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GDOT - Q4 2013 Green Dot Corporation Earnings Conference Call

EVENT DATE/TIME: JANUARY 30, 2014 / 10:00PM GMT

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PRESENTATION

Operator

Good day. And welcome to the Green Dot Corporation fourth quarter 2013 earnings conference call. (Operator Instructions). Please note this event is being recorded. I'd now like the turn the conference over to Christopher Mammone, Vice President of Investor Relations. Mr. Mammone, please go ahead, sir.

Christopher Mammone - *Green Dot Corporation - VP IR*

Thank you. Good morning, everyone. On today's call Steve Streit, our Chairman and Chief Executive Officer, and Grace Wang, our Chief Financial Officer, will discuss 2013 fourth quarter and full-year performance, and thoughts regarding our 2014 outlook. Following these remarks, we'll open the call for questions. For those of you that have not yet accessed the earnings press release that accompanies this call and webcast, it can be found at IR.greendot.com. Additional operational data have been provided in a supplemental table within our press release.

As a reminder, our comments include forward-looking statements about, among other things, our expectations regarding financial results and performance. Please refer to the cautionary language in the earnings release and in Green Dot's filings with the Securities and Exchange Commission, including the Q3 form 10-Q that we filed on the November 8th, 2013, 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 as supplemental tables in today's earnings 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 or 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 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, President, CEO*

Okay. Thank you, Chris. And welcome, everyone. With me today is our new Chief Financial Officer Grace Wang. Here is the agenda for our call today. We'll provide a 2013 Q4 financial review and a full-year wrap-up. We'll share some updates on our recent key business initiatives. We'll bring you up to date on how we're faring in the market in light of all the recent competitive activity, and we'll close out the call with our 2014 guidance followed by a Q&A.

So first let's begin with the financial review. In Q4, Green Dot continued to perform well, achieving total non-GAAP revenues of $145 million, representing growth of 5% year-over-year in the quarter. As we previously forecast and highlighted for investors, our Q4 margins were heavily compressed as a result of the costs involved in the second half rollouts of the 27,000 new Green Dot retailers, the multiple new products at Wal-Mart, the launch of new programs in the F.S.C. channel at the expenses associated with the acquisition of the Wal-Mart Money Card portfolio from G.E., Consumer Retail Bank.

While we believe these are all great investments that provide meaningful growth opportunities and savings opportunities going forward, these investment-related expenses do have the impact of taking down normalized margins quite a bit in the affected periods. Looking at our full financial results for the year, as you can imagine, we're very, very pleased. We ended 2013 with non-GAAP revenue of $582 million, $2 million above the high end of our updated guidance range, and $57 million better than the mid point of our original guidance at the beginning of the year.

Our blended adjusted EBITDA margin for the year was around 18%, inclusive of the second half investments, and we reported $103 million in adjusted EBITDA, above the mid point of our updated guidance range and $10 million better than the mid point of our original 2013 guidance. That adjusted EBITDA translated to a non-GAAP diluted earnings per share of $1.15. Our cash position grew again in Q4, as we generated an additional $121 million of net cash from operations for the full year, a 19% increase year-over-year. That brings our total cash balance to $622 million of which $200 million is unencumbered. We continue to have no debt. So despite perhaps the most challenging year in our Company's history, we're pleased to have delivered our 12th -straight year of revenue growth since our first-year of card sales back in 2001.

In fact, in the three and a half years since our IPO, Green Dot has grown the non-GAAP top line by 82%, our GDV by 117%, and we added approximately $346 million in net cash generated from operations, all just in the three and a half year period. Since our humble beginning as a company that started at a small table in my bedroom in 1999, Green Dot has consistently delivered growth for our investors and growth remains our primary focus. Now let's take a look at some of our key customer-driven performance metrics for Q4. Our active card base increased by 3% year-over-year, showing a return to active card growth. The number of customers receiving recurrent direct deposit to their Green Dot account grew again this quarter up 7% year-over-year. And the number of cash reloads rose by 4% year-over-year.

As a result of more accounts receiving recurrent direct deposits and the increase in cash loads, our GDV or total dollars loaded to our products, also rose to a new Q4 record $4.4 billion. Remember that in addition to all the competitive head winds in the market, Green Dot's risk control has turned away around 2 million customers in 2013, who purchased or otherwise tried to use one of our products. So to grow these overall portfolio metrics in such a year, is a positive indicator in our view and a testament to the resiliency and sustainability of our business model. So the summary here is that Green Dot is once again not only the clear leader in the prepaid industry, but also we believe the hands down leader in attracting sticky, longer term customers with both the largest active customer base and the largest reloading customer base in the prepaid industry.

