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GDOT - Green Dot Corp at JPMorgan Ultimate Services Investor Conference

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PRESENTATION

Tien-tsin Huang - *JP Morgan - Analyst*

Thanks, everybody. My name is Tien-tsin Huang. I cover the computer services group at JP Morgan. Thanks, everybody, coming to our third Ultimate Services Investor Conference. So kicking off the day with Chris Mammone, VP Investor Relations from Green Dot.

So format, I think, Chris, you're going to flip through a few slides, give everyone an update, and then I'll go through some Q&A, and then, obviously, we'll open it up for folks to ask questions. So, Chris, why don't you kick it off?

Chris Mammone - *Green Dot Corp. - VP IR*

Sure. Thanks, Tien-tsin. Thanks, everybody, for being here. Yes, for the benefit of those of you that might not be as familiar about Green Dot, we'll just run through a couple slides that sort of tells you who we are and then lays out our long-term growth strategy.

So without further ado, our mission statement is to reinvent personal banking for the masses. And we define the masses as anybody in the country making up to $75,000 a year in income, and that's, according to our math, about 160 million households. And so that's our addressable market.

Our vision statement, by offering modern, honest, and fair banking solutions to the masses, we believe we can become one of the most widely used banks in America.

Our flagship product is prepaid cards. But, as you'll see, our strategy goes way beyond prepaid.

On the next slide, just some fast facts about Green Dot. We invented the general-purpose reloadable prepaid card industry and we're the largest prepaid provider in the United States. We measure by active cards, and we have 4.6 million as of the third quarter, which is, by far and away, the largest GPR portfolio in the country. Number two would be around three million cards. And then there's a big drop off to number three.

We're a branchless bank with about 100,000 retail distribution locations, millions of customers and billions in annual deposits. You can find us anywhere across the country - Wal-Mart, Walgreens, CVS, 7/11, Rite-Aid are some of our biggest retail distributors.

I mentioned 4.6 million active customers. And this year, we'll do between $15 billion and $20 billion in total deposits, which we also call GDV. We are a well-known and highly admired national consumer brand name.

The Green Dot brand has become iconic in the prepaid space. And we're also a top-20 debit card issuer. Out of 14,000 banks in the country, we'll do about $13.5 billion to $14 billion of total purchase volume this year, which ranks us as either 19 or 20, according to Nielsen.

We're the only bank of national size and scale focused on serving low and moderate-income Americans. So that's the 160 million household demographic that I talked about. We possess rich customer data on 25 million Americans that cannot easily be found on traditional credit bureau files, and this is due to 15 years of serving this demographic.

We're a leading FinTech company with deep mobile banking experience and award-winning app, which is GoBank and key mobile patents. I'll talk more about GoBank a little later. And we own the number one cash reload network, serving 200-plus programs.

We laid out our longer-term growth strategy on the last earnings call a couple weeks ago, and it resonated pretty well. So I'll just run through some of the key points for you. There or four key levers to growth, which we think will deliver for us strong consistent growth over the long term.

That's growth in the legacy prepaid business, growth in new products, growth in new channels, and also strategic acquisitions.

So first, we'll continue to grow in our core prepaid business. Again, the 160 million household market that I talked about is growing. More distribution, we, again, have 100,000 of traditional retailers, but we're getting into check cashing for the first time and tax prep, which I'll talk about via a recent acquisition that we did.

Better merchandising -- over the years, one of the key reasons for why we have underperformed at times is due to just being out of stock. And so just better merchandising can help with that.

And then higher revenue [and] customer from increased usage and retention, just growing revenue per active card over time, as we've seen that trend occur for the long run, and we think will continue.

The next growth lever is new products. We recently rolled out our GoBank checking account platform at Wal-Mart nationwide. And so that's the next big product after prepaid that we developed, is checking accounts. And you'll see that that's going to be an important part of our growth going forward.

And with that checking account platform that is branded GoBank at Wal-Mart, we expect to be able to leverage that to offer at other partners going forward. There are other new bank products in the pipeline designed to address key customer pain points. Those will be subject to regulatory review and approval. So stay tuned there.

And new reload network services, leveraging our network that's again tied into all of our retail distribution locations. One of the recent new services that we introduced is a credit card bill pay feature at Wal-Mart checkout lanes.

