GoBank designed to serve the new on-demand 1099 workforce. We intend to partner with at least one company the that will offer the Go business account to their large base of 1099 workers. We believe Green Dot can become a leading bank account provider for the fast-growing, on-demand and marketplace economies.

Whether you are a sole proprietor signing up with Square to accept credit cards or a college student looking to make money by delivering for postmates.com or a DIY expert, like my wife, looking to sell your creations on Etsy. The first stumbling block you run across is when Square or Postmates or Etsy, and hundreds of others like them, asks you to enter your checking account information to receive your payment. You may not have a checking account. Or you may have a personal checking account but what you really need is a small business account. Or maybe are ready have a personal checking account but you don't want to co-mingle your Etsy money, let's say, with your family money.

With the right technology-centered bank, like Green Dot Bank, the right API and technology platform, like FlexTop which is the underlying and easily configurable core technology that powers all of our bank account offerings, and the right products like GoBank personal checking accounts and Go business instant on-demand small business checking accounts. We believe Green Dot has an opportunity to be the modern checking account of choice for the fast-growing on-demand economy.

We have assembled a dedicated team of revenue and technology professionals to penetrate this new vertical and we hope to share our progress with you over time.

Now, let's talk about our processing business line. I am pleased to let you know that our goal of generating revenue synergies from the TPG acquisition is expected to begin to play out in 2016.

A number of TPG distribution partners, representing thousands of independent tax preparers, have agreed to participate with Green Dot TPG and a new and exciting program designed to both encourage more tax prepares to use TPG for their refund processing needs and to encourage their tax prep customers to choose a Green Dot account to receive their tax refund. We will provide details on those programs as we enter tax season in January.

And also in our processing business line, we are pleased to announce that starting in the first half of next year Green Dot will be making available a new product to replace the old MoneyPak PIN product that was discontinued earlier in the year.

The new MoneyPak Plus can be purchased by the consumer and rung up by the cashier the exact same way as the old MoneyPak product worked. But then it deploys a number of high-tech risk mitigants and other processes to ensure the product isn't susceptible to the types of abuse that caused us to discontinue the original MoneyPak product. To be clear, we don't expect that the new MoneyPak Plus will completely fill the large financial void left behind from the elimination of the original MoneyPak and our expectations are actually quite modest for 2016. We will tell you more about MoneyPak Plus when we launch it next year.

Of course, we won't provide formal 2016 guidance until our Q4 call, but based on these new initiatives and our private-label branded and processing business lines, and the fact that the negative effects from the MoneyPak discontinuation seem to be showing ongoing stabilization. We feel optimistic about our ability to overcome the expected year-over-year headwind for next year as we lap the MoneyPak related losses over the course of next year. But there is always a risk in forecasting launch dates, the timing and degree of customer adoption and how new products may generate revenue over time.

So we want to communicate both our optimism based on the strength of our initiatives for next year but also our caution and reserve as we know we have a 5% or so year-over-year run rate decline to overcome and that modeling the impact of new initiatives is inherently speculative and actual results could differ materially from our models.

In addition to all those initiatives that are in the process of being deployed right now, I also want to remind you that we continue to believe that Green Dot has a meaningful role to play in providing both secured and unsecured credit to millions of current and potentially new Green Dot customers across all of our products and acquisition channels. We have the right brand, the right balance sheet, the right marketing assets, the right scale, the right technology, the right risk management expertise, the right proprietary customer data and the right data science capabilities

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to be a leader in this space, particularly for the half of America with household incomes below $50,000. Of course, we also own a bank with a strong track record of knowing how to serve millions of Americans other banks either cannot serve or do not want to serve.

As you may recall, Green Dot Bank is in the process of seeking approval from its regulators for the ability to provide credit products on a national basis through Green Dot Bank. And we are additionally working on other lending business models outside of our bank. We hope to have some positive updates on lending in the near future, although I want to stress their lending initiatives are speculative, are not fully developed and in any event, would not be expected to contribute material revenue in 2016.

Now Mark will provide some color on the financial performance of the quarter, and discuss our high-level preliminary outlook for next year. Mark?

Mark Shifke - *Green Dot Corporation - Interim CFO*

Thanks, Steve. For the quarter, Green Dot posted $146.5 million in non-GAAP total operating revenue. $22.2 million in adjusted EBITDA and $0.15 in non-GAAP earnings-per-share. Active cards overall are down year over year by 3%.