Now I'd like to let how we're progressing with some of our key growth initiatives. First, here's the latest on our entry into the financial service center channel, also known as the check cashing store channel. We're pleased to let you know that we're making very good progress here towards our goal of being the leading provider of prepaid cards in the FSC industry. Since the last earnings call, around 90days ago, Green Dot has signed distribution agreements with approximately 200 new check cashing stores in 11 states, including 140 stores in the Chicago area, representing around a 40% market share in Chicago, the nation's second largest check cashing market. We expect these new stores to be rolled over over the next three months or so.

Now the latest on Wal-Mart. Our new, expanded category of segmented prepaid card products at Wal-Mart is off to a very good start and we're pleased with the metrics we're seeing thus far. Because this new portfolio of so many different products is only 90 days old, we're not prepared to draw firm conclusions on how the new assortment may ultimately perform, since only time can provide enough incremental cohort data to forecast precisely. But it's fair to say that we believe this initiative will be a positive contributor in 2014. Looking at our non-Wal-Mart business, the entry into 27,000 new retailers and check cashing stores is beginning to play out quite nicely. Early results have many of these new retailers are strong. And we believe that in the aggregate, this new distribution for our Green Dot branded products can provide both revenue growth and enhanced revenue diversification over time for our business. I think our strong results in these new channels and locations also provide further evidence as to the resiliency and appeal of the Green Dot brand and our products' overall customer value proposition.

Now the latest on GoBank, America's multi-award winning mobile checking account from Green Dot Bank. As we look at the first six months since the public launch for GoBank, we have reason to be excited been a number of fronts. First, while we still have a long way to go in making GoBank a material earnings contributor to Green Dot, GoBank as a product is trending nicely towards profitability on a contribution basis. That's a very good sign this early into the products life cycle, and we believe exemplifies how we can use our bank and our large scale operating infrastructure to efficiently roll out new and innovative products. As we drill deeper and look at the GoBank accounts receiving recurring direct deposits, these customers are highly productive with higher revenue and better margins than even many of our most profitable prepaid accounts. So while we're still in the very early days with GoBank and the revenue base is still very small relative to the overall size of Green Dot, we continue to be optimistic about GoBank's long-term prospects.

Now here's the latest on the assumption of the legacy Wal-Mart portfolio moving from GE Consumer Retail Bank into Green Dot Bank. We plan to close on this transaction and electronically reassign the portfolio over to Green Dot Bank by the end of February. Once this is done, we'll no longer be paying GE Consumer Retail Bank for bank issuing services. I also want to remind you that back in late 2012, we did a similar migration when we moved all of our legacy Green Dot portfolios from Synovus Bank over to Green Dot Bank. When you calculate the cost savings generated from issuing our own products from Green Dot Bank for both our Wal-Mart and non-Wal-Mart portfolios, the cost savings in 2014 will be around $10 million as compared to what we would have otherwise paid to those third-party Banks to issue the cards previously.

We expect this efficiency to grow as our portfolios grow, since the payments we made to third-party banks were based on a percentage of GDV. You may recall that we only paid around $15 million to acquire Bonneville Bancorp back in 2011, so in addition to all of the strategic benefits of being the bank holding company, and owning our own bank, we're pleased to be realizing this level of operating facility so soon after that transaction.

Now let's talk about the competitive environment and how Green Dot is fairing. The increasingly competitive landscape in the prepaid market is often the central topic that investors raise as it relates to our longer term prospects for sustainability and growth. We understand that the competitive landscape is an area of focus, and so we're always happy to provide color and context whenever and wherever we can.

My belief is that inventing, scaling and leading a new and vibrant market segment like prepaid, is a marathon and not a sprint, and we should all expect the market to remain competitive, because large and growing verticals attracts lots of new competition. Some new competitors will find traction, and others will fail. But we don't make money based on the success or failure of others, we only get paid on our own success. So at Green Dot, we're certainly aware of and respectful of all competition. But we also remain hyper focussed on our customers and the business strategy we have developed to profitably serve them. As our results in 2013 showed, we feel like we're on the right track. Now let me do my best to provide some color on the specific competitive questions we get most often.