The next lever is new channels. I touched on this a little earlier. But we're growing in the financial services center, or the check cashing channel now. About a year ago, we really didn't have any presence there, and now we're up to about 3,000 locations. And we think that that can be an opportunity of at least 20,000-plus, 25,000 or so, locations across the country over time.

We've also now extended into the tax preparation channel. We bought a company in San Diego called TPG. That is a processing settlement engine for tax preparers. And that's a channel that we believe starting in 2016, with that tax season, that we'll be able to sell our products and services to the clients of TPG. And that's another channel of, call it 25,000 or so, locations that it's added to the mix now.

We see opportunities in education disbursement channel. And we also think we can expand our presence in the app stores and also in the direct-to-consumer customer acquisition channel via the web.

The final growth lever is strategic acquisitions. I mentioned the acquisition of TPG that's going to deliver material consolidated gross, material financial accretion for us starting next year. Important earnings diversification because historically we've relied on one partner for the bulk of our revenues and earnings. And also strong cash flows going forward.

We do have a very strong balance sheet. Significant annual free cash flow. When you combine the Green Dot and TPG businesses, it's about $145 million of free tax cash flow that we can use to power further accretive growth. We expect consolidation in the prepaid space to increase. So we expect to be opportunistic on that front.

And then, again, I mentioned new strategic verticals like tax and education and payroll may present strong opportunities for us going forward.

And I'll stop there and turn it over to Tien-tsin for some Q&A.

QUESTIONS AND ANSWERS

Tien-tsin Huang - *JP Morgan - Analyst*

All right. No, that's great, Chris. So maybe let's just kick it off and talk about the legacy piece and maybe just help frame what the industry is growing at today. I know in the past, Green Dot has talked about a double-digit revenue ambition. So where are we now in terms of secular growth in prepaid?

Chris Mammone - *Green Dot Corp. - VP IR*

Sure. I mean, I think you can just look to there are a few public data points, I guess, attached to prepaid. But between us and NetSpend, which is owned by [TSYS], we're the two largest players in the market. I know that TSYS' guidance for NetSpend this year is for low double-digit growth or low teens growth.

So we've been going through a couple year period where we've seen below-trend growth in our business. But I think that we would probably agree that in an underlying basis that the industry is still growing at a double-digit pace.

Tien-tsin Huang - *JP Morgan - Analyst*

Anything to watch out for, just to get it out front, from a regulatory standpoint, CFPB? What should we be looking out for?

Chris Mammone - *Green Dot Corp. - VP IR*

Sure. The CFPB is due to release some rules around prepaid cards. There's actually a hearing tomorrow that you may have seen in the press that the speculation is that the prepaid rules could come out.

And so we don't know for sure and we won't know until the hearing. But they've been pretty transparent in the areas within prepaid that they're focused on. There are three key areas that they've talked about. One would be disclosures. They've suggested that they'd like to see standardized disclosures across the industry so the consumers can easily choose between different brands and different products to choose which one is best for them based on different fee structures and terms and conditions and things like that.

The area number two is basic protections that consumers get from their checking accounts. Reg E would be the key one there. Reg E is the ability for an account holder to call their bank to dispute an unauthorized charge and for the bank to issue a provisional credit and to investigate the source of that charge. And that's something that could be mandated for prepaid programs across the board.

And then the third area is overdraft fees. The CFPB put out a thought piece a few months ago on overdraft. And they seem to be at odds with whether overdraft fees make sense for prepaid cards. So there could be some rule around the ability to charge overdraft fees or at what levels or things like that.

So I guess the important takeaway for Green Dot is, in all three of those areas, we believe that we're aligned with where the CFPB's thinking is likely to be headed. So again, we'll have to wait and see. But we're looking at it as certainly not a negative for Green Dot, but it could be a negative for other providers in the space that aren't fully aligned with how the CFPB's thinking about that.

Tien-tsin Huang - *JP Morgan - Analyst*

I mean, historically, Green Dot's had a seat at the table, right, Chris, in terms of regulation and changes that we've seen in the past?

Chris Mammone - *Green Dot Corp. - VP IR*

Yes. And we've partnered with government entities in the past. We did a pilot with the Treasury a few years ago on a tax disbursement card. And, yes, so I think we've always strived to align ourselves with regulators and the government.

And I mean, part of our -- we're a mission-based company. We've always been pro-consumer. We've always stood on a platform of trust and loyalty, and that's really what's built up our brand over the years and that's what's made Green Dot the iconic brand in the space.