Our legacy portfolio active cards are down 11% year over year, which is reflective of the ecosystem pressure for MoneyPak's discontinuation. The loss in actives began to take place after we discontinued MoneyPak in February, and continued to decline until early September when active card counts largely stabilized.

This lower-than-expected active card base led to slightly softer revenue performance in Q3. Our adjusted EBITDA and non-GAAP EPS, on the other hand, continue to flow through at higher rates than first estimated at the beginning of the year because the quality of our active cards, while fewer in number, than we had modeled are delivering better unit economics that we had modeled.

For example, as I noted a moment ago, our legacy active card base is down 11% year over year yet the revenue generated from those active cards is down only 3% year over year. While we are not satisfied with the declines in our legacy portfolio, we are pleased with both the enhanced usage and profitability of our current base of active customers. Margins for the quarter were down by approximately 660 basis points year over year.

170 basis points of this decline is the impact of acquisitions completed in the past year. Primarily related to incurring in the cost base of TPG which generates all of its profits in the first half of the year.

Of the remaining 5 percentage point drop in margins in the legacy business, roughly half of that is due to higher commissions on the money card program with challenges primarily related to the MoneyPak discontinuation explaining the rest. As we incorporate the Q3 results, with the latest trends through October, we believe our overall performance in Q4 will be generally consistent with that of Q3, adjusted for seasonality typical for our business.

So as we saw last year, we'll have a lower EBITDA margin in Q4 relative to Q3. And this year the differential in margin is accentuated by the incremental rev share expenses associated with the money card program plus some incremental expense from not owning TPG the entire quarter last year.

In respect of our full-year performance, we now expect to finish the year slightly below the low end of our previously stated non-GAAP total operating revenue guidance range and to be within our full-year guidance ranges for adjusted EBITDA and non-GAAP EPS.

One other note related to our share count during the third quarter, we launched an accelerated share repurchase program under our existing 150 million share repurchase program authorization and returned $40 million to our shareholders through this repurchase of common stock.

We received approximately 1.8 million shares representing 80% of the shares expected to be repurchased. We expect to complete the ASR program by Q1 of next year.

While it is premature to formally guide 2016, we expect to enter the year at a lower year-over-year legacy run rate creating a revenue headwind in the 5% range. So while we believe that the breadth and scale of our new organic initiatives beginning in Q1 can enable us to grow our basic revenue

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ramping over the course of 2016, we are not expecting very much absolute revenue growth in the aggregate if any at all because we first need to grow enough to make up for that headwind.

Our new initiatives expected to launch over the course of 2016 should position us well as we head into 2017. In terms of capital management, we intend to execute additional share repurchases next year and we continue to aggressively look for additional accretive acquisitions.

With that, we will take your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from Ramsey El-Assal of Jefferies.

Ramsey El-Assal - *Jefferies LLC - Analyst*

Hi guys. Just trying to get a better understanding on the preliminary 2016 guide. I've been looking at your cash transfer line in your key operating metrics, it looks like we start to lap those steeper declines in Q1.

And so declines are stabilizing, for MoneyPak, but there seems to be this incremental headwind that is just, is just that from the aging of the cohorts or can you help us understand a little but more about where the, you know, kind of go over again what the headwind is, where the headwinds are coming from exactly 2016?

Mark Shifke - *Green Dot Corporation - Interim CFO*

Hello, Ramsey, it is Mark. Thank you. So as we are looking into 2016, I think you're absolutely right. We are looking at two aspects.

One is our cash transfers and the other is the ecosystem impact on our card revenue. We now have about two quarters, and if you look at our, what we are seeing inside of October as well, probably about seven months of stabilization on the cash transfer line. So we feel pretty good about that.

Where we have some difficulty is if you look at our actives in Q2 to Q3, we saw about a 6% decline from $4.8 million to $4.5 million and our expectation is that has now stabilized and leveled off and we are expecting to see that in Q4 as well. So when you look at the impact on our active cards going into next year, that is really, that plus the prior impact on the cash transfer line drives a 5% hole.

Ramsey El-Assal - *Jefferies LLC - Analyst*

Okay. How quickly can you get the replacement MoneyPak product into your distribution?

I'm just trying to think if I understand, you are taking a understandably conservative view on how much of this gap you can fill here but is there any hope that you can get that product into distribution very quickly and potentially ameliorate some of this issue?

