greendot

Green Dot Reports Second Quarter 2017 Total Operating Revenues Up 28% to $222.5 million

Aug 8, 2017

- **GAAP net income and GAAP diluted EPS up 140% and 131%, respectively**
- **Adjusted EBITDA and non-GAAP EPS up 54% and 104%, respectively**
- **Raising annual guidance for revenue, adjusted EBITDA and non-GAAP EPS**

PASADENA, Calif.--(BUSINESS WIRE)--Aug. 8, 2017-- Green Dot Corporation (NYSE:GDOT), today reported financial results for the quarter ended June 30, 2017.

For the second quarter of 2017, Green Dot reported total operating revenues of $222.5 million and GAAP net income and GAAP diluted earnings per common share of $19.3 million and $0.37, respectively. Green Dot also reported adjusted EBITDA[1] and non-GAAP diluted earnings per common share[1] of $50.1 million and $0.55, respectively.

Said Green Dot Founder and CEO, Steve Streit, "Q2 2017 marks Green Dot's fifth consecutive quarter of accelerating revenue growth and is the first quarter in two years with double-digit organic revenue growth. As we expect to continue demonstrating in the quarters and years to come, we believe Green Dot's success is sustainable and attributable to our award winning products and our increasingly valuable integrated banking and technology platform. We believe our unique combination of 'Products and Platform' enables us to drive higher revenue on top of an increasingly efficient operating base, setting the stage for us to deliver compounding non-GAAP EPS growth. With a growing list of our own successful technology-centric banking products and the increasing popularity of our unique platform, we believe Green Dot has secured its standing as a cornerstone in the 'Foundation of FinTech' and has emerged as a go-to partner for the world's biggest and best."

GAAP financial results for the second quarter of 2017 compared to the second quarter of 2016:

- Total operating revenues on a generally accepted accounting principles (GAAP) basis were $222.5 million for the second quarter of 2017, up from $173.5 million for the second quarter of 2016, representing a year-over-year increase of 28%.
- GAAP net income was $19.3 million for the second quarter of 2017, up from $8.0 million for the second quarter of 2016, representing a year-over-year increase of 140%.
- GAAP diluted earnings per common share was $0.37 for the second quarter of 2017, up from $0.16 for the second quarter of 2016, representing a year-over-year increase of 131%.

Non-GAAP financial results for the second quarter of 2017 compared to the second quarter of 2016:[1]

- Adjusted EBITDA[1] was $50.1 million, or 23% of total operating revenues for the second quarter of 2017, up from $32.4 million, or 19% of total operating revenues for the second quarter of 2016, representing a year-over-year increase of 54%.
- Non-GAAP net income[1] was $29.0 million for the second quarter of 2017, up from $14.1 million for the second quarter of 2016, representing a year-over-year increase of 105%.
- Non-GAAP diluted earnings per share[1] was $0.55 for the second quarter of 2017, up from $0.27 for the second quarter of 2016, representing a year-over-year increase of 104%.

The following table shows the Company's quarterly key business metrics for each of the last six calendar quarters. Please refer to the Company's latest Annual Report on Form 10-K for a description of the key business metrics.

	2017		2016			
	Q2	Q1	Q4	Q3	Q2	Q1
	(In millions)					
Number of cash transfers	9.55	9.30	9.37	9.36	9.35	9.71
Number of tax refunds processed	2.41	8.60	0.06	0.10	2.18	8.18
Number of active cards at quarter end	5.15	5.05	4.13	4.09	4.28	4.75
Gross dollar volume	$ 7,687	$ 7,707	$ 5,681	$ 5,338	$ 5,372	$ 6,569
Purchase volume	$ 5,226	$ 5,503	$ 4,012	$ 3,759	$ 3,863	$ 4,708

Said Mark Shifke, Green Dot's Chief Financial Officer, "Green Dot's strong revenue beat in the quarter was driven by both double-digit consolidated growth and double-digit organic growth. That growth on top of our increasingly efficient Green Dot banking and technology platform enabled us to generate profit far beyond our expectations. In fact, we are pleased to report that we have generated in the first half of this year more non-GAAP EPS than we did for the entirety of 2016. This outstanding performance and the underlying positive momentum in our business provides us the foundation to once again raise our full year guidance for both top and bottom line results."

