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EDITED TRANSCRIPT

GDOT - Green Dot Corporation at JPMorgan Global Technology, Media and Telecom Conference

EVENT DATE/TIME: MAY 19, 2014 / 5:40PM GMT



CORPORATE PARTICIPANTS

Steve Streit *Green Dot Corporation - Chairman & CEO*

Grace Wang *Green Dot Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

Tien-Tsin Huang *JPMorgan - Analyst*

PRESENTATION

Tien-Tsin Huang - *JPMorgan - Analyst*

Alright. I see the green light. Does that mean we are ready to go? Terrific. Thanks, everyone, for joining. My name is Tien-Tsin Huang. I cover the Computer Services and IT Consulting Group at JPMorgan.

So, the next group, we've got the Green Dot Team here, which I'm excited about. We've got an overweight rating on the name. Steve Streit, CEO; Grace Wang, the CFO; and Chris Mammone is also in the audience from Investor Relations. So, just like the rest of the sessions, we're doing fireside chat.

But, if you don't mind, Steve, maybe I thought you can just give us quick sort of update, state of the union, recap of the quarter and outlook for those may not be as close. And then we can dive into the questions that I have, if that's alright.

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

Yes, sure. Good to be here.

Tien-Tsin Huang - *JPMorgan - Analyst*

Thanks for being here.

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

And anywhere you go, sir, I will show up. Sure.

So, Green Dot's mission is to reinvent personal banking for the masses. We're a bank holding company, regulated by the Federal Reserve. We also are the inventor of the prepaid debit card and we're the first to market with that many, many years ago; about 14 to be exact.

And, in Q1, we had a good Q1. I forget the specific numbers and I'm sure that you can research that easily enough. And we reiterated our guidance for the year, which was growth of about 10% to 12% on the top line and similar on the EBITDA line. So, how was that for a quick summary?

Tien-Tsin Huang - *JPMorgan - Analyst*

That works.



Steve Streit - Green Dot Corporation - Chairman & CEO

Yes.

QUESTIONS AND ANSWERS

Tien-Tsin Huang - JPMorgan - Analyst

That works. So, let's talk about the core GPR, the debit cards tier, just the addressable market. Because I remember from the IPO, we talked quite a bit about the addressable market. Has that changed and can you give us a sense of how fast the industry is growing overall?

Steve Streit - Green Dot Corporation - Chairman & CEO

Yes. Well, first let's talk about the addressable market. What I look at is the macro and you have to have sort of a belief in this or not and then you have to look at the economic trends to back up the belief. Is America getting richer or poorer? Are there more folks making \$75,000 a year or less in household income? And the answer is yes. Whether or not we have a middle class left is better for politicians to debate, but the fact that you have more and more low-income Americans as a percentage of our population is undeniable.

And of 14,000 banks and credit unions in America, there's only one that, in my view, gives a damn about low-income Americans and that's Green Dot Bank and that's who we're all about. So, all of our products and services are focused on that demographic.

Today, it's our prepaid card. It's also our checking account, which is GoBank, America's coolest checking account, as I always say, and my primary checking account. And, luckily, folks are picking up on that as well. But that's our product. And, down the road, it could be other things as well but that's sort of our macro.

If you think about how the prepaid debit card industry is growing, it's hard to say. We're the only public company. The private companies don't talk about it and American Express doesn't really give data that's comparable. So we look at some, oh, make-believe S&P 500 kinds of charts to sort of gauge.

One is our own reload network because our reload network services Green Dot but also services the entire industry except for one or two programs and we have almost 200 programs that reload on the Green Dot network. So, that grew 11% year over year. So, that's a good proxy for how, in general, the prepaid cards are growing.

We also look at the earnings reports of a bank called Bancorp. They're a public company. TBBK is their trading symbol. Good guys and friends but they provide issuing services for about 700 or so or 600 -- I don't want to speak for them, I could be wrong -- programs, but a whole lot of them. And they don't give active card growth but they give revenue growth, which is a reflection of fees. And I don't know if their fees are up and down but I think their prepaid division grew at about 15%.

So, if you had to guess and come up with some number, if you said 10% at the low end and, oh, let's call it 18% at the high end, it's probably somewhere in that range, is probably fair, But, that's hardly third-party audited data. It's sort of a finger-in-the-air analysis, but probably not an unfair view.

Tien-Tsin Huang - JPMorgan - Analyst

Right. So, I think, in the first quarter, you grew revenue closer to the sort of 3% to 5% range.



Steve Streit - Green Dot Corporation - Chairman & CEO

Yes.