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Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

So the answer is, we think we can get it in certainly before the end of first half, call it the April timeframe, May timeframe latest. But you don't know, there's always some risk. The product is in the process of being deployed and it has a whole new backend, which is the secret sauce to preventing be malicious miss of the other product and how it was used in some areas.

So that will be rolling out. Then retailers have to sell it and get it out there. But, I want to be clear that, and I said this in the prepared comments, MoneyPak will give us some juice coming back but it's not going to be as big as the other one. The other product has been off the rack for a year, by that time a year in a few months.

That means some of the people who used it for various purposes have gone to other services or other cash transfer services. So we think there's still a lot of demand, we can see that where people still look for the product that have been on the shelf for almost 15 years. So there is a built-in base and we think we will get some of that back. Where the real benefit to next year and the way we intend to grow that 5% back, MoneyPak could be a part of it but we are very, very little revenue in the plan for that.

The big part are the new prepaid products, that have better unit economics, and those are the ones that we have been able to look at and say at the current sales rates, even assuming no sales increases of all, the new retention rates and the new fee schedules of those products have, can we build back up to make past that 5% along with some of the other initiatives we talked about in the prepared remarks? So we feel pretty good we can make up the 5%.

We don't feel really great that we can go much above the 5% so that's why you're hearing that caution in our prepared remarks.

Ramsey El-Assal - *Jefferies LLC - Analyst*

Okay. Last one for me. On the new and improved or the new money card product, it wasn't too long ago that you did a redesign there, you broke out some different segments with some different pricing strategies.

Is this incremental to those changes? Another face on the rack or is the entire program being re-conceived and re-launched?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Gosh, let me think how I answer that and the only reason I'm hesitating is because I'm always respectful of the fact that Walmart is a private business -- they're a private business, if you will. And also there are competitive issues but let me answer it this way.

All of us, Walmart is a fabulous partner, they're good people individually, they're a great company. We have a lot of discussions together, and all of us are interested in making a great product that consumers really like and that's economically viable.

And so to the extent we had other products that maybe didn't sell as well, or were not as economically viable, we both have an interest, as any business would, in finding better solutions that please customers and also achieve the desired financial goals. So I would rather not, at this point as we sit here in November, talk too much about what is going to be coming up in January and February, but it is fair to say that we do think the new plans will fix a lot of the inventory issues we have had, the merchandising issues.

That will be a product that is a more compelling product that will generate higher sales and unit economics, please customers more, please the bottom line more and the revenue line more and so we are very eager to get that out there. And once we do get it out in the public domain we will talk a lot about it and share a lot of discussion about it.

Is that a fair way of answering it?

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Ramsey El-Assal - *Jefferies LLC - Analyst*

Yes. I get it. You can't be too specific, that helps. And that's all for me thanks for taking my questions.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

You bet, thank you.

Operator

Our next question comes from Sanjay Sakhrani of KBW.

Steven Kwok - *Keefe, Bruyette & Woods, Inc - Analyst*

Hi, this is actually Steven Kwok filling in for Sanjay. Thanks for take my questions. The first question was around, you mentioned the 5% headwind for the next year. How has that headwind been as we progressed through 2015?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

So at some point, I'll let you -- actually, Mark do want to answer this? If you took [a hit] -- let me ask it the best way. (laughter) Look on his face. So the answer is the 5% headwind, is generated because you are only getting rid of MoneyPak once. Not going to get rid of that again.

So what you are looking at is the legacy remainder in our card portfolio, if you will, the ecosystem affect. If you look at quarters Q1, we dropped 6%, which was a net organic or legacy drop, Q2 we dropped 8%, Q3 we dropped 13%, Q4 13.2% or something like that. You can see that leveling out, and then if you look at the months that comprise the quarters you actually see a little bit of a tick up as you get into October.

So we feel we have bottomed out and if you take away the MoneyPak effects over all that money, what is remaining is that 5% year-over-year headwind because you're not getting rid of MoneyPak twice. So if you will, that is the ecosystem effects that now we have to make up and so that is where the number's come from and that's also how we feel, why we feel like we have bottomed out.

Does that answer the question better?

