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GDOT - Q1 2014 Green Dot Corporation Earnings Conference Call

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PRESENTATION

Operator

Good day, and welcome to the Green Dot Corporation first quarter 2014 Earnings Conference Call and webcast.

(Operator Instructions).

Please note, this event is being recorded. I would now like to turn the conference over to Mr. Christopher Mammone, Vice President of Investor Relations for Green Dot. Mr. Christopher Mammone, the floor is yours, sir.

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

Thank you. Good afternoon, everyone. On today's call, Steve Streit, our Chairman and Chief Executive Officer, and Grace Wang, our Chief Financial Officer, will discuss 2014 first quarter performance and updated thoughts regarding our 2014 outlook. 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 is called webcast, it can be found on ir.greendot.com. Additional operational data have been provided in our 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 this earnings release and in Green Dot's filings with the Securities and Exchange Commission, including the most recent form 10K, that we filed March 3, 2014, 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.

Reconciliations of those non-GAAP financial measures to the most comparable GAAP measures are included at supplemental tables and today's earnings press release, and are also available at ir.greendot.com. The content of this call is property of Green Dot Corporation and subject to copyright protection. Other than the replay noted in our press release, Green Dot has not authorized and disclaims responsibility for any recording, replay or distribution of any transcription of this call.

Finally, just a couple of guidelines for today's Q&A session. In an effort to get to everyone in queue, we ask that you limit yourself to one question and one follow up and then queue back in for any additional questions. Now, I'd like to turn the call over to Steve.

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

Okay, thank you Chris, welcome everyone. And also with me on today's call is our Chief Financial Officer, Grace Wang. Let's begin with the financial review of quarter. Green Dot posted a solid Q1 with non-GAAP revenues of $162 million, representing a year-over-year growth rate of 4% and adjusted EBITDA of $38 million, which represents a year-over-year growth rate of 10% and calculates as an adjusted EBITDA margin of 23%.

Our non-GAAP diluted earnings per share were $0.42. As you may know from previous commentary, our adjusted EBITDA margins came in stronger than what we had expected when we first put together our plan for the year. This is largely due to increasing operating efficiencies and a better mix of higher margin revenue, coming from better than modeled customer usage behavior.

Results also benefited from $5.6 million of additional revenue from accounts that previously had courtesy fee blocks that were lifted in the period. Even if you backed out that revenue, our adjusted EBITDA margin was still around 20%, which is quite a bit better than what we had expected. As strong as our revenue and adjusted EBITDA results were in Q1, we also had some negative events in the period and would like to shed light on those challenges for you.

First, we estimate that there were approximately 22 bad weather days where as much as two-thirds of our selling geography experienced weather that was bad enough to slow card sales, reloads, and retail spending through our cards. While it's hard to know precisely, we believe that the bad weather accounted for perhaps a loss of around 2% from revenue in the quarter.

The Target data breach also impacted our top-line and bottom-line results for the period and here's why. As a precaution, sales of some of our products were suspended and pulled off the shelf for approximately 45 days in the period. Some of that inventory is still not back on the shelf.

We took these proactive measures because we wanted to ensure that products that we sell that don't have the same type of customer verification processes as our GPR cards weren't purchased by bad guys using stolen debit and credit card data. We lost those sales until we were able to get a better handle on the scope of the hack. The suspension of sales and the associated collateral impact of removing these products off the shelf, generated a loss of about 1% or so of revenue in the period.

Now on the expense side, we experienced much higher than normal charge-offs from customers whose card data was compromised in the Target breach. As you may know, one of the many valuable services that Green Dot offers its customers is full regulated dispute and error resolution protection, known in the banking industry as REGI.

When a customer spotted an unauthorized transaction on their card statement, they called our customer service center, reported the disputed transaction and obtained to be a legitimate dispute and they were refunded for the amount of the authorized transaction. We also then encountered the expense of mass reissuing of cards to customers who we believed could have been impacted by the Target data breach whether or not they reported a dispute. So all-in, we estimate the cost of refunding customers to reported unauthorized transactions and the cost of reissuing potentially compromised accounts, cost us together around two points of adjusted EBITDA margin in the period.

So always some puts and takes, but all in all, we had a very strong quarter and we're quite pleased with the start to our year. Now let's take a look at some of the key customer-driven performance metrics for Q1 that helped contribute to the headline results. First, our active card base in the period increased by 5% to 4.7 million active cards.

This is now the third sequential quarterly up-tick in active cards and is consistent with what we previously described as the big train of active customers that takes a long time to slow down and a long time to speed up. So we're moving in the right direction in accordance with our expectations.

Next, the number of customers receiving recurring direct deposits grew again this quarter, up 8% year-over-year. The number of cash transfers rose by 4% in the quarter year-over-year to $11.7 million in transactions. Results of all this positive activity is that our GDB rose by 4% year-over-year, to a new all-time record of $5.3 billion in the period.

Now here's a business update on how we are coming on a number of fronts. First, on February 11th, Green Dot Bank closed on the acquisition of the Wal-mart prepaid card program formerly issued by GE Capital Retail Bank.

Since that date, all Wal-Mart money card accounts, including both the existing portfolio accounts and all new accounts that will be issued going forward, are issued by Green Dot Bank. As a result, we are no longer paying GE Capital Retail Bank for bank issuing services and all the deposits associated with the Wal-Mart program, are now held at Green Dot Bank. At this point, I want to thank my good friend and a wonderful business partner, Margaret King at GE Capital Retail Bank, for her years of partnership and mentorship, and the entire GE team with whom we've worked so closely all Wal-Mart program since 2006.

Next, we're making nice progress on our entry to the financial service center channel, also known as the check cashing channel. In Q1, we signed up another 30 check cashing companies that will distribute our products at their respective stores with many more agreements pending. We're also at a point where we can begin tracking the customer behavior of cards acquired through our check cashing partners and we're pleased with what we're seeing.

Cash reload rates, direct deposit enrollment rates and other customer-driven metrics are all equal to or better than accounts acquired through our traditional retail channel. You can expect us to continue to be aggressive in working hard to expand our presence in America's best check cashing stores.

Now, the latest on GoBank. Online and app store enrollments are continuing to grow, and the customer behavior trends in terms of recurring deposits, direct deposit enrollments and other metrics are materially better than our average prepaid card customer metrics.