Tien-Tsin Huang - JPMorgan - Analyst

Depending on what you want to include or not include versus the growth rates you just described in the double digits. So, what's the gap?

Steve Streit - Green Dot Corporation - Chairman & CEO

Well, the gap is that we've been through a bit of a transformation. For those of you who know the stock, beginning in 2013, we put in some pretty heavy-duty risk controls, intentionally. We wanted to sort of clean out the portfolio to make sure that we're a long-term sustainable bank that can service its customer base in that macro that I talked about for many years to come.

Putting some heavy risk controls in locked out about 2 million customers in the year and we still grew. Folks, that's a lot of customers, when you think of the numbers of millions of folks who buy our products every year at retail stores around the country. And that clearly was an inhibitor of growth.

We did what we needed to do. We've learned how to better moderate risk with better technology. And we've spent a ton of money on the back-end systems to look at craziness on the back end so that we can be more selective of who we block on the front end. But, that was clearly a headwind that our competitors didn't face.

And then the other headwind was, back in late 2012, Walmart rolled out an American Express product called Bluebird, which took half our shelf space. So you were in every checkout lane of a Walmart and then we went down to every other lane of a Walmart and, clearly, that wasn't helpful by any stretch. So, those two things, I think, as it relates to Green Dot specifically, was not helpful to our growth rate.

If you look at this year, the reason we feel good about that 10% to 12% growth, and we were on track in Q1 to achieve that, is that we now understand how the risk controls have lapped. We know how our sales are faring against Bluebird and other competitors in other retailers. And so, we can now better look at that and feel better about the growth rate.

But, it clearly took a chunk out of normalized growth in that year. And we were very upfront about that when we did those changes.

Tien-Tsin Huang - JPMorgan - Analyst

Understood. So, what are the big factors that will cause revenue growth to accelerate as the year progresses? You've talked about 10% to 12%. You're coming at it from a mid-single digit base. What's driving that?

Steve Streit - Green Dot Corporation - Chairman & CEO

We just have a lot more customers. There are a couple of things happening, which is a really good thing.

The Green Dot brand, which has always been strong, but for those of you in consumer -- Green Dot, let me back up for a second, is a weird company in the sense that -- or interesting depending on how you look at it -- we're Procter & Gamble meets Google meets Chase. We're a retail bank regulated by the Fed. We are a consumer products company that deals with colors and shapes and sizes and brand names and distribution and stocking and inventory and retail trends and all the things that anyone else would deal with. And we're a technology company that invests heavily in really, really cool mobile and remote technology to run, in effect, a branchless network of 90,000 locations where our products can be purchased and deposits can be made and so forth and so on. So, all that has to come together to make it work.

So, as you look at why we feel good about our future prospects and, for this year, why we're feeling good about reiterating guidance as we did in our Q1 earnings call, is that we signed 27,000 new locations just last year.

We've entered the check-cashing distribution channel. They're called financial service centers but you would know them as check cashers. Here in New York, it would be places like Davids or RiteCheck or those kinds of locations. And we'd never been in those before. That's a fresh, virgin channel for us where our competitor of NetSpend dominated for many years. And, with our own bank and own charter, we now have the opportunity to serve those customers directly in America's inner cities and we're doing very well there.

So, between the check cashing distribution, which is new and incremental, and all the 27,000 new stores and the power of the Green Dot brand, which continues to grow and is really reaching iconic status in low- and moderate-income American neighborhoods, it's providing this wonderful grist for the mill. And, so far, we're on track.

At the same time, we're always cautious because we're a cohort business. In other words, somebody buys a card on day one. They register it. We approve them or not depending on the customer identification processes that we go through for that customer as required by law as a bank. We then send out the personalized plastic in the mail and they get that five days or 10 days later. They spend down whatever money they initially loaded. And then they reload it or not. And so, it takes some time for those customers to spin up and then it takes time for those retailers to sell more cards every month.

So, I've described it as the slow-moving train of active customers. It takes a long time to slow down when you're in a negative cycle. For example, even though, in 2013, we blocked 2 million customers and had all the competitive activity, I think our active cards stayed pretty much the same, maybe we lost 100,000 customers, because you have this gigantic train that just takes so long to slow down. But then you roll out new retailers and you have a bunch of new customers and you can feel that train picking up.

And we've had, for the first time in over a year, two sequential quarters of growth with active cards; about 2.5% active card growth in Q4 of last year and then 5% in Q1 of this year. And so, you can feel that energy and momentum picking up and that's what gives us that confidence because after 14 years of doing this, it's somewhat predictable on how that rolls out.