So, yes, so if it's pro-consumer, then it's likely pro-Green Dot.

Tien-tsin Huang - *JP Morgan - Analyst*

Okay. Just a few more on growth, and then we'll open it up. Just thinking about your non-Wal-Mart revenue, I think just under half of total revenues, I think our math said up 37% last quarter, which I think gets lost given the Wal-Mart. And let's talk about that later.

So what's driving that 37% or high 30s growth in the non-Wal-Mart business?

Chris Mammone - *Green Dot Corp. - VP IR*

Yes, we've really seen growth on the non-Wal-Mart side of the business actually accelerate through the year. So I think your math is right, and that's been an acceleration as the year's gone on.

We added a lot of new distribution last year. We added about 27,000 new retail locations to the mix. And we went from like, I think 65,000 to 100,000 locations in one fell swoop. And a lot of it was great incremental placement through dollar store. The dollar store vertical is Dollar Tree, Dollar General, Family Dollar. And that is sort of in our sweet spot with our customer demographic. So that's been great incremental placement. And we've seen the growth kick in as the years moved on into that channel.

But we're also seeing really good growth out of our legacy Green Dot retailers as well, strong double-digit growth rates depending on the retailer in many cases. And I think that that's all sort of supported the strong growth outside of Wal-Mart this year.

Tien-tsin Huang - *JP Morgan - Analyst*

So given that, I mean, is it sustainable? Have we seen a little bit of a burst here and it should trail off? Is there any reason why we think it could actually accelerate even?

Chris Mammone - *Green Dot Corp. - VP IR*

I mean, you certainly could get to a point where the comps start to get tougher. But if I could just focus on the dollar store vertical, that's a brand new channel for us. So it takes time for that cohort to really start to mature and to really start to kick in good revenue per account-type metrics for us.

So there should be a long tail for growth within that channel. So we would expect the strength to continue. Will it continue to accelerate off of these strong growth rates? At some point the law of large numbers and the tougher year [of our] comps would kick in. But the underlying strength, I think has a long tail.

Tien-tsin Huang - *JP Morgan - Analyst*

Right. I think we did some work, the overlay on the dollar stores fits nicely with that demographic or targeting. But any other verticals or channels to look at in the non-Wal-Mart sector, beyond Dollar and check cashing?

Chris Mammone - *Green Dot Corp. - VP IR*

There are probably a few incremental adds in the traditional retail side that we could gain over time. But I think there aren't five more Wal-Marts out there, so.

Tien-tsin Huang - *JP Morgan - Analyst*

Yes.

Chris Mammone - *Green Dot Corp. - VP IR*

We're fairly saturated in the traditional retail space, I guess, with 100,000 locations that we talked about. But that's where we're really excited about check cashing. So check cashing is a very -- it's a prove space for selling these products and services. And NetSpend's model has proven that out over time. And that's all greenfield for us. We haven't touched check cashing until about a year ago, and now we're up to about 3,000 locations. And we're really excited about our growth potential there.

And then this tax preparation channel is really exciting for us, too. In the upcoming tax season, we will benefit from TPG's core business, which is processing refund transfers for the consumers that use the Jackson Hewitts and Liberty Taxes of the world. And that's a very -- it's a very tried and true processing business.

Where we start to see some of the revenue synergies into that channel is, we think starting in the 2016 tax season where we can start to deliver Green Dot-branded prepaid cards, checking accounts, what have you, into that channel of tax preparers to help up sell to there consumers at tax time, which is the largest financial windfall event of the year for our demographics.

So I'm pretty excited about those few channels near term, check cashing and tax prep to add to the traditional retail side.

And then, as a mentioned in the slides, I think we can be bigger and better in the direct-to-consumer space than we have been. And there could be education opportunities. There could be payroll opportunities also that could be sprinkled in.

Tien-tsin Huang - *JP Morgan - Analyst*

So let's dig in real quick on TPG, the acquisition there. So what are the metrics in terms of how much whatever, volume or traffic they might see? It sounds like it's going to take over a year for you to get into that channel. And what are they doing now in --

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Chris Mammone - *Green Dot Corp. - VP IR*

Right.

Tien-tsin Huang - *JP Morgan - Analyst*

-- terms of offering a prepaid solution to their users?