We're also getting good value from the technology platform used to create GoBank by utilizing our platform for other products throughout the Company. While GoBank is still a very small revenue contributor relative to all of Green Dot, we're feeling very good about what we have with GoBank, both as an innovative and expansive new product opportunity and as a cutting-edge technology platform upon which we can create other new products and services for current and future customer segments.

Now, let's talk a bit about competition. We received many calls from analysts and investors on the heels of the American Express announcement that Wal-Mart is now selling the Serve prepaid card at the Wal-Mart stores, alongside our suite of prepaid cards at those same locations. This is the same exact Serve prepay card that has been on the rack next to our Green Dot brand cards at Walgreen's, CVS, Family Dollar and on sale at other retailers nationwide for quite some time now.

While we can't predict exactly how Serve at Wal-mart will impact business going forward, you may take some comfort in knowing that despite $0 loss due to pricing, huge promotions where American Express paid customers a much as $50.00 in incentives, large mass marketing campaigns and so forth, Serve had no discernible impact on the robust growth at Green Dot retailers. For example, Green Dot is outselling Serve by a 10 to 1 margin, for the combined March and April to date period, based on available competitive sales data.

I also want to remind you that for quite a while now, Wal-mart has been heavily marketing, promoting and stocking Bluebird by American Express with free reloads and a similar pricing plan to Serve. So, AmEx at Wal-Mart is hardly a new development within the overall competitive landscape.

As another data point, it's well disclosed that NetSpend has been aggressively marketing and stocking their PayPal branded MasterCard product and the NetSpend branded Visa prepaid card at nearly all of our Green Dot retailers for as long as two years now. With full distribution in more than

65,000 retailers according to recent [Pieces] disclosures. Yet in Q1, they reported only about $11 million in revenue from all of their retail sales combined, a tiny sliver of Green Dots retail revenue, even though NetSpend products are easily twice the price of Green Dot. Again, this is illustrative of how Green Dot products perform against competitors in multi-product retail displays.

In summary, we expect that there may be many competitive cards on the rack over time at Wal-Mart, just as there are many competitive cards on the rack at nearly all of our other retailers. In fact, today, Green Dot sells many different cards on the rack at Wal-Mart that compete with our own Wal-Mart money card suite of products. You may recall, there are nine different SKUs on the Wal-Mart rack today, of which our Wal-Mart money card suite represents just three of those nine products.

All things being equal, our experience over the past few years has been that a vibrant category of competitive products seems to drive sales for Green Dot. While we understand the fear of the unknown is a natural reaction to any competitive threat, we also welcome the opportunity to once again prove Green Dot's leadership, both in terms of the quality of our products and the consumer preference for our products.

Before I turn it over to Grace for some perspectives on our financial outlook, I want to take a moment to thank the entire Green Dot team for their hard work and focus in delivering another solid result for our partners, our investors and most of all, our customers. Green Dot people put the green in the dot, and I'm most appreciative and proud of their efforts. Grace?

Grace Wang - *Green Dot Corporation - CFO*

Thanks, Steve. Let's talk about how we see the year playing out from a financial performance perspective. You may recall that Green Dot does not provide formal quarterly guidance, only annual guidance.

In part, the reason we don't provide quarterly guidance is of the timing of things like marketing spend, cost to manufacture and distribute our card packages, payment network incentives, charge-offs and the seasonality of our business can have the effect of making quarter-to-quarter financial performance uneven and hard to predict on a straight-line basis. As a result, we feel that annual guidance is a smarter way to go.

As it relates to our financial performance for the full-year, we are reiterating our previously announced guidance of $640 million to $650 million in total non-GAAP revenues, and $114 million to $118 million in adjusted EBITDA. Full-year, non-GAAP diluted EPS is still forecast to be between $1.22 and $1.28. While we're off to a solid start for the year, particularly with respect to adjusted EBITDA margin, we want to remind everyone that our financial performance is highly dependent on customer acquisition rights, active cards resulting from those customer acquisitions and the usage behavior associated with those active cards.

As you know, we've launched a large number of new retailers and a tremendous number of new products over the past six months. There's always some degree of risk and uncertainty as new card programs launch and the associated customer acquisition rates, active card numbers and behavioral trends take hold. Lastly, as you model the rest of the year and Q2 in particular, we want to caution you not to straight-line our Q1 results and assume that our Q2 adjusted EBITDA margins will be the same as Q1.

In particular, for example, we expect there to be about $6 million or so in expenses in Q2 associated with routine supply chain, marketing and merchandising expenses that happen to hit that quarter. This is why our quarters tend to be uneven.

While we feel very good about our full-year guidance, we want to make sure you understand the lumpiness of our quarters in our model. With that, I'd like to turn it back to the operator and open up the phone lines for questions. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you, ma'am.

(Operator Instructions).

First question we have is Sanjay Sakhrani of KBW.

Ty Nemi - *Keefe, Bruyette & Woods - Analyst*

This is actually Ty Nemi, in for Sanjay. A couple of questions on the expense side.

Just looking at your annual guidance for the year, the adjusted EBITDA margin implied is roughly around 18%. Could you just give us some commentary on what the outlook is for the rest of the year and what could potentially bring your margin back down to levels?

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

As Grace mentioned, our guidance remains unchanged from when we provided it last call. We're still forecasting that same 18%.

I think your question was, what could happen if they could go below that? Is that what he said?

Ty Nemi - *Keefe, Bruyette & Woods - Analyst*

Yes. Is that basically investments, then, and product roll-outs or is there something specific you expect in back half of year? Particularly, given the last time you guys talked, you expected to ramp in revenue. Could you just think about that and talk about that?

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

Let me answer as best I can and Grace can chime in.

We don't have anything planned with that regard to expenses that would make it go below 18%. Although things could always go bump in the night, I suppose. But there's nothing that we think would make it go below that, which is why we guided it and reiterated it for this call.

Quarter to quarter, you're going to see variances. Grace did a good job of calling that out specifically because, as part of our routine operating rhythm, nothing weird or wacky, just the way we run as a bank, combined with the consumer's packaged goods company, if you will, we're sort of at that intersection. We're sort of bank meets Proctor & Gamble meets Google, I guess, technology combined with banking and consumer projects.