Not to say something couldn't come off the tracks, to stick on train analogy, not to say that something wacky couldn't happen but, generally, that's somewhat predictive and that's why we have a good sense of our year.

Tien-Tsin Huang - JPMorgan - Analyst

Makes sense. So, our thesis has been, Steve, that those 27,000 new locations, the dollar channel, the check cashers; if they can be just as productive as the pharmacy channel, there's a big increase in the TAM and that growth can accelerate back to double digits pretty easily. But, the timing hasn't been quite what we thought. So, tell me if these new locations are a big part of the formula to get to your targets.

Steve Streit - Green Dot Corporation - Chairman & CEO

They are. The dollar stores are performing at or above our expectation. The check cashing behavior is where we expected, but that's higher than the behavior of a typical retail store customer. So, I think that's all played out well. I think where, Tien-Tsin, maybe you have the timing a bit wrong is just understanding how long it takes for an active customer to spin off revenue over a lifetime of usage.

Tien-Tsin Huang - JPMorgan - Analyst

Right.



Steve Streit - Green Dot Corporation - Chairman & CEO

And you don't sell a card on day one and then, on day seven, you've captured that \$100 of revenue over its lifetime. It's a slower build. And, even if you're making, say, \$7 to \$10 per month in revenue per reloading card, which is about what we make, if you're selling, let's pretend 100,000 more cards one month, you didn't do 100,000 time \$100. You did 100,000 times \$7.

Tien-Tsin Huang - JPMorgan - Analyst

Right.

Steve Streit - Green Dot Corporation - Chairman & CEO

And you have to build, build, build as that portfolio expands. And so, I think, frankly, your theory was spot-on, as I read the report, but the timing of how that train picks up steam was probably a little bit aggressive.

Tien-Tsin Huang - JPMorgan - Analyst

Okay. Another part of our thesis, I guess, was the new cards at Walmart, which were at higher price points.

Steve Streit - Green Dot Corporation - Chairman & CEO

Yes.

Tien-Tsin Huang - JPMorgan - Analyst

Ironically, to your own and even the AmEx brands could make the renewal not only easier but also be a contributor to the year. So, what's going on with the new SKU's at Walmart? Any surprises?

Steve Streit - Green Dot Corporation - Chairman & CEO

Let me think how to answer that best. And the only reason I say that is because Walmart is a fabulous partner.

Tien-Tsin Huang - JPMorgan - Analyst

Of course.

Steve Streit - Green Dot Corporation - Chairman & CEO

And their business is their business. So I don't ever want to speak on behalf of any client or partner, whether it's Walmart or Rite Aid or Walgreens or anyone else. So, I want to think how to answer it.

Let's talk about consumer products. When you roll out a whole bunch of new products, and we rolled out nine new fresh-from-scratch, virgin SKU's in the world's largest retailer, they're not all going to be hit records. I don't care if you're Katy Perry. Not every record is going to be a hit on the album. And you know that going in to it. So, Procter & Gamble has, every year, hundreds of products that don't make it past the pilot phase.

And we're a consumer products company. So the answer is, we have some hits, we have some that aren't as good of hits, and then our job is, as a consumer products company, is to say; well, more of this one and less of that one and let's substitute this one. And that's not any point in time. It's just what you do. It's what we do. It's what Johnson & Johnson does. It's what everybody does who works in the consumer products space.

And, without speaking specifically about Walmart or the new SKU's, it would not be unusual and it would be quite expected that you'll find some hit records and some that are B-sides and then you make adjustments accordingly.

Tien-Tsin Huang - JPMorgan - Analyst

Okay.

Steve Streit - Green Dot Corporation - Chairman & CEO

Is that a fair --

Tien-Tsin Huang - JPMorgan - Analyst

It is fair.

Steve Streit - Green Dot Corporation - Chairman & CEO

Okay.

Tien-Tsin Huang - JPMorgan - Analyst

Over-under on Katy Perry in the interview was 10 minutes. So, we hit the over. The Walmart growth --

Steve Streit - Green Dot Corporation - Chairman & CEO

Yes.

Tien-Tsin Huang - JPMorgan - Analyst

It declined in Q1, which was a little surprising to me. But, why is that? And what's the trajectory, in general?

Steve Streit - Green Dot Corporation - Chairman & CEO

Well, so Walmart portfolio last year where we had -- remember we lost half our shelf space. So, the Green Dot brand has been growing at its own pace and that's a separate product and separate brand and product into the retailers. On the Walmart side, we had not only the risk controls, which we had everywhere, but we also lost half our shelf space at Walmart, which we did not have everywhere.

