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GDOT - Green Dot Corp at Credit Suisse Group Financial Services Forum

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PRESENTATION

George Mihalos - *Credit Suisse - Analyst*

Okay. I think we're ready to begin with our next presentation. We are very very pleased to welcome Green Dot to the Credit Suisse Financial Services Conference. And we do have with us today, Green Dot's founder and CEO, Steve Streit; and he's also joined on stage with the Head of IR, Chris Mammone. And I think Steve will go through a brief presentation and we'll head right into Q&A from there. So with that, Steve, with no further ado.

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

Thank you very much. And I know we have not a huge room here, but I'll definitely time for Q&A because that's always the more interesting part, but I'll share with you some prepared comments. And just by a show of hands, how many people are familiar with Green Dot versus brand new to the story. If you're familiar with the story, can you raise your hand? So, maybe half and half. So, we'll go through this and then I'll leave plenty of time for Q&A. So, we say Today's Green Dot because the Company's evolved quite a bit since our IPO back in 2000. And that's our Safe Harbor language and let's go into this.

Our mission as a company is to reinvent personal banking for the masses and we define the masses as American families earning less than $75,000 a year and that includes people who are unbanked and underbanked and unhappily banked meaning you have a checking account and suddenly you just don't like it. You're new to banking, maybe a college student going to school for the first time or a millennial meaning that you're looking for something more modern or more transactional. Green Dot has a compelling opportunity we think for investors because we're a strong, diversified, profitable, and growing technology centric branchless bank. You hear a lot of talks about branchless banking and what does that mean and Green Dot today is doing it. We view ourselves as the bank of today's America, which is providing award-winning, foundational banking solutions to consumers in that $75,000 a year and under household, which is a big part of the US; it's 60% some odd of the entire country so this is no small niche; it's a big, big niche.

Households under $50,000 is half the country. We have an enterprise-scale vertically integrated platform so we can acquire customers and service them efficiently. We're a pro consumer company and we're very well known for that. That's aligned with our customers, our regulators, and consumer advocates. We have an iconic brand name. The Green Dot brand name is literally a kitchen table brand name in millions of American households with improving customer preference and pricing power. We have massive distribution of our products; we're in about 100,000 retailers, we're in check cashing stores, we're in tax preparation offices, and we're in the app stores and online. We have a diversified revenue platform, and this is a big deal for those who know the history of the Company, with no one program representing greater than 15% of earnings or 30% of revenue.

The reason is at our IPO in 2010, our biggest program what is then and still is now, the Walmart MoneyCard program and at our IPO and up until the last couple of years, that represented; oh gosh I forget at the IPO; but it had to be 60% some odd of our revenue and maybe a higher percentage based on the scale of the Green Dot brand at that point in time, maybe even a higher percentage of our EBITDA. So, that's been tremendous diversification over those years. And our Company is growing at a double-digit pace, you can see our CAGR both historically going back to the IPO in 2010 and our CAGR being forecast into 2015 and that makes us one of both in history and in the future one of the fastest growing companies in payments. I'll talk about our revenue platform so people understand how we think of it. We're growing, we're mostly recurring, and increasingly diverse; and that's been a big theme for our Company is to grow and diversify.

Revenue generated from our base of reloading prepaid customers and from our cash processing services have historically comprised about 70% to 75% of our business. This coming year, that recurring part of our business is about 80% of our operating revenue. The remaining revenues generally come from new customers that we onboard in the course of a given year, newly introduced products like a GoBank checking account, or acquisitions that we make in any given year. Our legacy revenue streams in aggregate grow organically in the single-digits so we have to support that growth and get that higher growth through acquisitions and other parts of our business. Our revenue streams from the new products grow fast of course, but they represent a smaller part and that's fairly typical of most companies. Let's see what's on the page that is of interest.

We talked about our revenue concentration being approved over various years and we can go back and ask questions as we go. Our model generates a significant amount of what we call net cash provided through operating activities or retained earnings or whatever phrase you want to use. We generate a lot of cash, about $130 million or so expected to be generated in this year 2015, and we have more often used that cash to buy accretive acquisitions. That's been helpful to us. That's a big reason for growth this year. The industry in prepaid has consolidated quite a bit and as the biggest in that space, we've been able to take advantage of consolidation at highly preferred pricing. We bought TPG, which makes us the largest processor of tax refunds in the United States, and the customers who use those services are the same exact customers that we are appealing to with our other checking accounts and prepaid card.