Updated Outlook for 2017

Green Dot has provided its updated outlook for 2017. Green Dot's outlook is based on a number of assumptions that management believes are reasonable at the time of this earnings release. Information regarding potential risks that could cause the actual results to differ from these forward-looking statements is set forth below and in Green Dot's filings with the Securities and Exchange Commission.

Green Dot's non-GAAP outlook excludes $9.4 million of incremental processing expenses incurred in the first half of 2017 related to the need to pay expenses for processing services in excess of Green Dot's normalized rate. Starting in Q3, we no longer expect to incur such incremental processing expenses.

Total Operating Revenues

- Green Dot now expects its full year total operating revenues to be between $855 million to $865 million, versus its previous guidance range of $830 million to $845 million.
- For Q3, Green Dot expects total operating revenues to be approximately $187 million to $189 million.

Adjusted EBITDA[2]

- Green Dot now expects its full year adjusted EBITDA[2] to be between $194 million to $196 million, versus its previous guidance range of $187 million to $192 million.
- For Q3, Green Dot expects adjusted EBITDA[2] to be between $28 million to $30 million.

Non-GAAP EPS[2]

- Green Dot now expects its full year non-GAAP EPS[2] to be between $1.99 to $2.03, versus its previous guidance range of $1.89 to $1.94.
- For Q3, Green Dot expects non-GAAP EPS[2] to be approximately $0.25.

The components of Green Dot's non-GAAP EPS[2] guidance range are as follows:

	Range	
	Low	**High**
	(In millions except per share data)	
Adjusted EBITDA	$ 194.0	$ 196.0
Depreciation and amortization*	(36.0)	(36.0)
Net interest income	5.5	5.5
Non-GAAP pre-tax income	$ 163.5	$ 165.5
Tax impact**	(58.2)	(58.9)
Non-GAAP net income	$ 105.3	$ 106.6
Diluted weighted-average shares issued and outstanding	52.8	52.8
Non-GAAP earnings per share	$ 1.99	$ 2.03

* Excludes the impact of amortization on acquired intangible assets

** Assumes a non-GAAP effective tax rate of 35.6% for full year

1 Reconciliations of net income to non-GAAP net income, diluted earnings per share to non-GAAP diluted earnings per share and net income to adjusted EBITDA, respectively, are provided in the tables immediately following the consolidated financial statements. Additional information about the Company's non-GAAP financial measures can be found under the caption "About Non-GAAP Financial Measures" below.

2 Reconciliations of forward-looking guidance for these non-GAAP financial measures to their respective, most directly comparable projected GAAP financial measures are provided in the tables immediately following the reconciliation of Net Income to Adjusted EBITDA.

Conference Call

The Company will host a conference call to discuss second quarter 2017 financial results today at 5:00 p.m. ET. Hosting the call will be Steve Streit, Chief Executive Officer, and Mark Shifke, Chief Financial Officer. The conference call can be accessed live over the phone by dialing (888) 348-8307, or for international callers (412) 902-4242. A replay will be available approximately two hours after the call concludes and can be accessed by dialing (844) 512-2921, or for international callers (412) 317-6671; and entering the conference ID 10109835. The replay of the webcast will be available until Tuesday, August 15, 2017. The call will be webcast live from the Company's investor relations website at http://ir.greendot.com/.

Forward-Looking Statements

This earnings release contains forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, among other things, statements regarding the Company's future performance contained under "Updated Outlook for 2017" and in the quotes of its executive officers and other future events that involve risks and uncertainties. Actual results may differ materially from those contained in the forward-looking statements contained in this earnings release, and reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from those projected include, among other things, the timing and impact of revenue growth activities, the Company's dependence on revenues derived from Walmart, impact of competition, the Company's reliance on retail distributors for the promotion of its products and services, demand for the Company's new and existing products and services, continued and improving returns from the Company's investments in new growth initiatives, the extent to which the Company's processing technology partner covers the Company's expenses and other losses associated with the processor migration issues that delayed the Company's processor migration, potential difficulties in integrating operations of acquired entities and acquired technologies, the Company's ability to operate in a highly regulated environment, changes to existing laws or regulations affecting the Company's operating methods or economics, the Company's reliance on third-party vendors, changes in credit card association or other network rules or standards, changes in card association and debit network fees or products or interchange rates, instances of fraud developments in the prepaid financial services industry that impact prepaid debit card usage generally, business interruption or systems failure, and the Company's involvement litigation or investigations. These and other risks are discussed in greater detail in the Company's Securities and Exchange Commission filings, including its most recent annual report on Form 10-K and quarterly report on Form 10-Q, which are available on the Company's investor relations website at ir.greendot.com and on the SEC website at www.sec.gov. All information provided in this release and in the attachments is as of August 8, 2017, and the Company assumes no obligation to update this information as a result of future events or developments.