We have merchandising runs and manufacturing costs. Those tend to hit quarters as they hit. You have a very complex demand planning system that says, hey, we need a packaging run for Walgreen's or, hey, we need too do a big run for this product and we're putting something on sale at Rite Aid and we need to have these packages here.

They tend to hit in a lumpy way throughout the year. Quarter to quarter, you could have a widely varying EBITDA. Grace has mentioned that, in Q2, we would expect the EBITDA to be somewhere in the mid-teens, which is why she gave you that $6 million number because we know we have packaging to produce and maybe some marketing, and some programs that we're doing.

So they are all part of the rhythm of the company. Nothing unusual. Nevertheless, they don't hit in a straight-line fashion. That's probably why we wanted to call out the fact that, while we did a super job in Q1 and we are pleased with that, you wouldn't want to straight-line it because you're going to be wrong and it's going to look hotter than the reality than what we were expecting.

That's why we wanted be helpful with that comment. Does that answer the question?

Ty Nemi - *Keefe, Bruyette & Woods - Analyst*

Yes. And just a follow-up.

I think you mentioned $5.6 million revenue benefit in relation to block cards during the quarter. Could you give us more color on that specific benefit?

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

Yes. Happy to do it and that's why we wanted to call it out because, while the number is not material to the quarter or the year from an accounting point of view, or numbers point of view, it does have a disproportionate impact on EBITDA because it falls down to EBITDA and that's why we wanted to call it out. I will be happy to share more color.

We did have that $5.6 million one-time benefit on accounts that had received the courtesy fee waiver. And the way that works is, when a customer calls in or we block a card for suspicious activity -- you've probably had this happen to you as holder of a card of a bank, you'll get a note saying we see something unusual on your account. Please call customer service so that we may release the account.

That is what a courtesy block is. We block that account and we wait for the customer to contact us.

We have a new formal policy and we've had it for a long time where if we block a customer, the fee engine stops too, so the fee engine doesn't hit those cards because we want the customer to call back. We don't want to necessarily fee them while we're waiting to call back. And most customers do in fact call within a few days after getting that message and they clear up the issue and the account resumes its normal life.

Some customers, for whatever reason will never call back. Not enough money for them to care about or they forget or who knows, but they don't call.

After a period of time, we do a routine, we call it cleaning out the closet, where we look at accounts that were blocked that have not been claimed by the customer in terms of unblocking and providing us the needed information so we remove the courtesy fee waiver, collect the fees, and the account will stay active and on file and available to the customer. Maybe one day they will call and maybe one day they won't.

That's why we collect it and it happens periodically. In this case, because it hit at $5 million - $6 million, not a big amount of number, but big relative to EBITDA, we wanted to be make sure we called it out.

Ty Nemi - *Keefe, Bruyette & Woods - Analyst*

Great. Thank you.

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

Yes.

Operator

Ramsey El-Assal, Jefferies.

Ramsey El-Assal - *Jefferies & Company - Analyst*

Yes. Can you give us an update on the Wal-Mart business, specifically, revenue at Wal-Mart? Has that stabilized or inflected? It can be quantitative or qualitative comments.

In other words, I'm trying to parse out the contribution from the new roll-outs like the dollar stores and check cashers, versus what's happening in your core Wal-Mart business.

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

It's a great question. Thank you.

You will see in the queue when it comes out, and I forgot if we had it in other documents today. The Wal-Mart revenue concentration is 61% this quarter, Green Dot being the remaining 39%.

That is somewhat lower than it was. In Q4, Wal-Mart was 62%. In this quarter, they're 61%.

Not a huge difference, but year over year it's a big difference. They were 67% last year and I think that's what you're referring to. What it means is that our non-Wal-Mart revenue is an increasing part of our total revenue mix at the Company, which is a good thing.

We recently rolled out 27,000 new Green Dot retailers, as you know, and our reload network business continues to grow. We entered the check cashing store channel. Sales of our Green Dot branded products are -- nearly all of our retailers overall are up materially year over year. We're really doing very well with the Green Dot brand.

We're a Company that is comprised of many retailers and portfolios. I think the more favorable revenue concentration statistic is just an indication that Green Dot family of brands is performing very well. Not necessarily that Wal-Mart is not.

As you think about Wal-Mart, we do have a lot of new products there. Some are doing great and some have opportunities for improvement. And that's the way it works in consumer products.

We're not a soapsuds company, there's an old phrase. But, it's true in the category management that when you rollout a lot of new products, some will do better than others. So you're always tinkering and moving the dial left or right and trying to perfect the mix of products on the shelf and so we have some of that to do. But overall, we're very pleased with the new category of Wal-Mart.

The behavioral trends are up, as you heard, and the overall active cards for both Wal-Mart and our Company are on the march and on the rise with three consecutive quarters of up-tick. Overall, we're pleased, always room for improvement everywhere throughout our business. I would say the differing concentration you referred to is about Green Dot expanding and selling very well, as opposed to any other issues at Wal-Mart, specifically.

Ramsey El-Assal - *Jefferies & Company - Analyst*

Okay. When Wal-Mart rolled out Bluebird, it was a pretty splashy rollout. There were dedicated displays, there were a lot of marketing material and collateral all over the store. Are you guys seeing anything similar with the Serve rollout or is this a less notable kind of product launch?

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

Gosh. Let me think how to answer that.

The answer is it's only been up by, I want to say, a couple of weeks in those stores. No dancing girls and fireworks yet. Excuse the phraseology there.

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Anything on the shelf at Wal-Mart is a big deal, because Wal-Mart is the biggest retailer in the world. And they're a great marketer of products.

Number one, nothing we've seen yet. But knowing American Express, I would anticipate that they will invest heavily in marketing, whether it's mass marketing, or in-store marketing or whatever it is they do.

And to American Express' credit, they've done a very thorough job of marketing their products when they went into CVS and other retailers. I don't have any reason to assume they will not do the same thing at Wal-Mart, but to be fair, I have no specific information about their plans one way or the other.

Ramsey El-Assal - *Jefferies & Company - Analyst*

Great. Thanks for taking my questions.

Operator

Ahish Sabadra of Deutsche Bank.

Ashish Sabadra - *Deutsche Bank - Analyst*

Solid quarter.

Quick question on the active cards growth that definitely came in pretty strong. I was wondering if you could throw out some color on -- or do you see any benefit from because of the tax season, because it was a seasonally strong tax season. In the same way, if you could also talk about the risk and controls, if you've made any changes on that front and how do you expect that cards to grow going forward? Thanks.