Chris Mammone - *Green Dot Corp. - VP IR*

Sure. So their core business today is called a refund transfer. And it's basically the taxpayer has their taxes filled out by a Jackson Hewitt. The Jackson Hewitt preparer gives the consumer the choice to either pay the preparer fee at the time the taxes are filed, and typically it's $200, $250, or to have that fee come out of the tax refund, which the average for this consumer base is around 3,000, when the IRS remits those funds a few weeks down the road.

So there were 11 million of those refund transfers that TPG processed last year, which is about half of the market for that product, that large provider. And it's a great processing business. It's about a 50% EBITDA margin business that we will be tacking on for this upcoming tax season.

The -- and the second part of your question?

Tien-tsin Huang - *JP Morgan - Analyst*

How are folks -- are people loading it onto cards today?

Chris Mammone - *Green Dot Corp. - VP IR*

Sure.

Tien-tsin Huang - *JP Morgan - Analyst*

Is there an [incumbent] product?

Chris Mammone - *Green Dot Corp. - VP IR*

So, yes. So the consumer has the choice to either have the refund remitted by check once the funds come through from the IRS or loaded into a bank account if they have one, or loaded into a prepaid card.

So TPG does have a small in-house program that they have been offering through their tax prep partners. It's tiny and it's really just been available for the last couple years, so it hasn't really caught on in any big way. I think the biggest portion of the refund volume comes through checks still. Although, prepaid cards to Green Dot brands and other, because, again, there's a lot of overlap with this customer base with our demographic, is a popular choice today again.

But there's only a very small sort of proprietary component to TPG's business today. So we expect to replace that with Green Dot starting in 2016.

Tien-tsin Huang - *JP Morgan - Analyst*

So the idea is some percentage of the 11 million refunds that they do will be ported into a Green Dot card?

Chris Mammone - *Green Dot Corp. - VP IR*

Yes. And I think that they gave some numbers around that. So in the past, in the 2014 tax season, they did, as far as expressed in dollars, they did about $32 billion dollars in total tax returns. And I think they said that 40% to 50% of that $32 billion were loaded onto prepaid cards. And that's industry wide. So that's Green Dot, NetSpend. That everybody.

And so, yes, we expect to capture a bigger portion of that going forward now that we're married with this company. And then hopefully see revenue synergies beyond that.

Tien-tsin Huang - *JP Morgan - Analyst*

Right. And so that's more of a 2016 event, just to clarify.

Chris Mammone - *Green Dot Corp. - VP IR*

Yes.

Tien-tsin Huang - *JP Morgan - Analyst*

Okay. Let's skip around, and then we'll open it up. Just quickly, ACE Cash Express, I know there's been some confusion out there given that's under contract with your peer.

Chris Mammone - *Green Dot Corp. - VP IR*

Right.

Tien-tsin Huang - *JP Morgan - Analyst*

So what is that relationship, Chris, exactly --

Chris Mammone - *Green Dot Corp. - VP IR*

Sure.

Tien-tsin Huang - *JP Morgan - Analyst*

-- with ACE Cash Express? Huge check casher, obviously.

Chris Mammone - *Green Dot Corp. - VP IR*

Yes, they're one of the biggest check cashing franchises nationwide. And they're the biggest check cashing partner of NetSpend on a prepaid side. But what we announced with ACE in October was that we're adding them to our reload network. So they're a new reload partner. You can walk into any ACE location, 1,500 locations across the country, to top off your Green Dot card or top off any other third-party program that we partner with.

NetSpend, if you know that model, they don't have a reload network. I mean, it's just, you can obviously reload NetSpend cards, but a reload network is not an asset that NetSpend ever built or monetized. So adding ACE as a reload partner is not a here nor there as far as their exclusivity in selling prepaid cards.

And then, we mentioned in the press release announcing that partnership, that we're contemplating other products sold through ACE locations starting in 2015. Again, the exclusivity with NetSpend involves prepaid cards. So we haven't announced anything more specifically. I guess you could sort of use your imagination that we could offer things other than prepaid cards in ACE locations starting next year.

Tien-tsin Huang - *JP Morgan - Analyst*

Okay. No, that's good to know. And then just before we do Wal-Mart, just have to ask about MoneyPak. I know your reload product, that is getting phased out.

Chris Mammone - *Green Dot Corp. - VP IR*

Right.

Tien-tsin Huang - *JP Morgan - Analyst*

Yet, you're still growing pretty nicely again, 37% outside of Wal-Mart. What should we think about as we roll into the fourth quarter with respect to MoneyPak? Is that in the run right now?