One of the central investor concerns about Green Dot's future opportunity is that big banks will attract a large number of our current and potential customers and critically harm our business. Or that other large players like American Express will use their brands, deep pockets and loss leader pricing to steal share from us and cause industry pricing to fall overall to unsustainable levels. So on the big bank front, first, for some years now, EB&T, US Bank, and numerous other national and regional banks have offered prepaid cards targeted to our same customer base, and those programs have now been around for some years without posing any demonstrable threat to Green Dot's business. But then in 2012, Chase launched the largest and most robust foray into the consumer prepaid market of any big bank to date with the launch of the Chase Liquid prepaid card. The launch of Liquid in 2012 caused a lot of understandable investor concern, because Liquid was and is a well-designed product, that featured low fees and free reloads at all Chase branches. Plus, Liquid was backed up with a massive multi-media marketing campaign.

Additionally, just about every Chase branch and Chase ATM machine nationwide featured Liquid advertising and Chase specially trained their branch personnel to sell the product to likely customers as they walked in. In other words, Chase and their Liquid product team did a world-class job in creating, marketing and promoting the product. So where is Liquid today? While Chase doesn't disclose business metrics for Liquid, based on our own research, it appears that Liquid is no longer being actively promoted in Chase branches nor mass media. We also don't see Liquid show up in any material way in our own internal customer research. To be sure, Chase is an excellent bank, with a very strong brand and a robust and ubiquitous branch network in most parts of the United States. But in the world of prepaid, Chase is no Green Dot.

Next, let's look at the American Express Serve product sold alongside our Green Dot products in several retailers nationwide. American Express has done a tremendous job of getting the word out for their newly relaunched Serve product and the marketing team should be commended for a first class effort. From heavy in-store retail signage, big retail stand-alone displays, circular newspaper advertising, beautifully produced TV spots that you may have seen, that ran during some of the highest rated network TV sports events in December, and even offering consumers cash incentives to buy a Serve card, American Express has seemingly spared no expense. While AmEx doesn't disclose detailed business metrics about Serve, based on our discussions with industry sources familiar with the Serve business unit, we believe American Express has invested hundreds of millions of dollars to date in an effort to gain traction in the prepaid market.

If despite the massive investment level, and American Express ongoing aggressive marketing of Serve's loss leader pricing, we're pleased to let you know that Green Dot continues to thrive. For example, in one large retailer, where we have third-party sales data, Green Dot is outselling Serve by an 11-2 margin for the combined December and January to date period. To be sure, American Express is a terrific company, with a very strong brand and a loyal base of financially well-heeled customers. When it comes to serving America's wealthiest customers with world class charge cards and credit cards, American Express is tops. But when it comes to serving America's low and moderate income families with high-quality, low-cost prepaid cards, American Express is no Green Dot. Lastly on this topic, as a follow-up to the competitive data we shared during our investor day back in November, we continue to see similar trends for all of Q4, where our non-exclusive retailers grew faster than our exclusive retailers.

While we can't explain the direct cause of these results, we believe that competition may in fact be driving consumer interest, and this consumer interest could be helping sales for us and perhaps others as well. So in summary, we take all competition big and small very seriously. And like many of you, we, too, have worried over the years that this competitor or that competitor could pose a serious threat to our business. As you recall, that's one of the main reasons we guided down in mid-2012. But as it turns out, we believe our first mover advantage, our strong brand name, our love and respect for our loyal customers and the sheer size and scale of Green Dot in the prepaid industry has together helped sustain us through these evolutionary times. We expect there to be lots of competition now and even more going forward, you bet.

Do we believe that Green Dot will continue to be a long-term survivor and thriver? Absolutely. So now let's talk about guidance. As we look to 2014 and beyond, we believe we have a very attractive market opportunity and we're confident we can reaccelerate growth driven by well thought out strategic plans, with a particular focus on retaining and growing our customer relationships. But at the same time we remain cautious about getting ahead of ourselves because many of our new growth initiatives are quite recent, they still require further investment, and will take some time to fully harvest. So we generally prefer to be cautious as we build our own internal models and we would advise our investors and analysts to do the same as you build your own models. That said, for 2014, Green Dot is forecasting full-year, non-GAAP total operating revenues to be between $640 million and $650 million , representing a growth range of 10% to 12% over 2013. Adjusted EBITDA is forecast to be between $114 million and $118 million, representing a growth range of 11% to 15% over 2013. Full-year non-GAAP diluted EPS is forecast to be between $1.22 and $1.28. I want to take a moment to thank the entire Green Dot team for their hard work and dedication, which allowed to us perform so well in 2013. I also now want to take the time to officially welcome Grace Wang as our new CFO. We're excited to have Grace on the team and believe her talent, drive and passion will be a big driver of value for all of us. With that I'll turn it over to Grace Wang, to introduce herself and to say hello. Grace?