Steven Kwok - *Keefe, Bruyette & Woods, Inc - Analyst*

Yes and then in terms of that 5% headwind, is that for the whole year or is at some point during the 2016 that 5% will go away?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

That is the whole year. So what we're saying is we entered the year, if we did nothing, we didn't have initiatives, we didn't have new products, we didn't have new fee plans, we just sat back and watched the world unfold, we would expect the next year would be 5% lower. So you figure whatever we end the year minus 5%, and what we're saying is that these new initiatives can minimally help us make up that 5%, which is why that commentary is there.

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Steven Kwok - *Keefe, Bruyette & Woods, Inc - Analyst*

Got it. And then separately on expenses, given a lot of these new initiatives that you are rolling out, but in general when we look at earnings over the last couple of quarters, you have been, your expense has been coming in better than what our expectations are. How should we think about expenses as we turn to next year?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

A lot of our improvements in the bottom line are doing better than we certainly done on the top line. Top line we missed by a mile, so if you look at the bottom line, the reason we're still in the range, is, yes, because we have done well on expense control although we have invested really heavily in product development and our technology prowess and things that we think a really important for us going forward.

Where we've done better is that we have lost the variable cost on all these cards that are lower. We have a smaller active base and the customers we have lost, for the most part, were not great customers. In other words they were the one and done guys were buying MoneyPak to do whatever they were doing with.

So the customers we have left have just delivered so much more revenue to the bottom line. So your variable cost is the same, your fixed expense is the same. But on a unit basis you have so much more dropping to the bottom line so you see this margin expansion.

And that has been really the big benefit and then the loss of MoneyPak. While we lost a lot of revenue, the actual EBITDA contribution was not huge because as we opined when we first, this part we did get right, that we are saving so much money by getting rid of MoneyPak that the difference in EBITDA is not huge. There's still a kick in the stomach, it was maybe $10 million or $15 million of lost EBITDA at worst and that is including in the fact that we were way low on the revenue estimate.

So we were right, luckily, on the EBITDA side of it. And so what you're seeing is just a Company that is performing better, lower cost platform, our bank wiping out that, last time I looked, [$15] million to [$16] million of fees that we used to pay the third-party banks, our operating infrastructure with our Chinese subsidiary, Green Dot Shanghai LLC, which is where we do a lot of our mobile development and web development.

Our Tampa facility, and this is even before we've migrated to our new processing platform, which will have a full-year benefit of 2017 and a half year benefit in 2016. So we really have done a lot of good work on risk and loss management and charge-offs, on fraud, if you will. In the call center how we manage so many millions of calls in the course of a year.

And so our platform is absolutely gotten more efficient and our customers have become more profitable because we have fewer of them delivering more revenue per unit. So all of that has come together to help us overachieve on bottom line.

Steven Kwok - *Keefe, Bruyette & Woods, Inc - Analyst*

Got it. And just in terms of how should we think about EBITDA margin? Should we expect some expansion in next year?

Mark Shifke - *Green Dot Corporation - Interim CFO*

I just want to reiterate we are not guiding next year at all. And just again to reset the stage, for me this is the first budgeting cycle that I'm going through with the Company. And it's not complete yet and views we are sharing today are preliminary views It's easy for me to say, exactly. (laughter)

But look, they are based in part on a desire for us to be transparent about what we are seeing in the business. And as we were just discussing, we are acknowledging we have the headwinds as we enter into 2015 and we are confident about the initiatives and the growth we're going to produce next year and going beyond.

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But that's about as far as we can go with discussion of revenue, so it really, you can't get into a conversation around EBITDA. I would say at a high level, that things to think about are, as Steve said, we would expect a continuation of, on a card basis, that nice gross margin from, in part, being contributed by relatively higher revenue on a per-active.

On the other side, you have re-launch economics, We're staring, we've got some initiatives going in and so we're going to have some costs on the front end of the year that we will discuss what we guide in the beginning of the year.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

We will have more details when we do the formal guidance on the Q4 call and by that time we'll have a better sense of the supply chain machine and all of that. And we'll be able to get more granular. I think what Mark and I wanted to do, as we see this coming together and it's already November 5, right? So we can see the end of the year and look at that and as we plan for next year and go through a budget process, we wanted to make sure that we didn't have a disconnect when we guide in Q4.

We want to make sure that you know what we know, as we see it, in part because frankly, we are embarrassed by the miss we had on top line this year. We don't want that to happen and so we were just making sure that we are being unbelievably clear.