Chris Mammone - *Green Dot Corp. - VP IR*

We've seen some retailers already take MoneyPak off the shelf. Notably, Wal-Mart took MoneyPak out in April. But with Wal-Mart, we introduced what's called the rapid reload service. We [made a] partnership with them a couple years ago, which is just swipe your prepaid card at the register, one step to reload.

And so consumer behavior largely had shifted to swipe enablement at Wal-Mart over the past couple years. So taking the product off the shelves there was really a nonevent.

In the second quarter, we saw a couple other retailers start to remove MoneyPak. I think the rest of our retailers that still have it, which is far less than 50% of total reload volume, would be first quarter of 2015. So, yes, as far as your question for the fourth quarter, it is within the run rate, because I'm not anticipating any other retailers removing it in the fourth quarter.

But then we also expect to have other solutions in place for when the remaining retailers remove it starting next year, so we don't see really any major blip in volumes.

Tien-tsin Huang - *JP Morgan - Analyst*

Okay, let me ask about Wal-Mart, then we'll open it up. Wal-Mart, obviously, I think our calcs say down in the low teens with respect to revenue, still a little over half of your business. So is this the bottom? I mean, how do you see this Wal-Mart piece trending? And then I want to ask about GoBank here as more on the legacy side.

Chris Mammone - *Green Dot Corp. - VP IR*

Sure. Yes. So the Wal-Mart side of the business has underperformed throughout most of this year. And we've had some merchandising issues there that we're fixing, and we're sort of fixing those as we speak. So I wouldn't expect, I wouldn't expect it to get worse. I think that you've seen double-digit year-over-year declines in the second and the third quarter, based on what we're -- based on the fact that we identified the issues and we're fixing them, I'd expect that the compare should be less bad going forward, yes.

Tien-tsin Huang - *JP Morgan - Analyst*

Got you. Yes. Question from the audience, please?

Unidentified Audience Member

So Wal-Mart (inaudible) NetSpend and AMEX coming into the --

Chris Mammone - *Green Dot Corp. - VP IR*

Yes, so we have seen an increase in competitive products on the shelves at Wal-Mart over the past couple years, notably American Express, which launched the Bluebird card in late 2012, and then the Serve card earlier this year. NetSpend just started to go on the shelves maybe this month, so I don't think we've seen an impact there.

But again, more broadly, we don't think that the underperformance there is related to competitive issues. We're pretty strong in that belief.

Tien-tsin Huang - *JP Morgan - Analyst*

Yes?

Unidentified Audience Member

On the last call, there was a lot of discussion about the Company's cash position. Can you just clarify? So you've got unencumbered cash, then you've got excess capital at the bank subsidiary. Can you clarify the fungibility there? And if you've got excess capital at the bank subsidiary, to what extent -- is it possible to dividend that to the parent? And or how much excess capital do you need for anticipated growth of deposits?

Chris Mammone - *Green Dot Corp. - VP IR*

Sure. Yes, so we do, we highlight the encumbered cash for you every quarter, which excludes excess cash of the bank, because, to your question, we're not allowed to dividend that excess cash at the bank to the parent company, which is why we keep it excluded from the unencumbered portion, which is truly the amount available for M&A or buybacks or what have you.

And as of the third quarter, pro forma for the cash we used or the TPG acquisition, I think we're at about $143 million or so of unencumbered cash that could be used for those purposes.

The bank, we believe the bank has enough capital to sort of be self funding, absent any other large programs that are sort of unforeseen today that might require additional capital infusions into the bank. But we think that would be a pretty good problem to have. So that's sort of where we stand on the cash right now.

Unidentified Audience Member

And then there was another thing on the call that kind of caught my attention. It was about kind of deploying the deposits at the bank. And one of the things that occurs to me is the duration of deposits matters and you can't be buying long-term securities if your deposits have a short duration, right? I mean, the reason J.P. Morgan is able to do that, because they've got tremendously long duration of their deposits.

So what are you allowed to do, from a regulatory standpoint, in terms of assets within this bank subsidiary?

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Chris Mammone - *Green Dot Corp. - VP IR*

I think it's more of what we're comfortable doing. I mean, I think we've always been a very conservatively managed entity and run entity when it comes to capital preservation. We've always preferred to hold onto our cash, and we run our bank very conservatively as well, whereas, it's -- so, you're right. I mean, the duration of our deposits is quite short term in nature.