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

Sure. Good question. Thank you.

First, on the tax question, Q1 is always a strong quarter for the prepaid industry, for that matter, for banking in general to a point, because of tax refunds and all of that cash coming into the hands of so many Americans. It's the biggest single payment, if you will, that our customers will receive in the entire year by far. You always have a big Q1.

What I'm really proud of and really like about our Company, and I'll point it out to you since you asked, never want to lose an opportunity here. Is that we don't have, today, any embedded tax programs. In other words, several years back we had the Intuit program which now NetSpend has and that kind of thing. What we have today is completely organic.

When you see that GDB figure of $5.3 billion and you see active cards up, let's just call consumers that say, oh I want a Green Dot card, I want to use it with the IRS to receive my tax refunds. I want to go ahead and spend it as I want to spend it. There's no embedded program that automatically steers consumers to our product.

So what you see is naked and organic and a great result. We're pleased with that. I appreciate you asking that question.

The question of risk controls, we are always adjusting, researching, learning, doing what the risk team calls champion challenger, where you look at -- you'll take 10% of customers and run them through this track and 20% through that track and you try to compare, is there an advantage to one? Are there better risk to result for others?

And we put a lot of really cool IT that helps us better predict fraud -- spot fraud before it becomes fraud at all. All those things I think, are helping us moderate the Draconian impact of risk controls a year ago but they're still essentially the same as they were. But we are getting better at being more precise and surgical, let's say, where as maybe 1.5 years ago we brought out the anvil and the sledgehammer.

Today, it's more of a ball-pin hammer and a screwdriver. So we're getting better at it, but we have a ways to go. So that's that.

I think your third question was active cards. Our model would, in fact, call for active cards to grow throughout the year.

As you know, our exit in Q4 should be bigger than our entry in Q1, if it plays out the way we think. So far, so good, right? But it's only the first quarter. But, that's the way it's supposed to work.

Ashish Sabadra - *Deutsche Bank - Analyst*

That's great. Just quickly on Wal-mart. One quick question on Wal-mart. Wal-Mart, as you said, every contribution has gone down.

But has these new products that you've introduced at Wal-Mart, as those mature, what's your expectations going forward? Do you think Wal-Mart will continue to grow at or above company average? What are your expectations going forward?

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

I think Wal-Mart has the potential to grow fast and faster than they've ever grown. The key is whether it's a Wal-Mart, or Rite-Aid, or Walgreen's, or CVS or anything, is making sure that we always have products on the shelf. I know that sounds basic, but you are in retail and that's how it works.

You have to have products on the shelf. You have to have products that people want to buy. You have to market them properly and then you let natural inertia of that take care of itself.

Wal-Mart is a great partner and a brilliant marketer. The Green Dot side right now, is growing beautifully. We think the Wal-Mart side will be growing beautifully as it has historically. We feel good about all of our portfolios. It's been a very good time for Green Dot.

I think one difference to your point, is that we took some very interesting bets on this new category with our partners at Wal-Mart. That is we have this really cool preferred card that has no reload fee at all. If you will, the bet there is that the short-term revenue loss is made up by longer usage, higher usage, more direct deposit enrollment, more cash loading behavior and I love those metrics.

That's one of the favorite parts of the KPI, while it's too early for us to say, okay, this is it, or now we know. It's been very cool to see that product rollout and see how that performed. So, one quarter is hard to make any judgment on but we feel good about all of our portfolios, including Wal-Mart.

Ashish Sabadra - *Deutsche Bank - Analyst*

Great, thanks for the color.

Operator

David Scharf, JMP Securities.

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David Scharf - *JMP Securities - Analyst*

Hello, good afternoon. Couple of things.

Steve, you mentioned some new check cashers, I think you said 30 companies. Is that, companies or rooftops? Trying to get a sense for how many stores.

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

It is companies and I want to say it's between 100 and 200 rooftops, give or take, close enough for the question.

David Scharf - *JMP Securities - Analyst*

Got it. What would be the aggregate rooftops for all your check cashing?

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

Chris, are we 500 now?

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

We ended Q1 with about 400 rooftops. It would be 30 companies incremental to that.

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

400 plus, you have these and more to go. It has been a good channel for us. It's different than the types of retailers we've been in historically.

We really enjoy the check cashing store operators. They know their customers. They care about their customers. They're in their neighborhood, their friends and family members, and it's all a very unique vibe, that you don't get at a traditional retailer, I'd say.

The cards are selling well and they're behaving well. We think we have a great opportunity and our progress has been a rapid fire. We expect to do a lot more.

David Scharf - *JMP Securities - Analyst*

Got it. Regarding that customer that walks into a check casher, obviously a lot more propensity for potential direct deposit. I think in the past, you've had presentations that referenced an average of maybe $400 of lifetime revenue for a direct deposit account, compared to maybe $100 for the Company average.

Is that $400 changing? Is it getting better? Are you finding any reference in a percent increase in the number of direct depositors? Are you seeing incrementally longer usage from your direct depositors or larger reloads or is it still too early to tell?

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

Well, we're seeing more direct depositors. And then of those who direct deposit, we're seeing better behavior.

Both things are happening and that's partly what drives our GDP and drives a revenue. As you pointed out, the revenue differential between a customer that enrolls in direct deposit and stays with us for, I don't know, two years, three years is way better than a customer that is a casual user, obviously.

Having said that, not all direct depositors are great customers and not all cash reloaders are bad customers, in fact cash reloaders are some of our best, as well. But on a mixed basis, in a perfect world you would want to have lots of recurring direct deposit customers, people choosing to put their paycheck or their government benefits on the account and then keeping it forever and ever. While that's more of a wish list than it is a reality in any one quarter, that's what we're always driving towards.

David Scharf - *JMP Securities - Analyst*

Got it. When I look at the balance sheet, the big ramp in deposits, at the end of the quarter, is that represented entirely by assuming the GE bank accounts as well as tax refunds? Or is there actually --

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

Yes. Q1 will be a heavy tax deposit time. On top of that we took in -- I forget the amount, but as many as hundreds of millions of dollars of (Inaudible) money portfolio. Yes, it would be a combination of both of those.