We have always done our best to do that but we have not guessed particularly well in this past year, as a related to MoneyPak at least, and so we are just trying to give everyone that heads up of what we are seeing for next year.

Steven Kwok - *Keefe, Bruyette & Woods, Inc - Analyst*

Fair enough. Thanks for taking my questions.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

You bet.

Operator

(Operator Instructions)

The next question comes from Ashish Sabadra of Deutsche Bank. Please go ahead.

Ashish Sabadra - *Deutsche Bank - Analyst*

Thanks for taking my questions. So just quickly, Steve, you mentioned number 6%, 8%,13% legacy drop. I just wanted to confirm those are organic revenue growth numbers? And are those just for the card revenues or I just wondering if you could give us some more clarity around those numbers.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Two things actually, Mark just said it was 6%, 10%, 13%, 13%. I think I said 6%, 8%, 13% 13%. And those weren't growth, those were the losses. So if you look at last year -- or this year that we are in right now, and compare 2015 quarter by quarter to 2014 quarter by quarter, and you were to say, well, how do you look at how you lap?

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You'd say, okay well, in Q1, we were down 6%, and Q2 year-over-year comparison from Q2 2014, we were down 10%. Only in legacy is what we are talking about. We were up in reality, right, because we bought all those companies. So the consolidated revenue was up. Just in the legacy piece, down 6%, down 10%, down 13%, we level out, down 13% again and so we have to lap that into about August of next year. To one of the other caller's points, we are going to have lapping of the cash sooner.

That has been stable for longer. But in terms of the ecosystem effects, that didn't level off here until August, September, so that's going to have that delta that we have to make up through that period of time.

Ashish Sabadra - *Deutsche Bank - Analyst*

Thanks, Steve, for that color. I was just looking at this average fee per transfer and I see that, that has come down significantly. I don't know if it is the right metric to look at.

I was dividing the cash transfer revenues by number of transaction and I see that down to $3. I was just wondering if there were puts and takes there?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

There are. So in 2013 when we rolled out the new money card suite of products at Walmart, one of the products had a free reload component. And the theory was that if you provided a free reload, would the usage go through the roof and with the extra interchange and other economics that the users generate, make up for the lost reload revenue.

And so what you're seeing there, is that the numbers of reloads are similar but a lot of them we now give away for free and so the average of all reloads, the denominator of the revenue we make, is now the average. And so I think the average looks suppressed.

If you were to take out the freebies and say, what is my denominator of only those who paid a fee, my guess is that it would be the same as it used to be or maybe even a little bit higher, I don't know. But that's where that is, but that's why it looks so much lower, because we are giving away so many millions of free reloads under that 2013 fee plan.

Ashish Sabadra - *Deutsche Bank - Analyst*

Okay, now that's helpful. And maybe one final question, without beating the dead horse on this 5% decline and then the offset, you highlighted a lot of new initiatives but just based on the timing of those initiatives and your historical experience in launching these initiatives, what would you say is your level of comfort around offsetting all the headwinds that you have?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Based on what I'm looking at now on the supply routine, and supply chain for those of you who work in logistics industries is sort of like a dominoes or a Rube Goldberg machine, where once it starts, you can't stop it or start it. It just happens.

And we are beginning that process now, and right now it is looking good to rollout the products beginning in late January then continuing until the end of March with full rollouts and then there could be some stragglers after that. And assuming that all happens on time, the answer is we are highly confident that we can make up that 5% in the course of the year. What is more speculative is what happens after that? Can we go past it?

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Can we be way past it? And that's the part that we are more cautious of and that we'll have maybe a little more visibility when we actually guide next year. The initiatives are high-quality and a lot of them are based on the actual revenue the cards generate and the attractiveness of the features and a tremendous amount of research that we have done and that planning.

So, the answer is, we feel pretty good about making up the 5% headwinds and delta. But we certainly don't want to go any farther than that.

Ashish Sabadra - *Deutsche Bank - Analyst*

Thanks for the color. Thank you.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Yes.

Operator

Our next question comes from Matt Lipton of Autonomous Research. Please go ahead.

Matt Lipton - *Autonomous Research LLP - Analyst*

Hi guys, thanks for taking my question. Appreciate all the details. Steve, you made the comment that next year if you did nothing, you would be down 5% but clearly that's related to MoneyPak.