The duration of what we seek as far as far as yield is also very short term in nature. And I think it's -- I don't know if it even is a function of what we're allowed to do regulatorily. It's just sort of what our comfort level and how we invest that balance sheet.

So, I mean, could we do better than the sort of 20 to 30 Bps that we're earning today? I think we could. And so, sort of stay tuned. But you'll never see any radical change in sort of how we, I think manage that balance sheet.

Tien-tsin Huang - *JP Morgan - Analyst*

I guess to the extent that you become much more of a banking company and your GoBank really takes off and those duration of deposits extends, then you could actually do it. But it's a two-step process.

Chris Mammone - *Green Dot Corp. - VP IR*

Yes. And I think, yes, so that's true. I think we're hopeful that we can extend into other banking services that would lead to longer duration deposits. And I think we would manage that appropriately and very conservatively.

Tien-tsin Huang - *JP Morgan - Analyst*

Anything else? Yes, [Rejit].

Unidentified Audience Member

I guess two questions. One, looking at the check cashing and the dollar store verticals are both pretty new. Just curious, are the check cashing locations more productive at this stage than dollar store? Do they have the potential to be more productive than general retail, given that the customer's kind of coming in looking for financial services?

Chris Mammone - *Green Dot Corp. - VP IR*

I think it's too soon to draw any conclusions. But I think that, theoretically, I think that's right. I mean, now, by far, Wal-Mart is the most productive channel in this space. I mean, you could just sort of do the math. I mean, we, just for round numbers, we generate half of our business our of 4,200 Wal-Mart stores. The other half comes out of the other 95,000 distribution points that we sell into.

So we don't think check cashers will amount to sort of Wal-Mart level productivity. But I think it's fair to assume that they could be more productive than say your average Kmart, for example, which probably treats a prepaid card just like a pack of batteries, another product they sell on the shelf.

Check cashers are more of an assisted sale. The customers of check cashers have often long-term relationships with their tellers. And so if the teller at a check casher is going to recommend a certain product, it's likely that a consumer would buy into that. So that's our hope. And again, it's been a very productive channel for NetSpend, so it's sort of proven. That model's been proven over time.

Maybe just a follow-up to the earlier Wal-Mart question, there's been, I think you have to just go back in history. When they launched the Bluebird product in late 2012, there was a massive disruption to our placement within Wal-Mart stores when that happened. So Green Dot card used to be in every checkout lane in every Wal-Mart store. Starting in October 2012, we lost about half of that real estate. We went to every other checkout lane to make room for that Bluebird product. So that was actually the most disruptive part of that rollout, not that it was consumers choosing Bluebird over Green Dot. We think it was just the loss of that shelf space was a bigger factor.

So then, that was late 2012. If you fast forward to late 2013, we reintroduced the money card suite with a lot of new SKUs. We went from a sort of one-size-fits all approach to a basic plus-preferred approach with a lot more affinity programs.

And we also redesigned the display when we did that. We went from bolted-in J hooks in the checkout lanes to a freestanding tray on top of the checkout lanes. And so given that that tray hasn't been a fixed or permanently bolted into the checkout lanes, we've seen some inventory control issues with those trays sort of being in inconsistent places and things like that.

So I would say that over the last couple of years, we've just seen a lot of changes to our placement within the store, and that's been probably the bigger factor in some of the recent underperformance.

Unidentified Audience Member

And then I guess a follow-up. It seems like you guys have kind of changed your messaging around the product and it's more of a banking alternative. Have you guys done any studies or looked at maybe focus groups, whether or not that messaging resonates better with consumers than prepaid debit cards?

I mean, is that kind of the rationale behind the change there?

Chris Mammone - *Green Dot Corp. - VP IR*

No. I mean, we think that we've certainly hit a nerve with prepaid, and that's grown nicely over the years and really targeting -- I talked about the 160 million target market that we're pursuing. Prepaid has done a great job in addressing portions of that target market, but not the entire target market.

So actually, this slide that's up is actually a good example. So the 160 million breaks into a few different groups. There's truly unbanked. There's under banked, which may have a traditional banking relationship and a prepaid card. There's unhappily banked and newly banked, which could be like college students.