So, that's what we've done with our cash. Down the road we look to make other accretive acquisitions as we find them, they're not always easy to find. That cash could be used to fund a major growth initiative if we have that opportunity or stock repurchases and stock repurchase as a bank holding company would require regulatory approval. Our sources of revenue fall into four buckets and that is branded deposit account programs, private label programs, processing and settlement services, and banking services; and each has its own characteristics and we'll talk a little bit about. First, our branded deposit account programs is our Green Dot brand products; it's our gift cards, it's our GoBank branded checking account, it's our affinity branded accounts like NASCAR and those kind of things. The estimated percentage of revenue this year from that of our non-GAAP total operating revenues will be about 40% of our business.

The breakdown is we get 60% of that from retailers, the Rite Aids and Walgreens and CVSs and 7-Elevens of the world; 30% comes from Green Dot Direct and we've made some good acquisitions in that space and that's direct to consumer acquisitions, direct mail, online, that type of thing; and then 10% comes from our new channel in the financial service center arena, which is check cashing stores. Our three-year growth opportunities in this channel is continued expansion meaning we're selling more products in those channels. Greenfield expansion into new channels; we love to be in the education field, we love to be in tax disbursement, payroll, the small business, and other verticals we look at. And then higher lifetime revenue per account derived from higher spends and longer retention and if you've tracked the Company over time, you know that each quarter we continue to have benefited from more increased usage, more direct deposit enrollment, and so forth.

Private label is any program that is not the branded. Today, there's only one private label program and that's Walmart and the Walmart MoneyCard program and that's about 30% of our total operating revenues that we talked about earlier. Three-year growth opportunities in the private label channel is number one, anyone who looks at the Company knows that the most often asked about component is will Walmart renew, will they not renew; if they do they do renew, at what rev share will they renew; if they do renew at that rev share, what happens to fees to A, B, and C over time. And there is clearly always uncertainty in that until that contract is renewed or not and we'll know that prior to January 1. It was set to expire in May and it had a short seven month extension and we'll see what happens, but that's the most often asked about question on the Company.

So, we have some opportunities for growth. One is we want to do other private label programs. We think we're really good at it, we have the great assets for it meaning a bank and our technology and would love to find others. Within Walmart, we have these opportunities here. Better merchandising and supply chain controls; more aggressive in-store marketing; expand distribution in the new Walmart neighborhood market locations which are fabulous stores if you're in a city that has them, they're really very clean and elegant stores and we have displays in those stores; and also higher lifetime revenue per account, which has been growing on the Walmart portfolio as well. Processing and settlement is two lines of businesses. It's our new tax refund processing line which is TPG, the acquisition we made last year, and it's our cash reload business, which is called the Green Dot Network.

In the cash part of our business, you can reload your prepaid card with a swipe meaning you go to the cashier and you say hey, would you please add $100 in my account and you pay a fee on top of that and the cashier will take your card and swipe it and can tell you the money automatically loaded to your account. That's called the swipe reload. We do also a percentage of our reloads with a product called the MoneyPak, which is a cardboard deposit slip for lack of a better word. We've been talking about for a year-and-a-half that MoneyPak, MoneyPak PIN is what it's called because it has like a lottery ticket number on the back, we talked about it is going to be removed from store shelves, it is now gone. We had a lot of retailers pull it in Q4, we had a lot more pull it in January, and then Green Dot technologically disabled the sales.

In other words even if it's on the rack of a Walgreens or whatever because in retail it's not always precise, it's still will not ring up. So, MoneyPak is officially done and what was a really awesome invention years ago and became popular is now a part of the history of the prepaid industry. But there is no more the MoneyPak PIN product and our competitors have taken down some of the products as well. The reason is there is third-party fraud that in case of Green Dot, we just didn't feel like we could control, and the product was just too prone to that kind of abuse and we decided to get rid of it. And so that's a headwind this year that we publicized fairly broadly. It's hard to note what the headwind is with precision because it depends on what you believe for behavior of cashiers at retail store, what you believe as consumers, and how they adopt new methods in doing what they've done, and so we'll find out.