David Scharf - *JMP Securities - Analyst*

Okay. So I understand, lastly, sort of the puts and takes -- it sounds like this $5.5 million of courtesy fee waiver, which -- I mean, that's about a good 3.5 points of EBITDA margin. It sounds like that's kind of a wash with what you lost from Target.

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

Yes, kind of a wash. And every quarter has -- I call them puts and takes, but you always have these crumbs that get swept up and you have the timing of certain things that come in and the timing of certain things that come out. On one hand, it so happened that we had the revenue hit in Q1, which as you pointed out is about 3 points of margin. We also had horrible weather where we're shut down for about one-third of the quarter, in our best cities.

The killer for weather for us wasn't just the weather, and the 22 days of weather. The bad weather wasn't here in California or Arizona, even Texas had some bad weather but all in our best states. Places like Pennsylvania, New York, in Massachusetts where we have some of our best and heaviest users in those inner city communities. It was a punishing quarter from a weather point of view, and then removing a bunch of products off the shelves for 45 days wasn't exactly helpful.

We started the quarter in a fairly injured way and when that was a bit worrisome because you don't know how these things pan out. We definitely had negative impact on the revenue from there. We got lucky and was made up from the other revenue that came in on a timing point of view within the period.

On the EBITDA side we got hurt even worse. Not only do we have the weather and those issues, but we had the issue of the charge-offs for Target were fairly material. We spent about $3.7 million in incremental charge-offs above our typical plan for customer charge-offs and disputes. While that's not a lot if you are a huge bank, but for a company like Green Dot, right there was 2 points or so of margin.

It all adds up. We had some bad things happen and some things that were lucky and timed out and it all comes out in the wash. Either way it was a great quarter. But we did want to point out those artifacts.

David Scharf - *JMP Securities - Analyst*

Got it.

Operator

Tien-Tsin Huang, JPMorgan.

Tien-Tsin Huang - *JPMorgan Chase & Co. - Analyst*

I wanted to clarify the $5.5 million, the courtesy fee list. Was that contemplated in your full-year guidance?

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

No. This came out of -- you mean when we provided guidance last year? The answer is no. Or earlier this year. That came out of a routine, audits and work that happens in the Company day in and day out., sort of out of over the purview of Grace and myself. It was the timing of how that happened, which was good, but it was not part of our original forecast.

And by the way, neither was the weather our the Target data breach. That stuff happened right at the end of the year and was a bit of a shocker, as well.

Tien-Tsin Huang - *JPMorgan Chase & Co. - Analyst*

Yes. I caught that part. I wasn't sure the benefit you took was part of the full-year guidance. Now I understand.

And then the $6 million in expenses that could hit in the second quarter with packaging, materials and whatnot, is that in addition to, I think the number was $30 million you said you'd spend from 3Q, 4Q, 1Q to launch some of the other stuff? Is this in addition to or did you --?

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

It would be in addition to. But, let me explain it better, Tien-Tsin. When you launch a bunch of retailers -- and we did a huge amount, 27,000 plus we remerchandised all these different products at Wal-Mart. You have the one-time lump creation of a ton of packages and manufacturing, hiring merchandisers too erect racks and put them in the store, line them up.

So you have that start-up expense. And that one-time expense is just what it is. Unrelated to that, just part of the natural rhythm of running a consumer products company, you're always spending $5 million here, $2 million there, $7 million there for this packaging run or that packaging run.

So the answer is it's incremental but not out of -- nothing unusual in the Company. It's just part of the routine cycle of demand, planning, manufacturing, distribution and merchandising.

Tien-Tsin Huang - *JPMorgan Chase & Co. - Analyst*

Got it. If I could just ask one more just the dollar channel and the productivity there. You commented on check cashing but I didn't hear much on the dollar stores. How's that tracking versus expectations?

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

Really well. We just look at the dollar stores as a retail store, not necessarily anything unique beyond that. So that's why I didn't call it out particularly. The dollar stores are doing great.

It's in neighborhoods and locations where many of our customers, as you might imagine, might shop. It's been a meaningful add to the Green Dot brand. No question about it.

Tien-Tsin Huang - *JPMorgan Chase & Co. - Analyst*

Thank you.

Operator

Mike Grondahl, Piper Jaffray.

Mike Grondahl - *Piper Jaffray & Co. - Analyst*

Steve, if you could, could you talk a little bit about sources of new current growth and how that compared to your expectations?

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

Sources meaning the types of retailers? Is that what you mean?

Mike Grondahl - *Piper Jaffray & Co. - Analyst*

Well, maybe if you had the 27,000 new locations, you have Wal-mart, you kind of have your other bucket and check cashing. I'm just -- your active cards are growing now and I'm just kind of curious, the sources of that growth and how that kind of compared to what you envisioned a quarter ago.

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

Well, I think the delightful upside, we planned for the Green Dot brand to grow this year but not as much as it has grown. The Green Dot brand is really doing extraordinarily well and our brand tracking scores that we get from third-party research companies that are hired by Green Dot to provide that kind of data shows the brand, the strongest it's ever been in the 14 years we've had the Company. It just keeps growing. We're not sure why.

There's a lot of theory that the various marketing consultants talked with to us about. In a sea of confusion, customers go to familiarity, that's one theory that makes sense to me. It also is true that our Chief Marketing Officer, wonderful woman named Sharon Pope, is unbelievably talented and no, you can't hire her. Sharon and I work closely together.

We're doing some really cool things. We sponsor shows like the Steve Harvey show, Harvey's Hero, which is a fabulous, very highly-rated daytime talk show. We're all over the Queen Latifah show and other kinds of things that have a really very intimate interaction with our core customer base. And that's worked really well.

Green Dot is an icon in many parts and communities in America and growing over time. So -- and our sales match that. So that's been very helpful and that's been a nice upside. Yes, Green Dot brand does well in dollar stores.

Frankly, we're growing in deep double digits at stores where we've been in for a decade. A lot of growth on the Green Dot side, as well. Wal-Mart continues to grow as well in terms of its customer usage and new cards. That's a very new category, right?

We have to look at that and remember we're coming off 1.5 years of risk controls and losing shelf space is part of the remerchandising of Bluebird and other products. That's how that breaks out. We're a company of portfolios of many retails. We're 92,000 retails.

Many retailers, many products, many SKUs, many categories and it all works together. And that's what you're seeing happening.