Now, the unhappily banked segment within that grouping, we think maybe prepaid hasn't resonated with that group in the past. And so that's why we're extending into more checking account products with GoBank and other checking account solutions over time, because I think that there are tens of millions of consumers in this country that have traditional checking accounts, but they're unhappy with those accounts because they get hit with minimum balance fees and overdraft fees and other penalty fees. And so those banks aren't serving those low-deposit customers very well.

But for those customers, there isn't an obvious alternative in the marketplace. Prepaid just doesn't speak to them emotionally for some reason, but a checking account product might. And so that's why we're branching into checking account as well, to hit more of that addressable market.

Unidentified Audience Member

How big is that (inaudible)?

Chris Mammone - *Green Dot Corp. - VP IR*

I mean, you could go to the FDIC study. It's sort of a difference between what they would calculate as the un and under-banked market, which is what, 60 million to 70 million people and the 160 million people that we target. So we think it's a big group of people.

Tien-tsin Huang - *JP Morgan - Analyst*

Anyone else? So -- yes, go ahead.

Unidentified Audience Member

Can you just remind me what the terms were of the initial Wal-Mart agreement when you came public? And did they get equity on the initial deal?

Chris Mammone - *Green Dot Corp. - VP IR*

Yes. And so that was actually the third long-term contract that we did with Wal-Mart in 2010, which is the current agreement. It was a five-year deal. And I believe we renewed the previous contract early because of the IPO. I think our contract might have been set to expire in 2012, or something. So we renewed that deal early for five years. Their commission rate was 22%, and we negotiated a four percentage point step-up of the commission on the third anniversary of the deal. And, yes, they did get a 5% equity stake in Green Dot when we signed that deal.

Tien-tsin Huang - *JP Morgan - Analyst*

So maybe a segue to GoBank. I think we should probably talk about that. We were both at Money 2020, right, Chris? And I heard from a bunch of different presenters how [like] mobile with smartphone is going to drive adoption of prepaid, it's going to give a platform to serve the underserved, essentially a lot of the stuff that you're talking about.

So what's the mobile strategy for Green Dot? Do you agree with that? And how does GoBank sort of fit within that?

Chris Mammone - *Green Dot Corp. - VP IR*

Yes, I mean, I think that's, I mean, that's what we -- some of our advantages as a branchless bank and using a retail location as sort of essentially as our branches and GoBank as a truly mobile checking account, we're very big believers in the future of mobile, as a primary channel for engagement between a customer and their bank. And so yes, we've invested a lot of money, as you know, getting back to the Loopt acquisition in 2012, to build up our mobile capabilities.

Tien-tsin Huang - *JP Morgan - Analyst*

What's the distribution strategy, Chris, to sort of get GoBank off the ground here?

Chris Mammone - *Green Dot Corp. - VP IR*

So obviously, this Wal-Mart rollout is a cornerstone of the distribution strategy. We should be, as I speak, fully rolled out to all the 4,300 Wal-Mart locations in the U.S. And that's going to be, again, the GoBank brand is going to be exclusive to Wal-Mart for a specified time. But we're going to use the underlying checking account platform that drives GoBank to sell alongside other retail partners and other potentially non-retail partners going forward.

So I guess it's sort of an all-hands-on-deck strategy going forward.

Tien-tsin Huang - *JP Morgan - Analyst*

Yes. So just thinking about, I think the non-retail side of it, what could that look like? I'm not looking for names here, Chris. But just trying to understand sort of what the right -- I mean, I can think about commerce platforms. I can think about social networks. I mean, the list can be pretty wide here. Help us narrow it a little bit.

Chris Mammone - *Green Dot Corp. - VP IR*

Yes, I mean, I don't know that at this point we can narrow it. I think we have a lot of two-way discussions, inbound and outbound, potential partnership discussions with entities that would fall into all those categories. So I think in the near term, it's probably more the channels that I've talked about in these slides, so retail, check cashing, tax prep, if you will, direct-to-consumer, education.

So I'd probably start to think about that list as more near-term, and then some of the other examples that you threw out as longer-term potentials as well.

Tien-tsin Huang - *JP Morgan - Analyst*

Does the success of GoBank have any impact on the renewal with Wal-Mart and the legacy prepaid business, you think?

Chris Mammone - *Green Dot Corp. - VP IR*

It's mutually exclusive. Yes, mutually exclusive.