We've guessed between $10 million and $40 million, which would translate to as much as $10 million in EBITDA. We've tried to disclose often on every page, but that is our best guess based on what we believe behavior will be. We don't know. We know the minimum, we know that at least it will be $10 million, that we know. We don't know what the maximum will be and we think $40 million encompasses all the known bads, but we'll find out over time and we'll update you as we learn more, but that's the MoneyPak story. So this particular part of our Company has that headwind, which we've discussed that fairly broadly. And our final part of the business is banking services, we are at the end of the day a bank. We are a bank holding company, we didn't start out that way. We started out as an entrepreneurial standalone program manager that used other banks to issue our products and services.

As we became bigger and more successful, it occurred to us that as regulation changed over the years, as risk profiles changed for companies that rely on third-party banks, as capital requirements for banks change, and all that; that rather than pretending we're a bank, we should become a bank and we took the step of doing that. It was a four-year process, it was an expensive and time consuming process; but we love being a bank holding company, it allows us to serve our customers directly. It's a great risk mitigator for our business in the public markets as an enterprise and it allows us to develop other products that our customers can use that go way beyond prepaid cards, GoBank being the most talked about product. Last year, it was the most highly covered product in the banking industry period with regard to Green Dot.

And we think we have an opportunity with other lines of business including a product that's been around longer than any one of you in the audience as I look around and that's called the secured credit card and the secured credit card has been around forever, 40 years or something like that. But it's very popular with low income people because it's a way to get on the path to a better credit score if you have a bad one, it's how to get a credit score through what's called [FIN5] meaning you don't have a score. And we would love the opportunity to do a really pro-consumer, which is our thing. We have a quote we used about us, which I thought was funny, was we were pro-consumer before pro-consumer was cool long before the CFPB and everything else. But we think we have opportunity to make a really highly pro-consumer secured credit product that could be very helpful to our section of America and we may have an opportunity with an unsecured line of credit.

But when you're underwriting unsecured credit, you have to be very careful in any demographic and in our segment of America, we need to be especially careful. So, we think we have an opportunity there. That would require regulatory approval, we don't have that today. This is indicative of things we think we can do with our bank's ever-ballooning balance sheet and I wanted to give the public markets an opportunity to understand our thinking. But to be clear, that's always the result of a thoughtful dialog with our regulators and we would never want to presuppose their decision. And then our summary page is take a fresh look at Today's Green Dot. Today, we are much larger and a much more highly diversified company than we were at our IPO in 2010. Today, no program representing more than 30% of our non-GAAP operating revenues, 80% of our revenues are highly predictable and recurring in nature, we have now numerous products and services not just one and they all target that part of the country that is growing.

Green Dot is a proven survivor that has emerged the undisputed champion of prepaid and a top consumer brand name for financial services. It's easy to say today, but that was not a given as recently as 2012. We had a rapid stock decay when we announced ahead of time that Chase and American Express and others were all going to enter the prepaid market with ferocity. They did that. The marketing spend was unprecedented. Chase had a huge campaign with Chase Liquid, they did a beautiful job on the product and the launch. American Express came out with Bluebird at Walmart and took away half of our shelf space or better and Serve came in at all other retailers, an American Express product, and they are essentially free. So, that was a scary time for the Company. The consumer reacted by buying more Green Dot products without us changing our fee schedule.

But to be fair, nobody could have predicted that in the public markets and I, as the guy who invented the industry, could not have predicted that. So, it was a wonderful blessing to see how many years of faithfully serving the segment of your customer base, they rewarded you by being loyal to your company and that was a nice finding, but it was not obvious to us back in 2012. We're not just a program manager today. Today's Green Dot is a high-tech, data-rich bank holding company with massive national distribution making us well positioned for the coming age of the branchless bank. You hear it talked about a lot at the (inaudible) today. Many key investor concerns and overhangs have been resolved or substantially mitigated over those years. It wasn't that long ago that every conference would have been about what we'll have next to review, what will price compression do, what will the CFPB and new regulation and how would that impact your business.

And those questions don't really come up in large numbers anymore. People see that what they have is what they get and I think we've done a good job of diversification and risk mitigation in general, which is important to us as a bank holding company. And lastly, historic double-digit CAGR since the IPO and forecasted double-digit growth in the next year has made us without regard to the rocky and turbulent stock price over the years. The Company has performed remarkably stable and has grown fairly consistently and so we're one of the leaders in terms of growth in the FinTech and banking segment. Our outlook for 2015. This is a similar slide to what we gave on our earnings call, but we juiced it up with a little bit of more incremental information to be helpful. So, our non-GAAP total operating revenues is forecast to be $720 million to $780 million. That's a big range.