If you were to have to do an industry benchmarking exercise or as you guys were working through these initial plans, if you had to take the acquired portfolios plus the core portfolio, is there any sense you can give us of what just your prepaid card business, whether that is active cards or revenue, is actually growing if you strip out MoneyPak and just think about what you would have left, what that growth rate looks like in 2016? I don't know, that might be more art than science but just curious what you think there.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

It is. It is hard to say for two reasons. Number one, we, Mark and I, had a blood brothers bond that we wouldn't go down the road of too much guidance for 2016 until we had a chance to really buckle down and formally do that, so this is very high level and preliminary.

But it's sort of an intertwined answer. It is like heart and lungs if you separate them and see how they operate independently. MoneyPak was so ingrained in the Green Dot ecosystem, and that's one of the reasons why we missed it so much, and with the loss of MoneyPak, that part was easy. It's $4.95 times X number of MoneyPaks, so that you don't need to be a genius to figure out.

Predicting that, apparently, you needed to be a genius but not in terms of, once we've done it, figuring it out. But what was unique and something we didn't expect, was the active card impact that getting rid of MoneyPak would have. For any number of reasons, I can't figure how to reload.

You drop off, first time reloads, all the things that go into that whole ecosystem. So it's a question I can't answer because you'd first have to say, well how many card sales and active cards declined specifically because of MoneyPak, what we refer to as the ecosystem, and what would they have been if we had, had MoneyPak, and all that.

So I think when you throw in the consolidated, it is probably close to flat or down a few points which is what we were this quarter. But the legacy portfolio is what we are most focused on because, A, that's where the most opportunity for growth is, you're in the 100,000 retailers of a brand that

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is so dominant and so preferred by our customer base more than ever. At the same time you know you have a challenge with some use cases and people figuring out how to reload.

So the trick is to right size the legacy portfolio, as with the legacy portfolio, you'll see the rest of our prepaid business come along.

Matt Lipton - *Autonomous Research LLP - Analyst*

That is fair. Maybe another way to come at it then would be, if you took the 15% revenue growth, give or take, that you're guiding to this year, x the 10% average losses you just talked about, the 6%, 10%, 13% 13%.

If you bake in the acquisitions, I'm not sure exactly what that number is, I'm not sure if it's one you've given on what that adds to this year's growth. What is the organic baseline growth rate for Green Dot in 2015?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

On my gosh, when you take, this would be a swag and maybe, Mark or one of the finance guys in the room should do it, but if you just take a swag look, MoneyPak alone was down something like $50 million to $60 million including transaction fees and ecosystem.

We have the growing number of free reloads which is another blow to our legacy revenue year-over-year from that Walmart fee plan and that has been, as you know, a two-year event. So we have had to absorb, oh my gosh, $70 million, $80 million, I guess, between all that and we still grew double digits but only because we bought some good companies. With no synergies, that was just sort of the naked run rate as you buy those companies.

As we are able to generate synergies with TPG on the revenue side, and we think that, that could generate some money with the new programs we have there. And we look at the new initiatives we think we can make that growth rate but I would have to assume that given those, the size of those losses, I'm sure that we would be flat or down a little bit on, just on legacy year-over-year. So the acquisitions, really, is what allowed us to achieve that growth rate.

Matt Lipton - *Autonomous Research LLP - Analyst*

That is helpful. I will leave it there, guys. Thank you so much.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

You bet. We can be more precise -- and I apologize I don't have the numbers in front of me, but certainly we could be more precise on other calls. You can submit some questions to Chris or Mark and get a better answer.

Operator

(Operator Instructions)

The next question comes from Tien-tsin Huang of JPMorgan. Please go ahead.

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Tien-tsin Huang - *JPMorgan - Analyst*

Good afternoon. Just on the Walmart question there, it looked like it took a little bit of a step back, just curious how that, like I always ask, performing versus plan. Is there visibility there? I get the knock on effects from MoneyPak but are there plans to do anything specific there, post the renewal, to revive growth?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

The answer is yes. A lot. And, Tien-tsin, that's what I alluded to in the prepared remarks. We have taken our business and have taken very specific concrete steps, really of historic proportions in the Company.

In terms of new products, the way we design our fee plans, the value of the product in terms of our customers adopt to it. The way we are merchandising it, the way we focus people on it, the Steve Harvey relationship which has done well for us and will continue to. And the plans there.