So, that, the active card side of Walmart declined more than -- and in fact, to put it another way, using the train analogy. That train had the brakes on for more of 2013 than our non-Walmart retailers. The new products come out. The new merchandising comes out. The train starts picking up speed. But now what you're seeing is the train slowing down and the speed not picking up as fast. And we would expect that to moderate over time, but those are all new products and new cohorts and so we'll have to see.



But we're a company, not of one portfolio. We have, oh my gosh, 13, 14, 15 different products, 92,000 different retail locations, of which Walmart is 4,200 of those locations. They're big ones. One Walmart will do the sale of many hundreds of our other locations. So, obviously, vitally important to us. But, as a portfolio, the Company is growing and doing what it should do and that's what I think is most important.

Tien-Tsin Huang - JPMorgan - Analyst

Okay. Okay, just a few more on Walmart, just because everyone asks about it. Trust me, I wish I didn't have to ask it.

Steve Streit - Green Dot Corporation - Chairman & CEO

No, that's okay.

Tien-Tsin Huang - JPMorgan - Analyst

Let's do two more on Walmart. One is, Serve coming in. I guess the consensus view is that it's more a direct competitor to your product. What's your view on Serve coming in? What does that signal? And then I have a follow-up.

Steve Streit - Green Dot Corporation - Chairman & CEO

I love that Serve is in Walmart and I'll tell you why. And we had, in our company, we had what we call a town hall meeting. We have facilities all over the U.S. I'm physically in Pasadena with Grace and the management team. But we have locations everywhere and we do these town hall meetings after earnings calls where the employees get to ask questions and so forth.

And that was one of the questions. "Hey, Steve, should we be worried about Serve at Walmart?" And my response was, "Look it, you can't be an undisputed champion without a heavyweight fight. You need to have the fight." And there's all these whispers about; oh, AmEx is going to kill you and all this. Let it at. Let's have it out. Let's just make it in the public eye and, if we beat AmEx as seriously as we beat them at CVS and as seriously as we beat them at Walgreens and as seriously as we beat them at Family Dollar.

There could be something genetically different about Walmart customers that makes us not beat them there. Or it could be that their marketing is better because they are spending, to their credit, oh my gosh, \$70 million, \$80 million is what I've heard but only they could tell you for sure, on television marketing. You can't escape the TV and radio commercials. And they're on the shelf.

So, will they hurt us? I don't know. On the earnings call my comment was; it's impossible to know with precision how they could impact our business going forward. We do know with precision how they've impacted our business at other non-Walmart retailers and that is, they haven't. We're growing faster at those retailers than we ever have.

And so, we don't know what's going to happen at Walmart but, whatever it is, I just want the bogey man out of the closet, so to speak, so that, instead of all the whisper rumors about the kid who's going to kick your butt in the playground; let's just get on with it and let's see what it is. And they may do fabulously well. They may do fabulously unwell. But, at least the whispers can be facts in reality and then, as investors and as a management team, we can address it more directly.

But we have great confidence in Green Dot as a company. We think our products are fabulous. We have tremendous customer loyalty. We have the lowest-priced products, by far. We have issuing MasterCard and VISA debit cards. AmEx, of course, has a slightly different acceptance footprint.

And, at the same time, I want to be clear that we're very respectful of the power and force of American Express. My entire company can fit into the men's room stall of any bathroom in any building that American Express owns nationwide. And I never forget how small we are in relation to that fabulous company with a heritage brand name. So, in no way are we ever disrespectful and I don't mean to be today in this meeting.



What I want you to hear is that we feel good about our products and services and we feel good about our history of competing in the marketplace against AmEx and 10 others and coming out on top. But, we'll see. And we're excited and geared up for the fight.

And let the customer choose because our boss, at the end of the day, respectfully, is not the investor and it's not my Board of Directors and it isn't my retail partner. Our boss is the consumer. And what the consumer wants, the consumer gets, and let's see what he or she decides. And, hopefully, in six months or eight months when we're here again or a year when we're here again, we can have some results to share.

Tien-Tsin Huang - JPMorgan - Analyst

Okay. Last one and then we'll open it up. Just on the renewal with Walmart, I have to ask. How much of all of this benchmarking against American Express will that dictate the renewal? And I guess, along the same lines, is the consumer fee going to be a negotiating item with the renewal?

Steve Streit - Green Dot Corporation - Chairman & CEO

Consumer fee? Well, so the way it works at Walmart is that we decide on products to roll out. And, today, at Walmart we have Green Dot-provided and Green Dot Bank-issued products that have no reload fee. Some have a reload fee. Some have a monthly fee waiver. Some have now monthly fee waiver. Some cost \$3. Some cost \$6. You know, they're all over the deck, right? It's a portfolio of products.