About Non-GAAP Financial Measures

To supplement the Company's consolidated financial statements presented in accordance with accounting principles generally accepted in the United States of America (GAAP), the Company uses measures of operating results that are adjusted to exclude net interest income and expense; income tax benefit and expense; depreciation and amortization, including amortization of acquired intangibles; employee stock-based compensation expense; incremental expenses related to the delay in migration of the Company's remaining customer accounts from its former processor to its new processor; change in the fair value of contingent consideration; transaction costs; impairment charges; extraordinary severance expenses; legal settlement expenses; and other charges and income. This earnings release includes non-GAAP net income, non-GAAP earnings per share, non-GAAP weighted-average shares issued and outstanding and adjusted EBITDA. It also includes full-year 2017 guidance for adjusted EBITDA, non-GAAP net income and non-GAAP EPS. These non-GAAP financial measures are not calculated or presented in accordance with, and are not alternatives or substitutes for, financial measures prepared in accordance with GAAP, and should be read only in conjunction with the Company's financial measures prepared in accordance with GAAP. The Company's non-GAAP financial measures may be different from similarly-titled non-GAAP financial measures used by other companies. The Company believes that the presentation of non-GAAP financial measures provides useful information to management and investors regarding underlying trends in its consolidated financial condition and results of operations. The Company's management regularly uses these supplemental non-GAAP financial measures internally to understand, manage and evaluate the Company's business and make operating decisions. For additional information regarding the Company's use of non-GAAP financial measures and the items excluded by the Company from one or more of its historic and projected non-GAAP financial measures, investors are encouraged to review the reconciliations of the Company's historic and projected non-GAAP financial measures to the comparable GAAP financial measures, which are attached to this earnings release, and which can be found by clicking on “Financial Information” in the Investor Relations section of the Company's website at http://ir.greendot.com/.

About Green Dot

Green Dot Corporation, along with its wholly owned subsidiaries, is a pro-consumer financial technology innovator with a mission to provide a full range of affordable and accessible financial services to the masses. Green Dot is a leading provider of reloadable prepaid debit cards and cash reload processing services in the United States. Green Dot is also a leader in mobile technology and mobile banking with its award-winning GoBank mobile checking account and a top 20 debit card issuer among all banks and credit unions in the country. Through its wholly owned subsidiary, TPG, Green Dot is additionally the largest processor of tax refund disbursements in the U.S. Green Dot's products and services are available to consumers through a large-scale "branchless bank" distribution network of approximately 100,000 U.S. locations, including retailers, neighborhood financial service center locations, and tax preparation offices, as well as online, in the leading app stores and through leading online tax preparation providers. Green Dot Corporation is headquartered in Pasadena, Calif., with additional facilities throughout the United States and in Shanghai, China.

GREEN DOT CORPORATION

CONSOLIDATED BALANCE SHEETS

	June 30, 2017	**December 31, 2016**
	(Unaudited)	
Assets	**(In thousands, except par value)**	
Current assets:		
Unrestricted cash and cash equivalents	**$ 594,538**	$ 732,676
Restricted cash	**49,360**	12,085
Investment securities available-for-sale, at fair value	**31,057**	46,686
Settlement assets	**131,412**	137,083
Accounts receivable, net	**15,843**	40,150
Prepaid expenses and other assets	**32,725**	32,186
Income tax receivable	**—**	12,570
Total current assets	**854,935**	1,013,436
Investment securities, available-for-sale, at fair value	**172,639**	161,740
Loans to bank customers, net of allowance for loan losses of $319 and $277 as of June 30, 2017 and December 31, 2016, respectively	**8,822**	6,059
Prepaid expenses and other assets	**6,592**	4,142
Property and equipment, net	**88,026**	82,621
Deferred expenses	**10,444**	16,647
Net deferred tax assets	**4,648**	4,648
Goodwill and intangible assets	**598,745**	451,051