Normally as you know, our ranges are never that big; but with MoneyPak being $10 million to $40 million, we had figure out a way to [draw] that in in a way that encompassed all outcomes and that's why you see that broad range. You see the growth is fairly strong at the midpoint year-over-year. About 30% of our revenue or about $225 million at the midpoint is what we're forecasting for Q1. We know there are some analysts that look to consensus that are higher than that. We're not higher than that in our model because again you have this MoneyPak impact and the worst part about the $40 million projected maximum impact would happen in Q1 and Q2 because that's when the behavior is changing. You think of for years you've gotten off at the same exit off at I-95 to go home and that exit is now being changed and you have to exit off a different one.

The first few times is going to confuse you, right. So, your most opportunity for a confusion is when those changes are first made. So, we want to make sure that the market doesn't get ahead of us and that's why we've tried to be very granular and precise with our financial guidance, we don't want people to have to guess . Adjusted EBITDA $150 million to $170 million, that makes the midpoint $160 million and you see about 21% growth rate expectation. We said on the call that about 40% of that or about $64 million would come in Q1 and again the heaviest part of MoneyPak would be in Q1. So to the extent that you're looking at your models, I'm telling you what our models are and we try to know our business as well as we can. Our non-GAAP EPS, we wanted to give you a sense of how to build that because in the past, being very honest and transparent with you guys today, we've often missed based on what I call the plumbing of the financials, but that is average share count.

Oh, I forgot they bought that company or this kind of thing or tax rate. Oh, I thought the tax rate was x when in fact R&D credits applied here, but not there. So, we wanted to be very transparent here so you can build your models and track along with the Company. You see that for the full year we're looking at about $43 million in D&A that will be taken out of EPS, our tax rate for the full-year is about 36.5%, and our diluted share count for the full year will be about 55 million shares with all the acquisitions. But for Q1, we wanted to make sure you have the Q1 number. D&A will be about $10 million for the quarter pre-tax, our tax rate is higher because R&D tax credits happen later in the year so we're budgeting and planning for a 38% tax rate in Q1, and our diluted share count will be 53.5 million.

When you buy companies and add shares, the shares have a weighted average over the time of the quarters, but we wanted to make sure you had all those inputs so you did not need to guess at the plumbing. These we can talk about maybe, George, in the Q&A. If you have questions, we can talk about it. We wanted to make sure that investors have the bridge of how we got especially on the EBITDA side of $132 million, which is where we exited 2014 through our midpoint guidance of $160 million in 2015. The Street had us way higher and the reason is that the Street wasn't able to size MoneyPak. We weren't able to do the research and announce it during our quiet period so we told everyone we'd announce it in the Q4 call, which is what we did, but there are some guesses on that. And then also, there was no way for the Street to understand the impact of the Walmart fee changes into our EBITDA.

Everybody knows we're down year-over-year with Walmart and that's a fairly common topic of our earnings calls and in analyst reports, but it was not obvious to anyone building a model without this information of how the fee differences in Walmart impacted the EBITDA on that account so significantly. So, we're not a segment reporter. We've never in our history disclosed EBITDA on the private label part of our business. So without us disclosing it, there'd just be no way that intuitively somebody can build a model with any accuracy. So we wanted to get that out there to make sure that, again, Wall Street was tracking with the Company's internal diagnostics and issued those grid slides, which I think that we were told they're fairly helpful and gotten really nice positive comments. So, we can talk about that if you want during the Q&A part and that is our presentation. So with that, George, we'll hand it off to you.

QUESTIONS AND ANSWERS

George Mihalos - *Credit Suisse - Analyst*

I'll kick it off. Let's start on the strategic side and then we could go right into the numbers after that if you don't mind. You mentioned back in 2010 you were a prepaid program manager with five customers and I think over 80% of revenue. If you look at the business now, you're more diversified, you're actually a bank holding company. What are some of the benefits of owning a bank beyond just some of the regulatory certainty that you talked about, maybe cost synergies, and also revenue opportunities by owning the bank compared to your competitors?

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

So, there are certain advantages to owning a bank. Some of those advantages are in competitive situations. We are the bank, we're not reliant on third-party banks and when we meet with a large enterprise level client, whoever that maybe and we meet with a lot of them; you are talking to the bank, you're talking to the regulated entity, and that's a huge competitive advantage with programs that are large and want to make sure that they have a direct access to their regulatory authority. It's a great risk mitigator. If you look at the challenges, and I'll get to the financial stuff later, but this is important stuff. If you look at the challenges that our competitors have had in prepaid where they've had to go to three and four and five banks as they've had to move from one bank to the next. If you look at the challenges that folks in the educational space have had with regulatory challenges.