What we look at with our partners at Walmart is, A, what services the customer best. And I'm actually quite serious about that. When we're in those meetings it is always about the customer, always. Then, once you get past that, then it's; hey, how much money are we going to make? Because, if you try to design consumer products based on how much you want to make, you'll end up with something that looks great in the McKinsey deck but may not, in fact, work off the shelf.

So, we first solve for the consumer. And then we look at how much does it cost to provide that product and then what are the margins left over for us to share.

Tien-Tsin Huang - JPMorgan - Analyst

Right.

Steve Streit - Green Dot Corporation - Chairman & CEO

And that's what will be the discussion in any renewal as opposed to any one fee because we have fees today all over the deck. So, I don't know if that helps you in answering the question but that's really more what that's about as it relates to the economics.

Tien-Tsin Huang - JPMorgan - Analyst

Alright, fair enough. Let's open it up. Any questions from the audience?

I guess the timing of the Walmart thing, as a follow through while we're waiting. It's a year away, I guess, right?

Steve Streit - Green Dot Corporation - Chairman & CEO

The contract expires a year away, but there will be an RFP issued. There has to be. For any Walmart private-label provider, whether you're making prepaid cards or tires, there is a process that you go through. There will be an open RFP. And, next to the Green Dot brand, it's the biggest brand



in prepaid and the biggest-selling product in our industry. And I'm quite sure that everybody and their sister will bid on it. And we'll participate in that RFP. And then they'll be a decision made at some point and that's how that process is made.

So, I would imagine that there will be some discussion about what Walmart wants to do prior to May of next year. But that's what the process is. And we would expect that RFP to come out shortly and that's how that works.

Tien-Tsin Huang - *JPMorgan - Analyst*

Okay. Yes, please? If you don't mind using the mic it would be a huge help.

Unidentified Audience Member

Or you can repeat.

Tien-Tsin Huang - *JPMorgan - Analyst*

Alright, sure.

Unidentified Audience Member

You label yourself as a consumer products company but you've obviously spent a lot of time on technology investment and the like.

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

Huge, yes.

Unidentified Audience Member

Maybe just on 30,000-foot level, explain what really and truly differentiates your brand and product offering where others just could not replicate what you do.

Tien-Tsin Huang - *JPMorgan - Analyst*

Want me to repeat that?

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

I'll try to repeat it. So, the answer is we're a consumer products company but we're also a bank holding company and a very serious bank holding company, meaning we represent a macro of the economy that is vitally important to us and our regulators. And we're a technology company and we're a consumer products company all forced together in what becomes Green Dot Corporation.

And your question was what makes us unique in the marketplace. And I think what you're asking is what would a consumer want to buy a Green Dot brand product versus another. Is that the question?

Unidentified Audience Member

Yes.

Steve Streit - Green Dot Corporation - Chairman & CEO

Okay. A couple things. Number one, they know the brand. The brand has been around for 14 years. We started the industry. We have a lot of customers who use our products. And it's a good product. We don't do stupid things. Or, if we do them, we admit them, we say we're sorry, and we move on. But we certainly don't do them by design.

We don't harm customers. We don't have overdraft or penalty fees ever. It's a customer covenant in the Company, which is unique in our industry in many ways. We have the lowest pricing products and we have a brand that is comfortable and familiar to Americans who've been using that product for many, many years.

And, much like there could be an Illy coffee shop over here but a Starbucks over here and, while Illy is fine coffee and, if you're European, you may be more preferenced towards Illy, but eight times out of 10 Starbucks is going to win that customer. You know what the coffee is going to taste like before it's poured, right? If I say to you the word Pike Place Blend, you know what it tastes like right now even though that coffee is not in your hand.

And I think people feel that way, in many ways, about the Green Dot brand. We also have fabulous marketing, to give credit to our Marketing team. And our brand represents hope and respect and aspiration and love for millions of Americans who buy the product. We don't hurt them and we don't rip them off and they get that about our products and services. So, I think that's all a part of it. But, you never know. And we never take that for granted. But the brand has absolutely become, in many parts of our economy, iconic and that clearly has been helpful to us.

The other reason is we're affiliated, we issue in MasterCard and VISA flavors. Both of those brands are well-respected by our constituency. And they're accepted everywhere that you want to use them. AmEx, a great company, the acceptance pattern in low-income areas is extraordinarily weak. I know they're working hard, as Mr. Chenault should, and they're doing a great job with Opt Blue and other programs. And it may be that, in five or 10 years, they do catch up to the acceptance of MasterCard and VISA in America's inner cities. But, not there yet. So, I think all those are reasons why people choose Green Dot. Yes, sir?