Grace Wang - *Green Dot Corporation - CFO*

Thank you, Steve. And good afternoon, everyone. I am thrilled to be part of the Green Dot team. In my short time at Green Dot, I have really been able to see what a strong organization Green Dot is. The true depth of knowledge, experience, and passion across the firm. I'm really excited to work with the entire team and to look for ways to further strengthen the Company and its budgets, processes and discipline. For those of you I didn't have a chance to meet at the Analyst Day, I'd like to take a moment to share a brief overview of my background and what my initial focus will be here at Green Dot. I joined Green Dot with more than 20 years of experience in business and financial services.

For the past nine years, I was at JPMorgan Chase, where I served most recently as the European, Middle East, and Africa Chief Financial Officer for JPMorgan Chase's $6 billion investor services business, based out of London. Prior to that I was the EMEA CFO and head of international strategy and business development for their $8 billion treasury and securities services business. At Green Dot my initial focus will be to further strengthen and mature our internal processes and financial controls, to ensure we have the right level and support for the growth of the business.

For those who know me, I'm stringent on cost control and holding division leaders accountable for their numbers. At the same time I understand the balance between executing discipline and investing where needed to ensure we have the platform to support future growth. The more I can do to ensure continued financial and operational excellence, the more time we and our division leaders can spend focused on driving our business and delighting our customers. I'm also passionate about building the business and taking forward into the future. And ensuring that it is nimble enough to continue to grow and extend into new channels, new products, and bring new services to our existing client base to retain them longer.

In coming to Green Dot from JPMorgan Chase, I'm fortunate to join another firm that also believes in having a [fortress] balance sheet. As of December 31st are, we have total cash in investment securities of $622 million, that Steve mentioned earlier, including $422 million at Green Dot Bank and approximately $200 million unencumbered cash held at Green Dot corporate this. This allows the firm to meet not only its regulatory requirements, but positions us to take advantage of market consolidation in the sector, at the right price. As mentioned, I am happy to be here and look forward to meeting all of you over the coming weeks and months. And with that I'd like to turn it back to the operator and open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). The first question we have comes from Ramsey El-Assal of Jefferies

Ramsey El-Assal - *Jefferies - Analyst*

Hi, guys. On the quarter and in the guidance, it looked like the top line came in pretty nicely. But the bottom line was below our expectations. In the quarter it looks like your processing expenses and your G&A expenses were higher than we modeled. What's the dynamic there in terms of how we should view (inaudible) expense levels going forward? Is what you experienced in the quarter, are you going to continue to need to invest in the business all through next year at similar levels as we saw in the fourth quarter?

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

No. Not that high. , we tried our best to signal to investors, Chris and I did a show at the Goldman Sachs conference or maybe it was Credit Suisse, I forget, back in October or September. We mentioned last earnings call that the costs involved of rolling out so many retailers, you have to understand 27,000 stores is not a small number of buildings and parking lots and packages and displays. Then on top of that you have all of the new products at Wal-Mart, each with its own technology needs and each with its own special segment and customer service requirements. And then launching into the financial service center channel, which you heard in the prepared remarks we're doing pretty well in. And then as if all that wasn't enough to digest in a four, five-month period, we had the Federal Reserve approval of the purchase of Wal-Mart Money Corps portfolio from GE Retail Bank.

All that requires, puts and takes and settlements and a ton of technology and people and consultants and all that coming in to make that happen. So, on one hand, the answer is no. I don't imagine we have all that coming together again in any one quarter can or any half a year. Although if it happened, that would be wonderful too. But having said that, we still have (inaudible) some investment as we always do, right? We'll be rolling out more stores in the FSC channel. And we're also digesting the 400 basis point increase in Wal-Mart, which is 60%, 65% of our revenue. That's big margin hit to digest while still building scale and efficiency. We're also investing in 2014 a lot of technology and product improvements as part of our ongoing retention campaigns, which you can tell have performed well. The behavior on our cards continues to improve. So there's always money to be spent. But certainly not at the level as we did in the second half. That was an extraordinary, in a good way, an extraordinary investment period for us.