If you looked at what's happening with Bancorp and MetaBank who are wonderful banks and good people, but if you look at the headwinds of those or Synovus back a few years ago with that issue of prepaid. The fact is that being a non-bank, what are called BIN sponsored bank, is risky business and it's hard at least for my risk temperament to put an entire public company on top of a tiny community bank that may or may not be there down the road, it's a scary thing. So we think it has great risk mitigation benefits, we think it has great competitive damages in the market. We now know the consumer and the financial side, we are able to roll out products other than a prepaid card. We're not just a program manager.

GoBank, which has won so many awards and is such a cool checking account, and if any of you aren't using it, literally as I'm talking you can download that from the Apple App Store; if you have an android go to the Google Play app store; and in the next four minutes you could have opened a fully FDIC-insured checking account without having left your mobile phone and I encourage you to do that. That is cool, nobody else can do that in American banking. The app is working beautifully, the retention is awesome, we've given some of that color in our earnings call. You could not have done that as a prepaid program manager. That takes a lot of risk mitigation, a tremendous amount of technology, and the ability to get approvals along the way to do that kind of onboarding of a customer on a mobile phone, which Chase and BofA, those guys don't do. So, that's kind of an example of that.

And next we have an opportunity although it requires as I said regulatory approval and we have such respect for our regulators. They are wonderful people as individuals; as regulatory bodies, they have an important role to play and that is safety and soundness in the financial system, consumer compliance, and the rest. So, we never presupposes any decisions. But if we're able to get approval to do lending, which we were not allowed to do in the first [two] years of our business plan, and if we're able to get that order lifted; the opportunity to do a secured credit card or an unsecured line for those who we can underwrite using our unique data that we have on our customers is a huge competitive advantage. We have, depending on the quarter, $800 million to $1 billion in deposits at the bank. Some percentage of that is a stable ongoing deposit base that you could bank on, no pun intended, and some percentage of that if we can lend really will juice the ability to make money off of the deposit in the Bank.

Today, the only investors in [all the] fed funds maybe will make, I don't know what the number is, but 30 basis points a year. Nobody gets rich doing that, but we've been a very safe conservative bank. As we look forward, if we can get that opportunity, that's a wonderful add-on and now we can start using the bank's power to develop other products on the other side of the balance sheet whereas today we're largely just a depository. We lend today, but only in the Provo community. Green Dot Bank's a real bank, it has drive through tellers and lollipops for the kids and whatnot, but we only lend in the Provo community. On a nationwide scale, we are deposit takers exclusively. So that's a real opportunity for us and if we can do that, that will be great. Other than lending, also we can see opportunity to invest those balances in things besides very safe, but will yield securities would be a plus as well.

George Mihalos - *Credit Suisse - Analyst*

When do you think you could potentially get into lending, sort of best case?

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

I hate to get too granular because those conversations go on. But our goal would be to have a product in the market this year for sure. Doesn't mean we'd make a lot of money this year, we have zero baked into our model for anything speculative. When we do our forecast, as you can see in the bridge slide, we actually pad to get to that midpoint and now that it is public. Normally we've never shared that internal FP&A document externally, but we wanted to share it to make sure that everyone was tracking with us. But any [perspective] that we put into that model, that would be gravy. We don't have anything built in, but our goal would be to have a product that's credible in the market and then that will be more of a 2016 event in terms of revenue (inaudible).

George Mihalos - *Credit Suisse - Analyst*

Okay. Shifting a little bit to regulation and CFPB proposed rule came out in November, I think the comment period ends this month if I'm not mistaken. Your take on what the CFPB is doing and the role that you played in perhaps liaising with them and helping to shape the ruling that that they came out with?

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

The CFPB and I know it's a controversial regulatory body, we get that. In our world view, they're actually one of the better regulators we work with and they have reached out not just to Green Dot, but to all industry participants. I don't think I've ever seen, to give credit to Director Cordray, a regulatory body that has done as much as they've done to reach out to the industry. They do all these field hearings, they do all these outreach with the bank CEOs and CFOs, they've requested a lot of data. So, they are a very accessible regulatory body. We were asked to comment, I'm quite sure that NetSpend and everybody else was asked to comment, and we have been fairly vocal over many years of being vibrantly pro-consumer. We think that gives our Bank and our brand name a [hue] and a permission with that customer that other banks don't have if you're not pro-consumer.