Our new online businesses and the synergies that we have created between account now achieved and what was the existing Green Dot online business. And so every part of our legacy business is entirely new for next year. Specifically with the goal of stopping the loss, getting the train to move in the other direction, but you know portfolios are hard to move overnight.

They're, I always like it and if you picture the visualization of a long train that takes a long time to go from 90 miles an hour back down to 50 miles an hour. And when you release the break and you put the gas on, its going to take a while to get back up to 90 miles an hour.

It's a very big machine and we have millions and millions of customers who comprise that train. Old customers, new customers, evolving customers, ones-and-dones who contribute nothing, maybe even negative margins and then you have direct deposit who are very profitable and all these people are in the train.

So the answer is what we have done is look at each part of our business and made sure that each part of our legacy business has very specific and achievable concrete initiatives to make sure that we can stop the losses, or the declines I should say, not losses, but declines and then reverse that train to start picking up growth and speed. We have a pretty good feel that we can do that and I'm excited to have them on the shelf for investors and analysts to see them.

I think you all be impressed with them and we think the results will be impressive. There's always risk with new products but we feel really good about all of that for each of our legacy divisions.

And then to the extent that there's other initiatives that are not part of legacy, we haven't really talked about them today in this call, but we're focused for sure on fixing that legacy decline rate, no question about it. Including Walmart and everywhere else.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. My only other question is just around the revenue synergies, you guys called out on TPG. Anything else you could share there, I saw the tax refund program and the details there but do you have, how hard is it to get those partners to turn something like that on, to actually advertise it, educate the market to choose that as their funding source?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

We have the pre-fund program, is that what you're alluding to.

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Tien-tsin Huang - *JPMorgan - Analyst*

-- on the website.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Okay, very good. You are very good at looking at that stuff. So, I wasn't sure if that was out there. So you have the pre-fund, which we think will have good adoption, we have taken a very conservative swag of what that might be.

For those of you who haven't done as much work as Tien-tsin has done, that's a program where if you are a TPG tax client, in other words your processing tax refunds through TPG, you can now also opt to offer your customer a Green Dot prepaid card account to receive your tax refund and then there'll be a way for you to get some money to spend right away as you leave the tax preparer's office.

It's similar to what H&R Block has done for years, or in a different way Jackson Hewitt has done. But for the independent pro-channel they have not ever had access to a name brand like Green Dot or the ability or the capital to do those kinds of programs.

Our TPG division did a very good job, Bill Maher and his team and the leadership in that division putting together a program that is very attractive to the tax preparers, also called EROs, that use TPG as a software. The goal is to get more folks in the tax-preparation community choosing TPG as their processor and at the same time issue Green Dot accounts where last year we have none, to get those tax refunds.

And it could be a really good program and then there are others as well that have not yet been announced and we will talk about those in January.

But between the cost synergies of putting some of that business in the Green Dot Bank whereas today TPG is paying third-party banks and then the revenue synergies of having Green Dot accounts issued to receive tax refunds, some of that theory that we had when we first bought the Company will begin to play out now in Q1. We will have to see how big it can get and if it works, the improvements we can make to make it bigger year-over-year going forward.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. I know I said that was my last question but just a follow-up on that, is there a way for us to size that, Steve and team? What percent of your, of all the tax filings do you have agreements with the EROs to offer this as an option?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Is there a way to size it? Yes. Is there a way I'm going to tell you how to size it? Probably not. Let it be a nice surprise and the reason is it is our first year doing it.

I can tell you that there are seven distribution partners who exist in the US who do tax software distribution, if you will, and five of them have integrated with TPG to make the software so it's five of the seven. And five of the seven represent I'm going to guess 10,000 independent EROs around the country. How many will actually adopt the Green Dot program?

How many will offer their customers? Will the customer take it or not take it? That we will need to learn.

TPG has estimates, they have 25 years of doing this and they have a better sense of it than I do. But whatever they have guessed, we have taken it and cut it by a lot and we will see where it goes. But it could be a nice surprise and at the very least we are excited about the opportunity to enter that market in a real way.

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Tien-tsin Huang - *JPMorgan - Analyst*

Cool. Thank you.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

You bet, Tien-tsin, thank you.

Operator

Our final question for today comes from Andrew Jeffrey of SunTrust. Please go ahead.