Total assets	**$ 1,744,851**	$ 1,740,344
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 27,462**	$ 22,856
Deposits	**704,324**	737,414
Obligations to customers	**44,554**	46,043
Settlement obligations	**4,353**	4,877
Amounts due to card issuing banks for overdrawn accounts	**1,220**	1,211
Other accrued liabilities	**94,671**	102,426
Deferred revenue	**13,665**	25,005
Note payable	**20,966**	20,966
Income tax payable	**12,012**	—
Total current liabilities	**923,227**	960,798
Other accrued liabilities	**30,508**	12,330
Note payable	**69,098**	79,720
Net deferred tax liabilities	**3,779**	3,763
Total liabilities	**1,026,612**	1,056,611
Stockholders' equity:		
Class A common stock, $0.001 par value: 100,000 shares authorized as of June 30, 2017 and December 31, 2016; 50,329 and 50,513 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	**50**	51
Additional paid-in capital	**334,434**	358,155
Retained earnings	**383,943**	325,708
Accumulated other comprehensive loss	**(188)**	(181)
Total stockholders' equity	**718,239**	683,733
Total liabilities and stockholders' equity	**$ 1,744,851**	$ 1,740,344

GREEN DOT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2017	**2016**	**2017**	**2016**
	(In thousands, except per share data)			
Operating revenues:				
Card revenues and other fees	**$ 107,340**	$ 84,542	**$ 208,309**	$ 176,428
Processing and settlement service revenues	**51,675**	41,887	**142,350**	122,903
Interchange revenues	**63,533**	47,059	**124,890**	102,181
Total operating revenues	**222,548**	173,488	**475,549**	401,512
Operating expenses:				
Sales and marketing expenses	**70,144**	63,077	**141,829**	126,941
Compensation and benefits expenses	**50,866**	41,092	**92,084**	84,179
Processing expenses	**44,754**	26,544	**85,696**	55,057
Other general and administrative expenses	**36,593**	29,906	**74,373**	67,980
Total operating expenses	**202,357**	160,619	**393,982**	334,157
Operating income	**20,191**	12,869	**81,567**	67,355
Interest income	**2,323**	1,533	**5,177**	3,834
Interest expense	**(1,533)**	(1,408)	**(3,198)**	(6,189)
Income before income taxes	**20,981**	12,994	**83,546**	65,000
Income tax expense	**1,715**	4,968	**23,526**	24,092
Net income	**19,266**	8,026	**60,020**	40,908
Income attributable to preferred stock	**—**	(244)	**—**	(1,226)
Net income available to common stockholders	**$ 19,266**	$ 7,782	**$ 60,020**	$ 39,682
Basic earnings per common share:	**$ 0.39**	$ 0.16	**$ 1.19**	$ 0.81
Diluted earnings per common share:	**$ 0.37**	$ 0.16	**$ 1.14**	$ 0.79
Basic weighted-average common shares issued and outstanding:	**50,013**	48,471	**50,234**	49,167
Diluted weighted-average common shares issued and outstanding:	**52,452**	49,818	**52,577**	50,396