Mike Grondahl - *Piper Jaffray & Co. - Analyst*

Okay. Maybe a follow-up, what triggered the revenue recognition on the $5.6 million?

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

What triggered it in -- help me.

Mike Grondahl - *Piper Jaffray & Co. - Analyst*

Was it something -- how did you decide to take it in the first quarter?

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

Well, because that's when you do the audit and you clean up these accounts that had fee blocks where it was clear the customer wasn't going to call with information to clear it, you take it when you do audits. It could be any quarter, I suppose, but we did the audit in Q1 and so we took it in Q1.

We could have tried to spread it across the year, but our accounting group felt it was not really a precedent for that. We took it when we took it. As you know, from your question disclosed as often and as hard as we can.

Operator

Matt Lipton, Autonomous Research.

Matt Lipton - *Autonomous Research - Analyst*

I just wanted to clarify what Tien-Tsin was asking about. The $30 million that you had planned through the first quarter, did you wind up spending all that? In other words, are you live right now and rolled out at all the retailers you expected to be coming out of 2013?

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

Yes. We did. It is all spent and that did hit Q1 as we thought it would. We had more favorable -- even forgetting about the $5.6 million, even forgetting that, we had way better flow through, right? Higher margin, revenue mix, better operating efficiency.

We got the bank transaction closed on February 11, which helps save us money that we were paying to GE. All of that worked better to make a better Q1.

Matt Lipton - *Autonomous Research - Analyst*

Got it. So no retail delays, is what - that's some of the margin upside this quarter.

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

No. In fact, taking products off the shelf and the other issues we talked about and the bad weather actually hurt margins. If it had been a normal quarter with normal winter weather patterns, and if we hadn't had to suspend sales of products related to that data breach, it would've been far stronger.

Matt Lipton - *Autonomous Research - Analyst*

That's great. You followed the weather and the 2% revenue impact. Do you also include Easter in that? In the late Easter I noticed that GDV and paid in volume was just slightly lower than we had thought it would be.

As you think about Easter now and April, do you care to share what spending trends might look like in April and if you're seeing a downspout there?

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

Other than an Easter egg hunt for my kids, we don't take Easter into the forecasts. We always have months, let's pretend five Fridays in one year and then the next year only has four Fridays. We always have these artifacts in the quarter.

Frankly, one of the reasons that we don't guide on a quarterly basis because it just becomes so complex. We're not a 100-year old business with reams of data. That's why our annual guidance tends to be fairly accurate, but the quarters are lumpy. But, no we don't bake in anything for the timing of holidays and that type of thing.

Matt Lipton - *Autonomous Research - Analyst*

Thanks, Steve. Nice quarter.

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

Thank you.

Operator

Smitti Srethapramote, Morgan Stanley.

Smitti Srethapramote - *Morgan Stanley - Analyst*

Thank you. Your comps and benefits were down quite a bit in Q1. Can you just go a little bit more into detail in what drove that and how sustainable that is?

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

Grace. Do you want to comment on comp and benefits?

Grace Wang - *Green Dot Corporation - CFO*

Sure. No problem.

As you know, we had a reduction in retention-based incentives associated with our Loopt acquisition that fell off around third quarter in 2013. So, that's where you would have seen some of that improvement. We also had an increase in our overall capitalization rate associated with our internally developed software.

We moved from an IT development waterfall approach to agile over this past year. As we transitioned, that also changed our capitalization rate and how we captured time. Both of those things were part of that impact.

Smitti Srethapramote - *Morgan Stanley - Analyst*

Alright. Thank you. Just a follow-up on GoBank.

Could you give us an update in terms of how GoBank adoption rates are faring versus your internal expectations and any thoughts on Simple's acquisition by DBA a couple of months ago?

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

Sure. The good news is, we don't have expectations, so they're easy to meet on GoBank. In a sense that it's a new product internally we have goals for our product team, but nothing we've ever announced to the public for that exact reason. The answer is, it's growing.

We're up to actually a good number of accounts if this were a stand-along community bank, it would be a massive product. But Green Dot's just a large company relative to the accounts that we acquire, that it is immaterial to Green Dot. So, it's doing great. We like enrollment patterns. We like how people are enrolling through the app stores and online.

The usage on it is terrific, meaning that the deposit rates, the direct deposit enrollments, the redeposit, which would be the equivalent of a prepaid card of let's call it first-time deposit or additional retention deposits are good. The fees people are paying us are higher than we modeled.

I think I'm really hesitant to get overly excited on a public call because I don't want to make expectations higher than what they might be, but it's been a great product or us. We're very proud of it and growing in a way that we would have liked to see and we're seeing it.

On top of that, the technology is fabulous. It is an amazing piece of technology, forgetting about the application of that technology as GoBank. And you're seeing a piece of that technology in the Wal-Mart preferred card, you're seeing it in the Green Dot app and other products that we're rolling out throughout the Company.

We're getting a lot of use out of that. We have a lot of high hopes for that long-term for the Company. As I mentioned earlier on the call, still a very small revenue contributor to all of Green Dot.

Second question you had was -- I'm sorry.

Smitti Srethapramote - *Morgan Stanley - Analyst*

Any thoughts on Simple.

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

I know the two entrepreneurs of Simple and congratulated them when they sold the company. It was a wonderful thing for them and a great innovation. It shows you the value of really great technology and great mobile banking technology.

They're not a bank and so they sold to a bank. While that is not apples-to-apples with what we are, it does show you that the technology itself has tremendous value in the marketplace. We hope to do quite a lot with GoBank and hope to be able to execute our plans that we have internally for it.

Smitti Srethapramote - *Morgan Stanley - Analyst*

Great. Thank you.

Operator

Andrew Jeffrey, SunTrust.

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

Thanks for taking the question.

Steve, I want to clarify something. You mentioned the Wal-Mart concentration or contribution to revenue. If I just do the math, 67% last year and 61% this year, implies that it's down about 6% sales in Wal-Mart year on year.

I'm just trying to reconcile that with the commentary about strength in the money card in Wal-Mart and also wonder if the $5.6 million in revenue is non-Wal-mart specific. How do we think about those things in the context in terms of Wal-Mart versus non-Wal-Mart retailers?