Ramsey El-Assal - *Jefferies - Analyst*

So on margins still -- I think Analysts' Day, correct me if I'm recalling this incorrectly, on Analysts' Day you mentioned that a normalized -- you talked about this-- the adjusted EBITDA margin of the business in a normalized environment could get up to-- could have a two in front of the number.

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

Yes, correct.

Ramsey El-Assal - *Jefferies - Analyst*

Is that still something that you feel is achievable in a normalized environment? Or is this a new-- a new reality of investing in the business here?

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

No . What I said -- and I still stand by, is that the long-term margin for Green Dot should have a two in front of it. What I mean by that is you've spent all of this money, but it takes six, seven months to get to the revenue from a card bought. So the fact that a fellow buys an account on a Monday, it may be six, seven months from that Monday to generate that revenue and counteract the cost it took to onboard him and to roll out the product. So we still think a two is the right number. It clearly won't be in 2014, but as we continue to grow revenue, and we keep our expenses in line and Grace continues to wield the hammer, mallet, the steel mallet of expenses, we think is a two is very achievable. But not in 2014 for all of the reasons we discussed.

Ramsey El-Assal - *Jefferies - Analyst*

Okay. Great. Thanks for your comments.

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

Yep.

Operator

Next Sanjay Sakhrani of KBW.

Sanjay Sakhrani - *KBW - Analyst*

Hi, this Stephen (inaudible) filling in for Sanjay. Thanks for taking my questions. The first one, just following up on the expenses. I mean, when we were looking at the back half of 2013, there seems to be some increase in expenses that appeared to be temporarily. Is that not the case anymore, where you'll need to continue to invest in 2014? Or is 2014 -- is there a way to quantify how much of that -- of the investments is one time nature?

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

Well, similar to the last question, we said -- this is my memory so it may not be precise. It's going to be pretty close. Last earnings call we talked about the fact that about a $30 million investment of which half was capitalized and half hit the income statements. You're looking at -- if you think about second half in Q4, call it, I don't know, $7 million, $8 million, whatever it was that hit that one quarter, that was part of that rollout, plus if you look at the earnings line, the EPS line on top of that, the amortization or depreciation that was involved in all that activity. And that's $30 million on top of what it normally takes to run Green Dot in the way we run Green Dot. I wouldn't expect such big numbers to hit repeatedly. But having said that it would be wonderful if it did, that means we're expanding our business well beyond our guidance.

Sanjay Sakhrani - *KBW - Analyst*

Okay. And then just following up, in terms of the purchase volume, the year-over-year increase was only 2% this quarter. And when we go back the last two quarters, like 10%. Is there anything unusual going on? Just wanted to see what the go-forward rate should look like.

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

I think we got a little bit hammered frankly by the weather, because we had trended better in previous quarters over the years. If you go back to the various Q's. And so I think frankly us and all card issuers, not just Green Dot, had a challenge with weather and ice storms and all kinds of crazy stuff that really impacted folks, including y'all in New York. When you have blizzards and snowstorms and ice, that doesn't do a great thing for retail spends and reloads and that thing. Nevertheless, if you look at year-over-year, we feel good that those metrics are up. Think about this. We're talking about not individual metrics, we're talking about global portfolio metrics. At a time when you not only have all the competition and at a time when you're not only turning away folks with risk controls that continue to evolve and so on and so on, we still grew the aggregate portfolio behavior. So to give you a sense, if we had not done those things with the normalized growth rate would have been. I think in Q4 specifically, the weather was not helpful to us.

Sanjay Sakhrani - *KBW - Analyst*

Got it. Got it. Last question is around the Wal-Mart relationship. Is there any updates on the renewal process?

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

Well, I can tell you that the contract expires in May of 2015. Here's my feeling on this. It's a fair question and we get it all the time. Wal-Mart is such a fabulous partner and a great client. And so that's a fair question to ask. Every time we meet with Wal-Mart, every time we have a discussion about product, every time there's a concern or issue, every time there's a question, our Bentonville team, we have an office in Bentonville, the fellows there who work there year 'round, the folks here in headquarters, every contact with a Wal-Mart executive is an opportunity for us to make a positive impression. And let them know how much we care about their business and how much we care about fulfilling their dreams and goals in this market. I wouldn't say a renegotiation of a contract is something that happens at a certain time and certain day. It's a long-term objective to help them always understand. And to make sure that we behave in the way that's the vendor of choice. And so we're always optimistic for our continued relationship.