GREEN DOT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended June 30,	
	2017	**2016**
	(In thousands)	
Operating activities		
Net income	**$ 60,020**	$ 40,908
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	**17,142**	21,623
Amortization of intangible assets	**14,742**	11,523
Provision for uncollectible overdrawn accounts	**37,438**	39,787
Employee stock-based compensation	**16,392**	13,052
Amortization of premium on available-for-sale investment securities	**692**	599
Change in fair value of contingent consideration	**(7,500)**	(5,500)
Amortization of deferred financing costs	**792**	767
Impairment of capitalized software	**1,014**	136
Changes in operating assets and liabilities:		
Accounts receivable, net	**(7,954)**	(26,269)
Prepaid expenses and other assets	**(893)**	2,533
Deferred expenses	**9,249**	8,318
Accounts payable and other accrued liabilities	**(9,286)**	(16,349)
Amounts due to card issuing banks for overdrawn accounts	**9**	464
Deferred revenue	**(13,267)**	(12,724)
Income tax receivable/payable	**24,548**	12,632
Other, net	**567**	179
Net cash provided by operating activities	**143,705**	91,679
Investing activities		
Purchases of available-for-sale investment securities	**(57,818)**	(79,835)
Proceeds from maturities of available-for-sale securities	**43,232**	53,884
Proceeds from sales of available-for-sale securities	**18,666**	575
Increase in restricted cash	**(37,270)**	(3,128)
Payments for acquisition of property and equipment	**(20,924)**	(23,980)
Net (increase) decrease in loans	**(2,763)**	385
Acquisition, net of cash acquired	**(141,498)**	—
Net cash used in investing activities	**(198,375)**	(52,099)
Financing activities		
Borrowings from notes payable	**20,000**	—
Repayments of borrowings from notes payable	**(31,250)**	(11,250)
Borrowings on revolving line of credit	**335,000**	15,000
Repayments on revolving line of credit	**(335,000)**	(15,000)
Proceeds from exercise of options	**15,994**	7,114
Taxes paid related to net share settlement of equity awards	**(7,893)**	(3,834)
Net decrease in deposits	**(33,090)**	(94,099)
Net increase (decrease) in obligations to customers	**3,658**	(80,141)
Contingent consideration payments	**(723)**	(367)
Repurchase of Class A common stock	**(50,000)**	(59,013)
Deferred financing costs	**(164)**	—
Net cash used in financing activities	**(83,468)**	(241,590)
Net decrease in unrestricted cash and cash equivalents	**(138,138)**	(202,010)
Unrestricted cash and cash equivalents, beginning of year	**732,676**	772,129
Unrestricted cash and cash equivalents, end of year	**$ 594,538**	$ 570,119
Cash paid for interest	**$ 2,406**	$ 5,422
Cash (refund from)/paid for income taxes	**$ (1,057)**	$ 11,472

GREEN DOT CORPORATION

REPORTABLE SEGMENTS

(UNAUDITED)

	Three Months Ended June 30, 2017			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	**$ 175,114**	**$ 55,064**	**$ (7,630)**	**$ 222,548**
Operating expenses	**141,536**	**38,578**	**22,243**	**202,357**
Operating income	**$ 33,578**	**$ 16,486**	**$ (29,873)**	**$ 20,191**

	Three Months Ended June 30, 2016			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	$ 135,109	$ 45,257	$ (6,878)	$ 173,488
Operating expenses	114,959	33,020	12,640	160,619
Operating income	$ 20,150	$ 12,237	$ (19,518)	$ 12,869

	Six Months Ended June 30, 2017			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	**$ 342,807**	**$ 148,774**	**$ (16,032)**	**$ 475,549**
Operating expenses	**268,213**	**83,681**	**42,088**	**393,982**
Operating income	**$ 74,594**	**$ 65,093**	**$ (58,120)**	**$ 81,567**

	Six Months Ended June 30, 2016			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	$ 280,249	$ 136,627	$ (15,364)	$ 401,512
Operating expenses	234,111	72,042	28,004	334,157
Operating income	$ 46,138	$ 64,585	$ (43,368)	$ 67,355

The Company's operations are comprised of two reportable segments: 1) Account Services and 2) Processing and Settlement Services. The Account Services segment consists of revenues and expenses derived from the Company's branded and private label deposit account programs. These programs include Green Dot-branded and affinity-branded GPR card accounts, private label GPR card accounts, checking accounts, open-loop gift cards and secured credit cards. The Processing and Settlement Services segment consists of revenues and expenses derived from reload services through the Green Dot Network, money processing and the Company's tax refund processing services. The Corporate and Other segment primarily consists of eliminations of intersegment revenues and expenses, unallocated corporate expenses, depreciation and amortization, and other costs that are not considered when management evaluates segment performance.