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

Sure. First of all want to make clear from factual point of view. It wouldn't be 6% in sales, it would be 6% in revenue. Most of our revenue is contributed by active reloading cards. You can't really apply a sales rate year over year by that concentration number.

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

If I said that, I misspoke.

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

I wanted to make sure that others listening, understood that.

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

Got you.

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

As I said, the revenue is somewhat predictable. If you take a look at the active cards starting back, as I mentioned earlier on the call, going back to mid-2012 with the announcement of Bluebird and all the new competition, and we layered on pretty heavy risk controls, we cut a tremendous amount of active card enrollments. On the Wal-Mart side, as we did on Green Dot side during that period of time.

During that long train of active cards coming to a slowing pace little by little by little, but it's slow nonetheless. Then you launch a bunch of new products in call it Novemberish of last year. Then you see the train, you put more coal in the oven and begin to increase. That's where you see the sequential up-tick in active cards.

The year-over-year revenue concentration, I would call more of an artifact, I guess, than anything predictive. Part of the model of a train slowing down and speeding up and that's why we try to provide that color so folks understand.

I think the more relative metric you want to follow is active cards over time. Because that's really the leading indicator of revenue.

That's the first part of the question. The second part of the question had to do with the $5.6 million. My guess is that -- and I'm looking at the accounts in the room, my assumption is that the concentration was similar on that part of the revenue than it is to our regular revenue.

50/50, close enough to rock 'n roll; somewhere in that area. Nothing dramatic one way or the other.

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

So if I understand correctly, your assertion is that there is a tail to the increase in risk control. Not only the fact that you lacked the risk control you put in place in the first quarter of 2013, in the first quarter of 2014 wouldn't necessarily inform this past quarter's revenue at Wal-Mart.

If what you're saying is right, we should start to see the Wal-Mart revenue growth and concentration as a percent of total Green Dot revenue increase as the year goes on, right? If I'm understanding you.

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

That would be relevant to how the Green Dot side does. So it's hard to answer that question with precision. I think the way to think about it, is that as we get into Q4, we would plan to exit the year with a bigger active base at the Wal-Mart portfolio than we have today as that train picks up steam with all the new products and activity. That's right.

Now, whether or not the concentration changes depends on whether the Green Dot side grows as fast or more slowly in active cards. It could be that, in a perfect world, you'd have the concentrations stay the same but the company is just a way bigger company. But the way life works, is you always seem to have, given one year over the other, you always have one side growing faster than the other but it all evens out in the mix.

I don't think as we look at, Andrew, in Q1, there's anything particularly compelling to draw from it, except that as a company with multiple portfolios, we're on track to do what we said we'd do. The Green Dot side is doing very well right now. But the Wal-Mart side with our new mix of products we think will enter the year quite beautifully.

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

Okay. That helps.

Just overall, Green Dot has the -- as the biggest prepaid company in the market, do you have a sense or can you help us understand your view of the growth in the category?

In other words, we know about all of the some of the sort of unbank numbers out there and how aggressive the market is. Can you opine a little bit on how fast you think the category is growing? Whether, overall, the market is -- the market growth has accelerated, decelerated, remained roughly the same?

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

Well, we look at a -- we have an internal, I will call it index, if you will, or the Green Dot 500 or something where we try to look at different companies to try to get a sense of what the industry growth rate is. Because there are, Andrew, I think about 1200 prepaid card programs, if you will. 1200 baby Green Dot's out there in the country that are issued out of a handful of banks.

For example, we look at the growth at Bancorp with leading indicator, they issue a tremendous number of programs. So we always listen to commentary on their prepaid growth. We look at any data we can get from MasterCard and Visa. We look at our own data, and then we look ar our own sales reports by brand.

It looks like the industry is growing up between 15% and 20% if you were to kind of take that blended average of all of these little growth factors. But that isn't always related to active cards or any one program. You have a lot of government cards mixed in. So it is hard to get a number because so many companies are private and don't report.

And also NetSpend is another good count, right? With (inaudible), we listen to their earning's call, as you know might as well, to get a sense of NetSpend's revenue and active cards. Whether you're looking at revenue, that can vary depending on who does what to a fee or who adjusts this or that. If you're looking at active cards, let me give you a different growth statistic.

If you look at GDV, which is what the networks look at primarily, it's closer to that I think, 15% to 20% number. We sort of hold ourselves to that standard based on our size and scale. With all of the cylinders popping, we should be at 15% overall growth weight. Having said that, our sales rate can often be way higher than that.

But again, really heavy revenue is driven by those customers who buy it, reload it and then use it over and over again. I think if you were to -- and this is -- I would like to tell you this is third-party audited data. This is not. You asked me sort of as a guy in the industry and so I'm responding that way. This is hardly a scientific response.

My gut tells me 15% to 20% feels about right. That's where we want to target our growth long-term. But as you get bigger and bigger and bigger, you have a bigger number to grow off of, and so you need to look to new products and new services to drive the revenue growth and revenue per user. We spend a fairly good amount of time on those types of issues.

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

Got you. Okay. Thanks a lot.

Operator

Ryan Davis, Credit Suisse.

Ryan Davis - *Credit Suisse - Analyst*

Hello there, could you help me think about GDV per active card this quarter? It looked like it was down year over year? Was there something strange going on that drove this? I figured with increase in direct deposit, I thought this metric would go upwards.

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

The answer is, every -- funny when you said that, everyone rushed under the table to find calculators. So the answer is -- if you took a global view -- let me do this in my head, this is always dangerous if you know me. If we're up in active cards by 5% and up in revenue overall by say 4%, and that would imply a lack of efficiency and load volume per card. But I think you need to look at reloading cards.

I think on a reloading basis, we're actually up in revenue per active by 4%, if I remember the homework we did before the call. The reason why that is sort of difficult to guess, if I were on your side of the desk and it's a very good question, is that you have a ton of new cards being sold at dollar stores, and at Wal-Mart and at all of our retailers, but it takes time for those to generate revenue. The majority of our revenue is driven by older, more seasoned reloading cards, right?

If you took all the cards in a bucket -- I'll give you a reverse analogy, a mathematical equation. If you stopped selling cards, if tomorrow we shut down every retailer and never sold another card again, the revenue per active card would skyrocket. Because the only guys you'd have left are our ongoing current users. The reverse of that is right now, we're acquiring a lot of new customers, more so than we've done historically.