And so we have urged the CFPB to make overdraft fees not allowable, we're supportive of that; we've urged them to have regulation that forces clear disclosure and we're supportive of that. So at the CFPB event in Delaware where they announced these rules, I gave a speech on the stage that day with the CFPB and I was proud to do it and we also had representative from Visa and a number of consumer advocates. And it was a proud moment for a guy who invented that industry and that product to see it become so big in such a huge ecosystem that it has to have its own regulatory body and in a strange way it's actually kind of cool. But we're very supportive of what the CFPB is doing. We think one, they're on the right track and ultimately for this part of the industry to grow, it has to have a well regulated and well understood rule making ecosystem otherwise you're going to have players all over the deck and that's not good for the industry.

George Mihalos - *Credit Suisse - Analyst*

And to be clear, no material impact to the Green Dot?

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

That's right. Yes, thank you for asking. If you look at the ANPR, the Announced Notice of Public Rule Making, that is the most severe. What this means is that the regulators communicating to the public hey, this is our most severe take on what might happen and there's a comment period. The comments are debated and the rules may become less severe or not depending on those comments, but they don't become more severe. In its most severe form, Green Dot is already in full compliance or any part of the compliance would have impact with every aspect. We don't have overdraft fees, we've always been a proponent of strong disclosures, and so forth. So the answer is no, there's no impact from that rule making on Green Dot's business model.

George Mihalos - *Credit Suisse - Analyst*

Steve, one more high level question and then we can start digging into the numbers. But the migration to EMV chip cards here in the US, what does that mean to the prepaid space and what does that mean for Green Dot?

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

So, ultimately all debit card issuers including Green Dot Bank and all banks issuing debit and credit will be EMV chip. The roadmap generally calls for credit to go first, there's more risk on credit, debit to come later. Green Dot's roadmap would have that beginning in 2016 as you roll that out and that process is becoming more well understood, how you buy the chips and manufacture the cards is becoming more understood. Those products have kind of been out there, but nobody really paid attention to them until the Target data breach and the resulting outcry forced a lot of folks to focus on that appropriately. And Target, to give credit to Target, also led the way on that because it was very hard to defend not having a need for better security on MAKStripe infrastructure.

And so, we like every other bank will have some burden of cost. Is that a huge material cost? No, we don't think so. It's an incremental, I forget the number, I actually disclosed it at a conference last year; but I want to say it was something like an incremental $0.50 to $0.75 per account one-time as you issue that card. So it's not going to kill you or make or break your day one way or the other, but we will absolutely be EMV chip enabled as will all banks as you roll forward over three years. Until then there's a liability shift that happens so that's the network's way of incentivizing banks to get on the band wagon and the retailers to get on the bandwagon sooner than later and we'll be on that bandwagon along with all others.

George Mihalos - *Credit Suisse - Analyst*

Let's shift to the numbers a little bit and we'll start with the discontinuation of the MoneyPak PIN product. The range of $10 million to $40 million of impact, what are you implying in sort of the best case scenario versus the worst case? What are you thinking about?

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

The best case was easier to figure out because there were certain applications for MoneyPak PIN that we knew would go away. Adding money to for example an off-track betting account in New York for example New York State, or paying a DirecTV bill or just kind of loading cash to a PayPal account is a product that we're using, we're going to still do that in another form. But these are all things that could only be done with a MoneyPak PIN so we knew that the easiest case was easy to model, that was that $10 million best case. We knew it that way. The harder part to model is what is the worst case because it depends on human behavior. We had some models we then looked at. MoneyPak was removed from the shelves of Walmart almost a year ago and we can look at what happened in Walmart after we killed it in April of 2014.

And we saw a dip as cashiers had to figure out oh, what are we doing and as customers said well, it says do this; well, I don't know or she didn't know and you go through that. And you're dealing with human beings, cashiers and customers, who are changing a process that's been well entrenched for [15] years. Now having said that, even before we removed MoneyPak PIN, the majority of our reloads are already done with swipe so it isn't like a foreign process, but it is new for some people. And as you know when things change, it takes people time to [activate]. So what we're trying to calculate is okay, what is the behavioral impact with the cashier not knowing what to do, with the customer not knowing what to do? Does that mean people won't reload and so forth? The other part of that is 100% of the fraud associated with this PIN industry not just with our product, but with products from our competitors, 100% of the fraud lives in that segment that you're getting rid of.