GREEN DOT CORPORATION

Reconciliation of Net Income to Non-GAAP Net Income (1)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Net income	**$ 19,266**	$ 8,026	**$ 60,020**	$ 40,908
Employee stock-based compensation expense (3)	**9,858**	7,407	**16,392**	13,052
Amortization of acquired intangibles (4)	**8,185**	5,749	**14,742**	11,523
Change in fair value of contingent consideration (4)	**(7,500)**	(5,500)	**(7,500)**	(5,500)

Transaction costs (4)	**1,684**	12	**2,186**	91
Amortization of deferred financing costs (5)	**398**	383	**792**	767
Impairment charges (5)	**858**	31	**1,014**	136
Extraordinary severance expenses (6)	**180**	—	**1,259**	—
Incremental processor expenses (8)	**4,728**	—	**9,388**	—
Legal settlement expenses (5)	**3,500**	—	**3,500**	—
Other charges (5)	**—**	1,643	**—**	2,442
Income tax effect (7)	**(12,187)**	(3,641)	**(20,461)**	(8,344)
Non-GAAP net income	**$ 28,970**	$ 14,110	**$ 81,332**	$ 55,075
Diluted earnings per common share				
GAAP	**$ 0.37**	$ 0.16	**$ 1.14**	$ 0.79
Non-GAAP	**$ 0.55**	$ 0.27	**$ 1.55**	$ 1.06
Diluted weighted-average common shares issued and outstanding*				
GAAP	**52,452**	49,818	**52,577**	50,396
Non-GAAP	**52,452**	51,337	**52,577**	51,915

* Reconciliations between GAAP and non-GAAP diluted weighted-average shares issued and outstanding are provided in the next table.

Reconciliation of GAAP to Non-GAAP Diluted Weighted-Average

Shares Issued and Outstanding [1]

(Unaudited)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2017	**2016**	**2017**	**2016**
	(In thousands)			
Diluted weighted-average shares issued and outstanding*	**52,452**	49,818	**52,577**	50,396
Assumed conversion of weighted-average shares of preferred stock	**—**	1,519	**—**	1,519
Non-GAAP diluted weighted-average shares issued and outstanding	**52,452**	51,337	**52,577**	51,915

* Represents the diluted weighted-average shares of Class A common stock for the periods indicated.

GREEN DOT CORPORATION

Supplemental Detail on Non-GAAP Diluted Weighted-Average Shares Issued and Outstanding

(Unaudited)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2017	**2016**	**2017**	**2016**
	(In thousands)			
Stock outstanding as of June 30:				
Class A common stock	**50,329**	48,544	**50,329**	48,544
Preferred stock (on an as-converted basis)	**—**	1,519	**—**	1,519
Total stock outstanding as of June 30:	**50,329**	50,063	**50,329**	50,063
Weighting adjustment	**(316)**	(73)	**(95)**	623
Dilutive potential shares:				
Stock options	**759**	524	**706**	482
Restricted stock units	**1,418**	748	**1,368**	678
Performance based restricted stock units	**259**	72	**268**	67
Employee stock purchase plan	**3**	3	**1**	2
Non-GAAP diluted weighted-average shares issued and outstanding	**52,452**	51,337	**52,577**	51,915

Reconciliation of Net Income to Adjusted EBITDA [(1)]

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Net income	**$ 19,266**	$ 8,026	**$ 60,020**	$ 40,908
Net interest (income) expense (2)	**(790)**	(125)	**(1,979)**	2,355
Income tax expense	**1,715**	4,968	**23,526**	24,092
Depreciation and amortization of property and equipment (2)	**8,393**	10,219	**17,142**	21,623
Employee stock-based compensation expense (2)(3)	**9,858**	7,407	**16,392**	13,052
Amortization of acquired intangibles (2)(4)	**8,185**	5,749	**14,742**	11,523
Change in fair value of contingent consideration (2)(4)	**(7,500)**	(5,500)	**(7,500)**	(5,500)
Transaction costs (2)(4)	**1,684**	12	**2,186**	91
Impairment charges (2)(5)	**858**	31	**1,014**	136
Extraordinary severance expenses (2)(6)	**180**	—	**1,259**	—
Incremental processor expenses (2)(8)	**4,728**	—	**9,388**	—
Legal settlement expenses (2)(5)	**3,500**	—	**3,500**	—
Other charges (2)(5)	**—**	1,643	**—**	2,442
Adjusted EBITDA	**$ 50,077**	$ 32,430	**$ 139,690**	$ 110,722
Total operating revenues	**$ 222,548**	$ 173,488	**$ 475,549**	$ 401,512
Adjusted EBITDA/Total operating revenues (adjusted EBITDA margin)	**22.5 %**	18.7 %	**29.4 %**	27.6 %