You will see that blended average have a much larger denominator which will give you a different result. That's a long way of saying I wouldn't put any meaning into it and nothing in your model that you should look at. It continues to look very strong and for those reloading customers, it looks great. Nothing meaningful there, I don't think, good or bad.

Ryan Davis - *Credit Suisse - Analyst*

Thank you. As a follow-up, the cost associated with the Target breach, was that something that was unique maybe only to Green Dot or do you think it's something your competitors witnessed too?

As kind of an aside to that, I guess Target recently announced the migration of their red card and their other products in EMV. Is there any thoughts your guys moving some of your prepaid products that direction? Maybe now kind of an industry push?

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

Sure. Let me ask the first question. Green Dot provides a lot of consumer protections for our customers that are not required by law and that the vast majority of other prepaid providers do not provide. One of those would be bank standard regulated reg E protection.

We're a bank holding company, we're a bank, we're not a third-party marketer of prepaid card that then rides the rails of a non-affiliated third-party bank. We do hold ourselves to a higher standard. In this quarter, reg E was expensive for us. I don't know that all of our competitors would have had the same percentage or per capita charge-off. My guess is they might have if they were reg E compliant.

The big ones, I don't think are reg E compliant. So we probably bore a bigger burden of that this quarter than others. It may be one of the reasons why our brand does so well. People know that we're a good company, we treat you fairly, and that may be part of the whole karma of the brand. Hard to know how other competitors we're affected.

Certainly, in the traditional banking industry, you bet. I don't think they announced and its not material to a company the size of Chase or Wells Fargo or something. I'm sure quite sure they were busy in their loss department as we were in ours trying to protect our bank and protect our losses.

Frankly, our Chief Risk Officer, Eric Inkrott, did a unbelievable job with his team of following trends, almost around the clock, as we tried to not only make sure our customers were made whole and had their money to spend as we wanted them to, but make sure we didn't suffer losses greater than what we suffered. It could've been quite severe had we not had the right kinds of technology systems and a fabulous, fabulous team who runs the division for us.

The next question is EMV, and I read that article as well as about the Target red card debit going to EMV. Clearly, the need for new kinds of security, encrypted data, more protection is out there. It is - what's happening, forget about debit cards. That's the least of it when you think about heartleaf virus.

You can't wake up without finding -- I even had a letter from believe it or not, that a dentist I used saying that his files were stolen and hacked and my social security and dental records were taken and I had a whole thing I had to fill out to acknowledge receipt. The problem is, that as technology races faster than the tools to protect you against the technology, we live in a very scary world as it comes to transactional data, personal data and all kinds of things.

I think that what Target is doing is clearly prudent. In reaction to the unfortunate events that they experienced. We feel horribly for Target. There but for the grace of God, go anybody. That is the nature of our industry.

It isn't anything that somebody did horrible or this or that, nobody ever intends that to happen. I'm sure that was a horrific day for their CEO and their team at Target. The fact is, is that we live in a scary world and so all of us continue to amp up our protections and then hope that we're not the next victim, right? So it's a scary time and to the extent that EMV can encrypt data. That's great.

EMV does not help you with online transactions. It doesn't help you with other kinds of transactions. Any step in the right direction, is the right direction. I think you'll see a lot of discussion and activity.

You have the reality of EMV and this is sort of beyond the scope of being CEO of Green Dot because other banks would be far more impacted far sooner than we would be given the nature of our portfolio and customer base. You have to figure out how to make a change but then you need a whole ecosystem change. Even though a card may have an EMV chip in it, processors today don't process it.

Retailers don't have the POS devices that accept it. Clearly, if you were to fast-forward two, three, four years, we believe that these kinds of things will become more commonplace.

We're sure that there will be agreements made with our network partners, Master Card and Visa. Other banks, including Green Dot and that protecting customer data, clearly will be a source of investment for us and every financial service provider the country and in the world. No question about that.

Ryan Davis - *Credit Suisse - Analyst*

Thanks, Steve.

Operator

Michael Tarkin, Compass Point.

Michael Tarkin - *Compass Point - Analyst*

Thank you for taking my question. Just a quick one. Can you help us with where parent level unrestricted cash is at the end of the quarter?

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

Unencumbered cash with Green Dot Corporation is -- Grace?

Grace Wang - *Green Dot Corporation - CFO*

Unencumbered cash is sitting at $136 million, currently.

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

That is down a bit from last quarter because we paid a chunk of cash to GE to settle various nits and nats associated with that large Wal-Mart portfolio. So we wrote them a check for $50 million that came out of that unencumbered just cash as part of that transaction.

Michael Tarkin - *Compass Point - Analyst*

Understood. And then how are you thinking about potentially a share buyback at this point?

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

I actually thought I would escape an earnings call without that question. No, that's what I get for taking the last call.

Look, here's - how do I talk about this? As a management team and as a board, I think it's fair to say that we feel that Green Dot stock is a really good investment and that a share buyback, especially given where our share prices, prior to this call, but at any time, may well be a prudent use of that excess capital.

At this point, as we look at best uses of excess capital, we feel warmer towards a buyback that we perhaps ever have felt in the past. That being said, as a big holding company using excess capital for whatever reason, is a formal decision-making process and it involves long-term capital allocation planning, a formal review of our future needs and uses of cash and any other number of analysis any bank holding company would want to undertake before spending any material amount of cash on anything off our balance sheet.

Once you've fully thought that through as a management team and a board, then that buyback would require the approval our regulators at the federal reserve and the state of Utah. While I can't say with certainty what we may or may not be able to announce any point doing down the road, I think it's fair to say we do believe that Green Dot stock is a worthy use of cash and that use of cash would rank up there with other potential uses of cash in discussions that we have on a regular basis.

Michael Tarkin - *Compass Point - Analyst*

Thanks.

Operator

That will conclude our question-and-answer session. I would like to turn the conference back over to Mr. Streit and management for closing remarks.

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

We appreciate your time on the call. I know we have some in-person presentations in New York and Boston and so forth as the season moves on. Hopefully, we'll see many of you there.

Thank you for your time this evening on the East Coast and this afternoon here on the West Coast. Thank you and goodbye.

Operator

And we thank you, sir, and to the rest of the management team, for your time today. The conference call is now concluded. We thank you all for attending. At this time, you may disconnect your lines. Thank you, and have a great day, everyone.