Unidentified Audience Member

Just two quick questions. One, on the Walmart renewal, was the last renewal an RFP? I don't remember.

Steve Streit - Green Dot Corporation - Chairman & CEO

Yes, the question that Reggie asks; was the last Walmart renewal, roughly four years ago, four-and-a-half years ago, an RFP?

And the answer was, it was not, I don't think. And the reason I say I don't think, it was a different time for Green Dot and for Walmart, and we were going public. So, at that point, there was a different CEO and we needed a five-year extension which, at the time, was unheard of in Walmart. Most contracts are far shorter. And we did a deal, you may remember, where we gave them about 4.8% of the Company in shares and most of that they still have. And we also worked on a long-term deal. And so that was a different kind of process and our contract did not expire so we weren't even in a renewal period.

So, the answer is, no, but it was a different world and a different time and Green Dot was really the only player of scale. We did have one big competitor back then who bid aggressively against us. But that was how that worked. Now, but that doesn't mean that there wouldn't have been if it was in a more traditional thing and it's been five years. So, a different world.

Unidentified Audience Member

And I guess my second question, you guys have talked a lot about wanting to own a bank. And it seems, recently, that owning a bank has been more a hindrance than necessarily a benefit. I guess just thinking the environment.

Steve Streit - Green Dot Corporation - Chairman & CEO

Oh, that's interesting.

Unidentified Audience Member

I guess can you tell us because we get that question from investors. Is it beneficial to be a bank at this point?

Steve Streit - Green Dot Corporation - Chairman & CEO

The question that Reggie asked is, we worked hard to become a bank. Has that now become a bad thing? I think is what you're saying.

And the answer is, no. We love being a bank holding company. We deeply respect our regulators from the Fed. They are awesome people and they care deeply, and I'm being quite serious about this, from Chairperson Yellen on down, deeply about this part of America.

Think about this, if you're focused and care about the macro condition of the country's economic profile, you've got to be worried about the fact that people are not earning what they need to be earning to live the life that we'd like them to live in our country. That's just a fact, especially in major cities like Philadelphia, New York, and Los Angeles, where we're located.

So, we like having that direct opportunity to speak with our regulators out of the San Francisco Fed, who regulates our bank in particular, and to present them with new ideas and innovation on how we can best serve this constituency. If we were not a bank, we wouldn't even have access to the regulator. We couldn't even be innovative and come up with an idea. When you think of GoBank, our cool mobile checking account product, that product could never have been developed if we were not a bank and were trying to piggyback, as one of 500 programs, on the back of some community bank.

And, if you think, going forward, Reggie, about all the opportunities that a bank can do; we're a real bank, not a make-pretend bank. We have a branch in Provo, Utah. It has drive-through tellers and lollipops for the kids and we do loans for the residents of Provo. We don't lend on a national basis. But it's a real bank. And we take that community banking role very seriously.

But, what else can we do as a bank? And the answer is, anything that's legal that our regulators believe is prudent and appropriate relative to our capital base and relative to all the various compliance issues that you deal with when you're a bank.

So, we love being a bank holding company. We wear it as a badge of pride and honor. I have a personal view that I'm very passionate about, and all of our employees know this, that being a bank is not a right, it's a privilege. And we're a civic institution like the synagogue and the church and the high school and the library. We are a civic institution and we take that obligation, especially for the customers that we serve at Green Dot Bank, almost a parental role and we take that very, very seriously.

And the opportunity to take our bank and grow it into something that provides all kinds of products and services for this macro part of our country is a fabulous opportunity. And I believe and have always believed that at some point, as you fast forward two, three, four years, that Green Dot Bank will actually be much bigger than Green Dot Holding Corp. And we have never regretted the decision to become a bank holding company.



It does mean we're better-governed. It does mean we have to have a more serious Board. It does mean that, as a CEO, I need to be more aware of how my company runs than maybe CEOs of a non-bank would have to be. And it does mean we take things like risk and capital allocation and all those things more seriously than a non-bank. But, that's not a bad thing. If you're an investor, that's probably a good thing. But we are different in that regard.

Tien-Tsin Huang - JPMorgan - Analyst

Yes, Tony?

Unidentified Audience Member

So, a lot of the questions so far have been about Bluebird, have been about Walmart. But you mentioned your IPO a few years back. Back then, there really was two major players in the space, you and NetSpend.