GREEN DOT CORPORATION

Reconciliation of Forward Looking Guidance for Non-GAAP Financial Measures to

Projected Adjusted EBITDA [(1)]

(Unaudited)

	Q3 2017 Range		FY 2017 Range	
	Low	High	Low	High
	(In millions)			
Net income	$ 0.7	$ 2.0	$ 61.0	$ 62.3
Adjustments (9)	27.3	28.0	133.0	133.7
Adjusted EBITDA	$ 28.0	$ 30.0	$ 194.0	$ 196.0
Total operating revenues	189.0	187.0	$ 865.0	$ 855.0
Adjusted EBITDA /Total operating revenues (Adjusted EBITDA margin)	15 %	16 %	22 %	23 %

Reconciliation of Forward Looking Guidance for Non-GAAP Financial Measures to

Projected GAAP Net Income [(1)]

(Unaudited)

		FY 2017 Range	
	Q3 2017	Low	High
	(In millions, except per share data)		
Net income	$ 1.4	$ 61.0	$ 62.3
Adjustments (9)	11.7	44.3	44.3
Non-GAAP net income	$ 13.1	$ 105.3	$ 106.6
Diluted earnings per share			
GAAP	$ 0.03	$ 1.16	$ 1.18
Non-GAAP	$ 0.25	$ 1.99	$ 2.03

Diluted weighted-average shares issued and outstanding*	52.9	52.8	52.8

* Represents the diluted weighted-average shares of Class A common stock for the periods indicated.

(1) To supplement the Company's consolidated financial statements presented in accordance with GAAP, the Company uses measures of operating results that are adjusted to exclude various, primarily non-cash, expenses and charges. These financial measures are not calculated or presented in accordance with GAAP and should not be considered as alternatives to or substitutes for operating revenues, operating income, net income or any other measure of financial performance calculated and presented in accordance with GAAP. These financial measures may not be comparable to similarly-titled measures of other organizations because other organizations may not calculate their measures in the same manner as we do. These financial measures are adjusted to eliminate the impact of items that the Company does not consider indicative of its core operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate.

The Company believes that the non-GAAP financial measures it presents are useful to investors in evaluating the Company's operating performance for the following reasons:

- the Company records employee stock-based compensation from period to period, and recorded employee stock-based compensation expenses of approximately $9.9 million and $7.4 million for the three months ended June 30, 2017 and 2016, respectively. By comparing the Company's adjusted EBITDA, non-GAAP net income and non-GAAP diluted earnings per share in different historical periods, investors can evaluate the Company's operating results without the additional variations caused by employee stock-based compensation expense, which may not be comparable from period to period due to changes in the fair market value of the Company's Class A common stock (which is influenced by external factors like the volatility of public markets and the financial performance of the Company's peers) and is not a key measure of the Company's operations;

- adjusted EBITDA is widely used by investors to measure a company's operating performance without regard to items, such as net interest income and expense, income tax benefit and expense, depreciation and amortization, employee stock-based compensation expense, incremental expenses related to the delay in migration of the Company's remaining customer accounts from its former processor to its new processor, changes in the fair value of contingent consideration, transaction costs, impairment charges, severance costs related to extraordinary personnel reductions, legal settlement expenses, and other charges and income that can vary substantially from company to company depending upon their respective financing structures and accounting policies, the book values of their assets, their capital structures and the methods by which their assets were acquired; and

- securities analysts use adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies.

The Company's management uses the non-GAAP financial measures:

- as measures of operating performance, because they exclude the impact of items not directly resulting from the Company's core operations;

- for planning purposes, including the preparation of the Company's annual operating budget;

- to allocate resources to enhance the financial performance of the Company's business;

- to evaluate the effectiveness of the Company's business strategies;

- to establish metrics for variable compensation; and

- in communications with the Company's board of directors concerning the Company's financial performance.