Tien-tsin Huang - *JP Morgan - Analyst*

Okay. Any other questions in advance? I have a few more. So I know you had a few questions on the unencumbered cash and capitalizing the bank, et cetera, et cetera. But you've done the TPG deal. What else is there to do on the M&A front? You mentioned that there could be consolidation on the prepaid side. But could we see more on the mobile front or is it more just adding for scale here on distribution?

Chris Mammone - *Green Dot Corp. - VP IR*

You know, it could be, at least in the near term, it could be more the latter. Most of our past acquisition activity has involved building [at] the platform, adding technology, adding capabilities to become a vertically integrated player in our space.

I think what TPG, what that acquisition signaled was a shift in the M&A strategy to more distribution, new customer channels and verticals. So we feel good about that is the direction that we're heading with M&A.

And I think to your question, basically anybody in the prepaid space, outside of Green Dot and NetSpend, is probably [ripe] for acquisition right now. So there's a lot of online-distributed brands that could be consolidated over time. So we're interested in picking up scale that way.

Tien-tsin Huang - *JP Morgan - Analyst*

Got you. And then just -- yes, Regit, go ahead.

Unidentified Audience Member

Just to kind of get your -- there's a lot going on in the industry, the product is kind of changing, moving to mobile. Like how do you see the industry kind of changing longer term? Do you think retail will still be a big distribution channel five years out? And kind of what might the P&L look like? Will you still get card fees? Will it be primarily [interchange]? Like what's your kind of view longer term on what the business looks like? Thank you.

Chris Mammone - *Green Dot Corp. - VP IR*

Yes, no drastic changes from what it looks like today. I think fewer players to sort of build on the last question. But retail, we've obviously invested a lot in retail distribution, and we don't see that going away anytime soon. I mean, if you look at sort of how GoBank has evolved, we initially -- our initial distribution strategy was online acquisition, which we pursued for a year. And then the Wal-Mart opportunity opened up for us, and so we decided to sort of shift focus and sell the product through Wal-Mart.

Though, online acquisition will also be another factor, and we'll turn that back on at some point.

But if you think about the platform that Wal-Mart offers to you, I mean, they have 140 million weekly shoppers running through those stores. Wal-Mart has also focused intently on selling financial services, products and services into their stores to act as a one-stop shop for their shoppers. So that, and that 140 million, again, fits squarely within our demographic.

So it's a great channel and it's one that we're blessed to have and would never take for granted. But I think will continue to be a very important part of the distribution strategy for prepaid for the long term.

Tien-tsin Huang - *JP Morgan - Analyst*

One more for me, just thinking about the financial outlook and guidance this year. I guess the theme has been a little tricky on the revenue side, but a lot of upside with respect to expenses and margin, done a great job on that.

So what's the visibility like now on revenue? And then, more importantly, on the expense side, adjusting for TPG, which I know adds some expense, and you've guided to that. Should we see any big-step function changes?

Chris Mammone - *Green Dot Corp. - VP IR*

I mean, you can sort of do the math. We're going to add -- TPG, in FY14, did about $88 million revenues and $45 million in EBITDA. And we said on the call when we acquired them that it's sort of low, a low single-digit growth business with very strong margins. So you can sort of do the math on what that could add next year at a base.

But, again, the revenue visibility, we think we'll continue to see the strength in the non- Wal-Mart side. We think the Wal-Mart side is improving with some of the supply-side fixes that we're putting in place.

So I think that I would characterize the revenue visibility as getting better. And but as long as that mix shift -- why the margins have come in a lot better this year is we've seen a strong mix shift from -- into the non-Wal-Mart side of the business. Reason is the fee structure is a lot higher on the Green Dot brand, sort of 2X. And we don't have the same level of revenue sharing with non-Wal-Mart retailers as we do with Wal-Mart. So those have been the big drivers of the margin improvement.

Tien-tsin Huang - *JP Morgan - Analyst*

Okay. But in terms of investing for integrating TPG as well as for GoBank or even marketing and advertising, is there anything that could be a bubble on the expense side?

Chris Mammone - *Green Dot Corp. - VP IR*

Yes, there's nothing really anticipated as a step change there. And as far as TPG, we're going to really let the business run for this upcoming tax season. So no heavy integration expected until we can [add] 2016 tax season in there.

Tien-tsin Huang - *JP Morgan - Analyst*

All right. That's great. Chris, thanks for being here. Appreciate the update.

Chris Mammone - *Green Dot Corp. - VP IR*

Thanks, Tien-tsin.