Steve Streit - Green Dot Corporation - Chairman & CEO

Yes.

Unidentified Audience Member

And then, when American Express entered it, there was another company also entered around the same time and that was Chase with Liquid.

Steve Streit - Green Dot Corporation - Chairman & CEO

Oh, yes.

Unidentified Audience Member

Yet, we don't hear much about Liquid anymore and I wondered if you can comment about the state of the competitive marketplace right now, whether it's Chase or NetSpend or others.

Steve Streit - Green Dot Corporation - Chairman & CEO

Well, Chris Mammone, our Head of IR, and I joke. A year ago we had nine overhangs. Now we're down to just two. So, we're getting better. If we get past all the overhangs, we'll be in better shape.

But, yes, a year ago, look, we had Chase with Chase Liquid. They did what we heard to be a \$50 million TV and bus-board and -- what do you call it? -- where you have the side of the busses, and radio campaign. You couldn't escape Chase Liquid commercials on television. They bashed, no disrespect to Tien-Tsin over here. He had nothing to do with it. There was the big Chinese wall between the two.

But they really came after Green Dot in a big way, even mentioning our company by name. Why use Green Dot when you can use Chase? I mean these commercials were -- I couldn't even watch TV at night. I was like; oh my gosh, I have anxiety attacks before I go to bed at night. And it had no impact into our growth. And Chase Liquid, if it's still offered in branches, you'd have to know a special teller and know the secret hand sign because that product is way out of the mainstream. That's done with.



U.S. Bank launched a big program. They still have it and it's a very well-run program but it's -- and I think even Richard Davis would tell you -- a very small niche-y program. And every other bank that we know of launched one and, either no longer has it, or it's been inconsequential. So, I think the big bank is going to destroy Green Dot headwind has been checked.

The next one that we haven't yet fully checked is AmEx. We have checked it outside of Walmart. We haven't yet checked it inside of Walmart and we're very respectful about that. And they absolutely could beat us or could hurt us. And so we have to see how that plays out. And, as I mentioned earlier, we'll let you know as that plays out.

So, yes, there's been a tremendous amount of competition in the marketplace and we've been extremely resilient. But, at the same time, and for those how know me personally, I tend to have blinders on about that kind of thing. We have a plan. We have a mission. We have a goal. We have a roadmap. And we run our game. And whatever is happening here, left or right, all the static and this that and the other thing, I'm aware of it. I have to be risk-aware in my job and in my business. But, I'm not obsessed by it and could barely care. We run our game and, by doing that, we stay focused and, so far, that strategy has paid off. But, you never know and I'm always risk-aware and thoughtful and cautious about that.

Unidentified Audience Member

Thanks.

Steve Streit - Green Dot Corporation - Chairman & CEO

Yes. Go ahead.

Unidentified Audience Member

(inaudible) and that's can you make a comment about the regulatory environment as well? The CFPB and others have been looking at the prepaid market. A few years ago we had Durbin that regulated debit but exempted some prepaid (inaudible). Do you see anything changing on the regulatory front that would impact your business?

Steve Streit - Green Dot Corporation - Chairman & CEO

We don't see anything with Durbin, the Durbin Amendment, the Dodd-Frank Act in any way impacting our business today. I think those fights have long since been fought and the lines have long since been drawn and what it is and what it is. And even in the recent lawsuits that attempted to overrule the Fed, which obviously were not successful, the Fed came out on top of that, even there, they were not challenging the Durbin exemption for prepaid. So, I think Durbin is done and it is what it is.

In terms of other regulation, the CFPB who is very relevant in our world, in our space, announced some time back an announced notice of proposed rulemaking or -- what's it called? -- advance notice to propose rulemaking, AMPR. They listed four or five things they were reviewing; overdraft fees and Reg E compliance, which is the right for a consumer to dispute a charge and get credited those funds back. Like you would have with your checking account or anyone else would have. And some other things about disclosures and so forth and so on.

Green Dot does not charge overdraft fees. We don't, never will. It's not part of our fabric as a company. We don't charge penalty fees, never will, not a part of our fabric of our company. We've always had fabulous disclosures and we're proud to say are a model for the industry. And we are fully Reg E compliant and, to our knowledge, the only prepaid company in America that is. Meaning that, when we had all this Target data breach stuff that happened, and you hear about that on December 20th and whenever it was, it was towards the end of the year, when you hear that on the news you're like going; oh my god, and the first call you make is to your Chief Risk Officer and say; hey, Eric, what could this mean? Steve, we don't know. We'll keep you updated.