The Company understands that, although adjusted EBITDA and other non-GAAP financial measures are frequently used by investors and securities analysts in their evaluations of companies, these measures have limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of the Company's results of operations as reported under GAAP. Some of these limitations are:

- that these measures do not reflect the Company's capital expenditures or future requirements for capital expenditures or other contractual commitments;
- that these measures do not reflect changes in, or cash requirements for, the Company's working capital needs;
- that these measures do not reflect interest expense or interest income;
- that these measures do not reflect cash requirements for income taxes;
- that, although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and these measures do not reflect any cash requirements for these replacements; and
- that other companies in the Company's industry may calculate these measures differently than the Company does, limiting their usefulness as comparative measures.

(2) The Company does not include any income tax impact of the associated non-GAAP adjustment to adjusted EBITDA, as the case may be, because each of these non-GAAP financial measures is provided before income tax expense.

(3) This expense consists primarily of expenses for employee stock options and restricted stock units (including performance-based restricted stock units). Employee stock-based compensation expense is not comparable from period to period due to changes in the fair market value of the Company's Class A common stock (which is influenced by external factors like the volatility of public markets and the financial performance of the Company's peers) and is not a key measure of the Company's operations. The Company excludes employee stock-based compensation expense from its non-GAAP financial measures primarily because it consists of non-cash expenses that the Company does not believe are reflective of ongoing operating results. Further, the Company believes that it is useful to investors to understand the impact of employee stock-based compensation to its results of operations. This expense is included as a component of compensation and benefits expenses on our consolidated statements of operations.

(4) The Company excludes certain income and expenses that are the result of acquisitions. These acquisition related adjustments include the amortization of acquired intangible assets, changes in the fair value of contingent consideration, settlements of contingencies established at time of acquisition and other acquisition related charges, such as integration charges and professional and legal fees, which result in the Company recording expenses or fair value adjustments in its GAAP financial statements. The Company analyzes the performance of its operations without regard to these adjustments. In determining whether any acquisition related adjustment is appropriate, the Company takes into consideration, among other things, how such adjustments would or would not aid in the understanding of the performance of its operations. These items are included as a component of other general and administrative expenses on our consolidated statements of operations.

(5) The Company excludes certain income and expenses that are not reflective of ongoing operating results. It is difficult to estimate the amount or timing of these items in advance. Although these events are reflected in the Company's GAAP financial statements, the Company excludes them in its non-GAAP financial measures because the Company believes these items may limit the comparability of ongoing operations with prior and future periods. These adjustments include amortization attributable to deferred financing costs, impairment charges related to internal-use software, legal settlement expenses and other charges, which consists of expenses incurred with our proxy contest. In determining whether any such adjustment is appropriate, the Company takes into consideration, among other things, how such adjustments would or would not aid in the understanding of the performance of its operations. These items, except for amortization of deferred financing costs, which is included as a component of interest expense, are included within other general and administrative expenses on our consolidated statements of operations.

(6) During the three and six months ended June 30, 2017, we recorded charges of $0.2 million and $1.3 million, respectively, for severance costs related to extraordinary personnel reductions. Although severance expenses are an ordinary part of our operations, the magnitude and scale of the reduction in workforce we began to implement in the three months ended September 30, 2016 is not expected to be repeated. This expense is

included as a component of compensation and benefits expenses on our consolidated statements of operations.

(7) Represents the tax effect for the related non-GAAP measure adjustments using the Company's year to date non-GAAP effective tax rate.

(8) Represents incremental expenses associated with the Company's need to continue to support customer accounts on its legacy transaction processor that it had intended to migrate to its new processing platform in 2016. While the Company continues to believe that it will successfully recoup such expenses, there can be no assurance that all or a portion of such expenses will be recouped.

(9) These amounts represent estimated adjustments for net interest expense, income taxes, depreciation and amortization, employee stock-based compensation expense, incremental expenses associated with the Company's need to continue to support customer accounts on its legacy transaction processor that it had intended to migrate to its new processing platform in 2016, contingent consideration, transaction costs, impairment charges, severance costs related to extraordinary personnel reductions, legal settlement expenses, and other income and expenses. Employee stock-based compensation expense includes assumptions about the future fair value of the Company’s Class A common stock (which is influenced by external factors like the volatility of public markets and the financial performance of the Company’s peers).

Source: Green Dot Corporation

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