That's a benefit on cost, risk management, refunds, chargebacks, regulatory concerns; all that goes away, which is a really good thing to go away. That's a lot of (inaudible) noise that we don't like or want. We don't want customers certainly to be harmed, even non-customers to be harmed by buying a product that was induced by a con artist. Those are all good things about MoneyPak PIN going away and our estimate of $40 million is different teams in the Company saying what if this percentage gets confused, what if this much is fraud. But you don't know until we've tried to really highlight on every page including our guidance page that hey, this is a really good educated guess, but you don't know and we'll keep folks updated and it could be more than $40 million or less. Right now we think we're in the ballpark, but we just don't know.

George Mihalos - *Credit Suisse - Analyst*

There are some other one-time expenses that are unexpected to repeat going forward beyond 2015, can you elaborate on those? Those are weighing down on the margin this year, but others should be out going forward giving a sort of a normalized margin. One-time expenses, the $6 million charge there.

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

So in 2014, we had a benefit of fees that were locked up into this fee bucket that came unlocked in a one-time occurrence and so we took a one-time credit of $6 million in Q1 of 2014 and we disclosed that quite loudly to make sure everybody tracked it.

George Mihalos - *Credit Suisse - Analyst*

But that's a one-time credit so it's not part of your operating model and therefore that will not repeat year-over-year, right? So that's a $6 million deficit you're building back, I think that's what you refer when you say the dual processor, right?

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

Yes. We have another one, which is our dual processor. So, we've talked about that we've been investing some time on changing processors. Today we're on TSYS and they are a fine company and have been with us for 15 years in our company since we started back when the Company was still in my house. So we've been on them a long time, but we did disclose a year or two ago that we were building our own capability and looking for a new processor. We are doing that new processor migration. While the new processor's coming up and the old processor is going down, you're paying both during that transition. So if you were to picture that chart and draw a circle where the two intersect, that circle is that $6 million or $5.5 million, whatever it is of one-time overpayment if you will. So, that's a headwind.

We also have a buffer there, we call it SG&A for new initiatives and there's $8 million bucket. That's called Steve's secret pad. That's not part of our public disclosure. You always want to have dry powder for hiring if you have a big account that you win or a new initiative. In other words, you don't want to have to reguide in an effort to grow and roll out a new account. You also want some room for error because if there's nothing we haven't learned than this is in a developing industry, there's always the opportunity for something to go bump in the night. Walmart sales do this, this one did this, this happened over here. You always want some pad and so that's part of that $8 million pad on top of our normal SG&A. So, I think those are the three call outs. My eyes aren't good enough to see the bridge. But were those the three call outs you're referring to?

George Mihalos - *Credit Suisse - Analyst*

Yes, exactly right. Maybe you could spend a few minutes talking about the TPG acquisition sort of tangential to your business, a little bit about the growth rate, your potential to accelerate it, and how it sort of fits into your overall Green Dot model?

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

TPG was one of these hidden gems that frankly if I hadn't been friends with a guy who was friends with a guy who knew a guy, I wouldn't have known about it because the company was not obvious at first plus it's not a household brand name. And we met for a lunch that was arranged through a friend not through a banker, just a little acquaintance, and it was owned by a private equity firm that had owned it for four or five years or three or four years and the entrepreneur was looking for a change of pace and it just became available. TPG is a tax refund processor, that's what they do. They're not a consumer brand, if you will, but they are the embedded technology into the Jackson Hewitt, Liberty, Intuit TurboTax tax refund processing mechanism. That's the software provider that takes all these billion of dollars from the IRS and then forwards them to a checking account or prepaid account and there's more to it than that, but that's the best definition I can give you.

I can go deeper in it if you want, but that's basically what they do for a living. And what we liked about it is that it was the same customer base, identical. If you're going to Jackson Hewitt or Liberty to do your taxes, I can assure you, you are a Green Dot stand or a customer or you know the brand so the overlay of the customer segments were fabulous. Number two, it's a very high margin business. It's a software-as-a service business with processing margins, which is a nice juxtaposition to our lower margin banking product. And so that provided a great diversification and it's a kind of business that really can only be owned by a bank holding company so there were not a lot of bidders, which meant we could get it for a very preferable price, have great diversity and growth in EBITDA, and have all that. So, that's first thing.