Sanjay Sakhrani - *KBW - Analyst*

Great. Thanks for taking my questions.

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

You bet.

Operator

Next we have Tien-Tsin Huang of JPMorgan

Tien-Tsin Huang - *JPMorgan - Analyst*

Thanks. Good afternoon. Just want to follow up on the revenue guidance a little bit. The fourth quarter metrics look like a lot of the key metrics slowed a little bit. I heard the weather comment. Just trying to reconcile those metrics to the 10% to 12% revenue growth. Can you help build that up for us a little bit? I know tax could change things very much on the baseline. But just a reconciliation would be helpful.

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

Well, it's a good question. Chris, may be you can be helpful with this because Grace, I hate to ask you, since you're so brand new. But as we looked model and built it, and everybody, all division leaders participate. You have the revenue growth, which is somewhat easier to predict, because you can look at existing sales trends and build it up. We know from history what our accounts generally deliver and over what time period they generally deliver. Revenue tends to be the easiest part, Tien-Tsin, in putting that plan together. What is somewhat more capricious is what costs will be involved, what initiatives we don't announce on the calls and because they're not yet public we're working on and what that might cost.

And all of that and how that plays into what the actual number will be. And then on the bottom line, how the depreciation and amortization schedules work and all the tax rates and tax credits. So that tends to be somewhat more difficult. So we feel pretty good about the revenue. If we feel -- we feel good about all of it. Otherwise we wouldn't be guiding it. I wouldn't say the metrics in Q4 with are the results of anything except, if you will, all of the fewer cards from the risk control plateauing and then a reacceleration of growth. For the first time we've had active card growth in quite a while, showing that we're now building active cards. So if you think of the train of revenue, first you have to sell a card. Then it has to be successfully activated.

Then it has to be used and reloaded and then the revenue begins. So that growth in active cards and all of the new rollouts in October, are described as the beginning, the engine of the train. As then as it flows through the year, it becomes fairly easy to predict if you were sitting in those meetings with us. I think we have a pretty good degree of confidence. Anything can go bump in the night. So we acknowledge that.

Tien-Tsin Huang - *JPMorgan - Analyst*

Totally understand. So just thinking about margins and I had a couple of questions on expenses. Margin expansion of 30 BPS. I think you mentioned $10 in incremental savings from the GE acquisition, so it does seem like you're spending a little bit more than average in 2014. Just to put more detail to that, is it customer acquisition costs, pro active marketing? I don't think it's commissions. But just trying to get a few more answers to that.

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

So, first of all, I want to clarify one thing. The $10 million was the combined savings between the Synovus portfolios which were all of the Green Dot cards and Wal-Mart. (Inaudible - multiple speakers) I was simply pointing out that Bonneville Bank worked out well and that we have more efficiencies going forward. The question about spend in 2014. 2014 is still a more expensive year than normal, but not as expensive as 2013 was. The reason is that we continue to evolve into a technology company, a leading Thin Tech company with the coolest products, for the coolest customers on the planet. That's a change in our Company. If you think about where we were three, four years ago, we were a prepaid company without a bank charter, that had very basic technology, that had a great product, but that's what it was.

Today we're leaders in mobile banking, today we're running technology products for all kinds of retailers from big cloud data projects to all kinds of other analytics that we build behind the scenes that help us to drive retention. We're also investing a lot in our platform and infrastructure and a lot of new features, which will help us build retention to make our customers able to use our products as they would any checking account or any kind of bank account, not just a prepaid card. I suppose some heavier expenses as we continue to modernize the infrastructure of Green Dot and become more and more of a tech company. But certainly not at the level we had last year. Then I think we also have to remember that the Wal-Mart commission step up to 400 basis points on 64% of our revenue is a big chunk of meat to swallow.

That hit for half a year last year. It will lap another half year this year. All that would be a head wind. So we'll still expand margins by 30 basis points, despite all the new entries into the new channels, the takeover, the GE portfolio which is a massive job, you're thinking about hundreds of employees onshore, offshore, China, here. These are big, big enterprise level, big bank kinds of projects. They don't happen every day. There's no question they're expensive.

Tien-Tsin Huang - *JPMorgan - Analyst*

Understood. Thank you.

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

You bet.

Operator

Next we have David Scharf of JMP.