Oscar Turner - *SunTrust Robinson Humphrey - Analyst*

Good afternoon. This is Oscar Turner on for Andrew. Just wondering if you guys could talk about the -- (multiple speakers).

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

I'm sorry, go ahead, I didn't hear what you said. Say it again.

Oscar Turner - *SunTrust Robinson Humphrey - Analyst*

I was just wondering if you can talk about the competitive environment within the GPR card market and perhaps any color on how that is shaping your outlook for next year. I know you guys mentioned the new MoneyPak product will becoming next year but, just trying to figure out how much the environment could affect its performance versus the old money card product. And I know that you mentioned that you might have lost your customers but also it may be that it is a tougher environment. So --

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Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Just to be clear, I know what you meant, but just because these transcripts will be read by others going forward. You are referring to the MoneyPak, the cash transfer product not the money card, the Walmart GPR product right?

Oscar Turner - *SunTrust Robinson Humphrey - Analyst*

Correct.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Okay. So the answer is that, the competitive marketplace really would impact MoneyPak, the cash transfer product because there's nothing else like it in the market at any size and scale. And when we pulled it, our competitor pulled it as well, a private company called InComm, they pulled theirs, we pulled ours, because both of us were having the same identical issue with it.

So there's nothing else like it. When we bring it back, we'll do our best to promote it properly and regenerate its active customer base, but we have very little programmed in terms of revenue for it next year. On the other side of the question, on the GPR side, we expect the competitive environment to get better not worse.

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The reason we say that is, pretty much everybody and their great-aunt, launched a GPR program, say starting in 2013 or late 2012 even. And, so if you think about a rack, where Green Dot, up until the end of 2012, was the only product on the rack. American Express came out with two or three products and promoted it heavily, as you know.

InComm has their products. And, NetSpend put their products into retail and they've done a good job in getting it out to a lot of retailers. Oh my gosh, I'm missing some. There's two or three more I'm missing that I'd have to think about. But you have a full rack of all these products.

It's really a sea of colors when you go up to the prepaid rack. But now you fast-forward 1.5 years, 2 years later, Chase is gone out of the market. Very respectfully though, American Express is a great company, the products have not sold. They are at the bottom of the rack generally.

There's no leadership running it. I think it's fair to say that most people in the industry view that division as, if not done, generally done. At least on the pre-paid side. And so that, we are not seeing that increase any more in terms of competitive pressure against Green Dot. Everyone who is out there is out there. So the question is, will our new product sell better? We hope they will.

But all of those products together did hurt our growth rate. If you think about all those six products, seven products, eight products together, plus all the banks, including your own. Right? Everybody had a prepaid product that launched. We think it probably ate between 10% and 12%, 10% to 15% of Green Dot's thunder, if you will, that could have been growth or could have been ecosystem.

So you think of every product, we're outselling 7-to-1, 12-to-1, 16-to-1, 8-to-1. Those are all great victories but combined, it still does eat away some of your froth in the growth metrics. And that has not helped us for sure.

But as you go forward in the next year there is no more new competitors coming out. Most of the competitors who have big launches have run away and licked their wounds and you're going to be left with Green Dot, with NetSpend. InComm will have their non-reloadable products that have been out there for many years and that's pretty much it.

AmEx will have products here, but they are what they are. So I don't see the competitive landscape getting worse. I see it getting better.

I also want to point one note out. I know there was a lot of speculation earlier on about price compression and, oh my gosh, American Express' products are free and, not anymore, and for those of you who aren't aware of it, American Express announced that their new monthly fee on their prepaid card is either $4.95 or $5.95. And gone are the days of the free prepaid cards.

So I think that shows you where price compression went. It's actually been an era price expansion in some ways. I do think that as time has gone by we have learned, our lot competitors have learned a lot.

Green Dot is here to stay. I think NetSpend is here to stay. InComm will have their niche product but that's pretty much all she wrote. And so I do think we'll see some stabilization of that next year.

Oscar Turner - *SunTrust Robinson Humphrey - Analyst*

Thank you.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

You bet. I think that is all we have in queue. I'm sorry, operator. Go ahead, do your thing.

Operator

That's pretty much all I was going to say. I was going to give it back to you.

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Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Okay. Very good, Thank you all for listening, we appreciate it. We'll have our formal guidance in Q4 and as we have more details on our initiatives we'll let you know. Thank you all for listening and have a great day.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

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