Because, if that customer calls, and many did, said; hey, I saw a charge on my card from France and I wasn't in France. And we know that that card was used at Target because we'd see the transactional history. The answer is; we're sorry Mrs. Smith that happened. Here's your \$87 put back into your card. Have a nice day and thank you for being a Green Dot customer. You try that at one of our competitors and the answer is going to be; yes, well, have you filed a police report? Gosh, yes.

And so we have urged the CFPB to make Reg E compliance mandatory for all prepaid cards of all banks. We have urged them to not allow overdraft penalty fees on prepaid cards.

And they are wonderful regulators. They're thoughtful. I know you hear a lot of negative political -- I'm not a political guy so I could care less what this one said or that one said. I can tell you, as a bureau, I have found them to be thoughtful, constructive, interesting, well-educated, and deeply caring about the consumers who they have been charged with protecting. And we feel very good about their role in our ecosystem.

And those announcements, I think they said would be made come June. And so, we'll see what they come up with.

Tien-Tsin Huang - JPMorgan - Analyst

A couple questions from the portal here. And I had a similar one. Just what's the future of the MoneyPak? I had this question also about the New York Police Department's been putting out like this bulletin around.

Steve Streit - Green Dot Corporation - Chairman & CEO

Yes.

Tien-Tsin Huang - JPMorgan - Analyst

Beware of the MoneyPak. What's the -- how do you monetize MoneyPak?

Steve Streit - Green Dot Corporation - Chairman & CEO

Well, there's a downside to inventing a cool product that becomes iconic and a brand that becomes iconic. And that is, honest and hardworking customers like convenience and value and thieves and crooks and wackos like convenience and value. And MoneyPak sells a lot. We do a lot of reloads.

The good news is that, over the past year-and-a-half, we've transitioned slowly to what is called swipe. We have a technology called SWIT, swipe interface technology. The brand name for that is Reload at the Register, which you're seeing pop up at Green Dot retailers. We're already 100% Reload at the Register at Walmart, our largest retailer. And the way you reload is you just go to the cashier, you swipe your card, and, boom, your deposit is on your card right then. And about half of our non-Walmart retailers are already that. All of them will be by then end of the year.

And we're slowly eliminating MoneyPak, not because of the fraud, although that will be a wonderful byproduct. But, fraud is a tiny percentage of our customers. But, in a bank of our size, you only need half a percent of your customers or your users to do something bad to really hurt your reputation. And we don't want a bad reputation.

So, I'm happy to see that product go away. I invented it. I'm proud of it. It's done a lot of good. But it's a dinosaur and time to move on.

And the SWIT technology is doing fabulously well and we think that will help our reload rates and it eliminates all that nonsense immediately when it happens. So, that's turned out to be a good thing for us. But, you're right, that that's been a challenge to manage.



Tien-Tsin Huang - JPMorgan - Analyst

Okay. Just, I know we have 30 seconds. This one's for Grace. Just, margins, is there any way that the margins will be a little smoother or should we expect more volatility in margin?

Grace Wang - Green Dot Corporation - CFO

Well, I mean I think we talked about this, both in the call and also for those of you who were at the KBW conference. We are a retail business, as Steve said, alongside being a technology and a bank.

And so, if you think about all those new doors that we opened up back half of last year, it's 27,000 new retailers, when we come into second quarter, you sort of stock the stores, you've got to hang them, you sell the product. And then when it sells out you've got to reproduce it. And I think a lot of our FinTech or financial services modelers want to have everything really smooth and simple.

And, actually, you have to think about the pacing of a retail company. We have a good problem. We have to restock. But, when you restock, there is a cost to that. So, it's not necessarily a smooth progression on the margins and it's chunky. And that's also why we reiterated during the last earnings call that second quarter you'd see a lot of those restocking fees come back through.

Tien-Tsin Huang - JPMorgan - Analyst

Got you. Do we have time for one more or are we done?

Unidentified Audience Member

People are going to come in now.

Tien-Tsin Huang - JPMorgan - Analyst

They've opened the door on us.

Steve Streit - Green Dot Corporation - Chairman & CEO

They've opened the floodgates.

Tien-Tsin Huang - JPMorgan - Analyst

Steve and Grace, Chris, thank you for being here.

Steve Streit - Green Dot Corporation - Chairman & CEO

Always a pleasure. Thank you.

Tien-Tsin Huang - JPMorgan - Analyst

Always appreciate having you.



Steve Streit - Green Dot Corporation - Chairman & CEO

Yes.

Grace Wang - Green Dot Corporation - CFO

Thank you very much.

Steve Streit - Green Dot Corporation - Chairman & CEO

Appreciate being here.

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