David Scharf - *JMP Securities - Analyst*

Good afternoon. A couple things. One, it's the top line, Steve, I think some previous quarters this year, you helped break out for us the revenue growth at Wal-Mart versus non-wal-Mart accounts. Can you share that?

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

Do we have that, guys?

Christopher Mammone - *Green Dot Corporation - VP IR*

We have it. For the full year Wal-Mart revenues were up 6%. And non-wal-Mart revenues were up 4%.

David Scharf - *JMP Securities - Analyst*

For the quarter?

Christopher Mammone - *Green Dot Corporation - VP IR*

For the year. For the quarter Green Dot I think we fashioned the quarter at 9%. And Wal-Mart was down around 2%, 3%. Grew 2%.

David Scharf - *JMP Securities - Analyst*

Got it. , in related to that, recognizing it takes a while, looking at a quarter's worth of new signings, a quarter's vintage to assess -- what usage characteristics are going to be. Just looking at the last few quarters of new accounts going -- so now you have three and six months of history. Are the -- is the direct deposit in reloading characteristics of the Wal-Mart and the Green Dot account holders looking similar lately or is one segment, , showing more of the proclivity for being a reloader?

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

No. I think they have fairly similar characteristics in terms of behavior. So, I don't think there's any huge gulf or huge divide on that. Also as just a point of clarification. All of our new retail launches were only done in October. These were all very, very recent. So we have 90 days of 27,000 retailers. 90 days of all of the new products at Wal-Mart. So these are very young initiatives. Hasn't been six months. It's been three months.

David Scharf - *JMP Securities - Analyst*

Got it. Got it. Maybe just a follow-up on the expense side. Relative to maybe two, three months ago, Steve, is your planned investment in building out check cashing this year as well as GoBank? Would you deem those to be materially more significant than you thought they would be, maybe a quarter or two ago?

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

No. I don't think so. We're having more success in FSC, channel than we thought we would. We knew we successful and strong. But frankly that train is going pretty fast. Maybe there's accelerated rollout expenses there. That's a good thing because the earlier in the year you can sign those stores, the longer you have to get some revenue from those accounts as the retailers launch in the year. So that's a good thing. GoBank is actually not a material expense. The rollout was expensive last year and there may still be some IT that's depreciated and that affects EPS this year. But no, I'd say the majority of expenses are the overall running of the Company and digesting the margins and all the things we discussed, rather the -- not the margins, digesting the increases at the Wal-Mart commissions.

David Scharf - *JMP Securities - Analyst*

Got it. Got it. Thank you.

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

Sure.

Operator

Next we have Mike Grondahl of Piper Jaffray.

Mike Grondahl - *Piper Jaffray - Analyst*

Can you talk a little bit about the pipeline for new retailers? And then I have a follow-up.

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

Well, let's see. What can I tell you that I can disclose on pipeline. The answer is the Green Dot brand is more in demand than ever. We have lots of retail meetings. We're in a whole lot of stores right now. I can tell you there's another 100,000 hanging out there in the wings. There are some interesting retailers and other kinds of neighborhoods and segments and demographics that we'll probably get into. And I think there's a whole lot of check cashing stores we'll get into. So I'm trying to think what else I can disclose. I think we feel good about our sales and revenue pipeline and we feel good about digesting and harvesting all of the great stuff we did in Q4. And wish I could tell you more. Probably all I can say, I suppose.

Mike Grondahl - *Piper Jaffray - Analyst*

Okay. And then I'm just trying to reconcile the margin a little bit, being up 20 or 30 basis points. The last slide of the investor day, I think was opportunity to expand margins. And it listed like nine things. Are you not getting some of the traction out of those things? Or is it simply just the investments that carried over more into 2014?

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

A lot of investments carry over into 2014, especially in Q1. We did highlight last quarter. We talked about the fact that a third of all the rollout expenses in Q4 would roll into Q1 as well. So Q1will be somewhat depressed. But none of the -- the stuff we're investing in, whether it's efficiencies and all of the things we're doing and scale and new technologies, actually are working quite well. We think they'll work way better as each year drives by. But it's expensive. To give you just a simple example. We spent a ton of money in the last year. It was a long project, but a lot of a hit with second half with new CRM software that drives our worldwide call centers. You have to understand a company the size of Green Dot does millions and millions and millions of calls a month. So every second saved by an operator, every IVR that handles a call, these things are quite meaning. But it's expensive to do it. Some of that is capitalized. A lot of it isn't.