Then you looked at them and say hey guys, what if we can work with our tax partners at Jackson Hewitt and others and say gosh, is there a way that you can sell our product at the time the customer's getting their tax refund. We're already embedded technology processing this refund and you say hey, Mrs. Smith, good news you're going to get a $3,000 tax refund this year and we have a special deal with Green Dot Bank. Oh, I've heard of Green Dot. Yes, you've heard of them and if you open up a Green Dot checking account or bank account or GoBank account and you're willing to put your tax refund on that account, you get a special gift or a prize or an incentive in some way. What a great acquisition channel at the customer's largest financial event of the year. So, we love that opportunity and that will take some time to see if there's any growth there. That would be a revenue synergy we forecast for none of that, but that's a real opportunity. What you see in the bridge slide is TPG naked as it is.

George Mihalos - *Credit Suisse - Analyst*

Why don't we pause and see if there are any questions in the audience before I carry on. Why don't we shift a little bit to capital allocation? Obviously, the primary use of cash you said is accretive acquisitions, acquisitions that benefit the business. But if I'm not mistaken, buybacks actually came up on the call this time around, maybe you could elaborate a little bit on that?

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

Any company should have formal capital allocation discussions. When you're a bank holding company, those become more formal and more documented. And to do that, you need a long-range plan because you need to know what kind of capital you're generating and what you're spending and then you talk about your various uses of capital. Sometimes the best use of capital is nothing depending on what else is happening in the business. But the concept of a share buyback comes up at every meeting that we have at a Board level and every capital allocation meeting. As the largest single shareholder, I bring it up often. We may bring up other things like dividends, these are all things we discuss.

But to win that war, if you will, of what the best use of capital is; you look at the Company's current condition, you look at risks that are coming in the near term. For example, I don't know if we're going to renew Walmart on January 1 of 2016, George doesn't know it, Walmart may not know it. So, these are risks. So you want to say hey, listen, let's make sure that if we're going to spend a dollar, let's spend it on growth and diversification because you can't control the unknown, but you can mitigate the risk of the unknowns by having a larger revenue generating company and a larger EBITDA company and a more diversified company. And we've done a great job of that I think when you look at the progress we made. And then you want to have dry powder for consolidation and other acquisitions and for share buyback.

With a Walmart contract renewal looming and everybody knows that's the overhang on the stock, with that kind of decision in the offing and we don't know a firm decision; it's very difficult for me as the CEO of a bank holding company to feel comfortable hauling off and ploughing a ton of money into a share buyback despite the fact that we think would be highly accretive. We get that, it's not lost on us. But at the same time you look at your ability to accurately look at a three-year model, which today is somewhat limited as it is for you all. You're trying to build a model, but how do you build the model when the company could be this or that in 2016, you're taking bets on where it's going to be.

And so what we're doing is we're saying look, let's continue to generate a lot of cash, which we are doing a great job of; let's continue to grow and diversify, which we're doing a great job of; and let's get past the MoneyPak unknowns. And in a more stable environment where you know Walmart was better or different, you'll know; you'll know MoneyPak was better or different, but you'll know; and it's a lot cleaner environment to make those kinds of capital allocation decisions, if you will. And in the meanwhile as we come across companies that we can buy at very preferred EBITDA multiples, as you look at companies that you can buy that are in your wheelhouse and you can generate a lot of efficiencies out of, well that's less controversial because you're adding to the strength of your business not just back to the cap chart.

But do I like share buybacks? Yes. It does require a regulatory discussion and approval. That discussion and approval process may be not unlike the discussion that I just had with you out here. Those are all the considerations you would put into that plan. So, that's kind of where we're at. So we've been asked well, can you at least have an authorization even if you don't buy back? That to me is just [ingenuine], I don't want to do that. If you're going to have an authorization, the answer is you should be prepared and have approval to buyback the stock. But we get it, we understand it, as the largest single shareholder I appreciate it. Let us get through the unknowns and run a good clean stable financial services company and a great bank and when the decision becomes obvious, it will become obvious.

George Mihalos - *Credit Suisse - Analyst*

Great. I think we'll have to leave it there. Steve, Chris, thanks so much.

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

Thanks, George. Appreciate it. Thank you, everybody.