Now that that's rolled out, the cost savings are quite material. Right? So we think these are the right investments to make, not just for efficiency, but for better service and everything else. Also we're a company that continues to grow. We have a bank that's really rocking and rolling. That itself has its own needs to make sure we can roll out innovative and new technologies and products and services for our customers that we can do as a bank, that other prepaid companies cannot do when they're not a bank. So we're making sure we have the right underpinnings to do that properly and safely. Mike, I don't mean this to be glib, but it's a constant debate and discussion we have internally at Green Dot as we look at our fiscal process. We can run the Company in a number of different ways.

But the way we have always chosen to run it is, number one, thoughtful and conservatively. And number two as a long term growing, stand-alone public company that is determined to be the absolute leading bank of choice for the masses. And you can't do that by not investing in the latest call center technology or not helping your platform handle the transactional volume. We'll do something like a billion authorizations this year, and believe it or not, our little Green Dot Bank that we bought only two and a half years ago, went from nowhere to being a top 15 or top 20 debit card issuer in the entire country out of over 14,000 banks and credit unions.

So you just can't do all of that and ignore the infrastructure, ignore the talent level. You have to invest in all of those things, so you can continue to grow. And so when you're doing it, you're doing that. You're absorbing Wal-Mart commissions. You're building all the new features and services that we believe that will build more retention on our products. And you're trying to deliver the results for investors and then guide appropriately in so doing. So I think that's where we're at. I don't know if that answers your question or that's too much. That's where my head is at on it.

Mike Grondahl - *Piper Jaffray - Analyst*

And if I could just follow up to that, is there any way that you could say, hey, we think the investment dollars that extended into 2014 were X. And so many relate to the 27,000 stores, so many relate to Wal-Mart and so many relate to check cash cashing. If so we could see what's extra investment in those areas or elevated investment?

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

Yes, I think we couldn't do it on this call, because it would be guessing and not a wise thing to do. What we could do is -- I think we had that. When we did the Goldman show, what was that, Chris? in October?

Christopher Mammone - *Green Dot Corporation - VP IR*

In SeptemberWe did have a slide that should be on our web site on the IR page, that talked about the investments and we did break it up. I think at that point we were not able to disclose the investment in Wal-Mart so I think we just called it... A new product roll outA new product roll out, a big investment. But we did break out part of those expenses. And then we can do it more granularly now that a lot of these have rolled out. If that's something you think might be helpful or others, we'd be happy to do that.

Mike Grondahl - *Piper Jaffray - Analyst*

Okay. Thank you.

Operator

Next we have George Mihalos of Credit Suisse.

George Mihalos - *Credit Suisse - Analyst*

Hey, guys, thanks for taking my question. Not to be a dead horse on the margins, but can you maybe help us think of the progression of the margins through the year? I know we're used to seeing margins being strongest in the first quarter, with all of the direct deposit types and tax refunds. Should have it be more uniform this year around 18%?

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

Well, I don't know that I want to say that. I think that the first quarter or the first half, you're right, is generally expanded because you have a lot more revenue against the similar cost base. You have all the direct deposit and the things you just said. This year Q1 may be a bit depressed, because again, a lot of the expense we have from second half will roll into Q1 that we previously disclosed and talked about. I don't want to guide quarters and I don't want to say more than we're prepared to say, because it may not be accurate or verified. But for the year on margins, I think what we guided looks very good.

Christopher Mammone - *Green Dot Corporation - VP IR*

The other consideration is in the first half, you have the higher Wal-Mart commissions versus numbers versus last year, when they were still the lower commissions

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

It could lap, yes. If you think of the full year at 18%, that's about where we think we'll end up for this year. Now if revenue grows faster than what we're guiding, you could have some efficiently flow through. I said this in the prepared remarks but I want to reiterate it again. We've said it at conferences many, many times, that we try to plan cautiously because we're a growing company with an increasingly important brand in the banking industry, not just in the prepaid industry, in the banking industry. As such, we have a lot of opportunities before us. So we look at our

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forecast and we try to plan with thoughtfulness and with caution and with the knowledge that things can go bump in the night. And then we guide in a way that our investors can hopefully rely upon. If we beat, we'll raise as we go. That formula has been something we've done for some time. And so I don't know if that's appealing or not appealing. I just want to let you know how we think about it.

George Mihalos - *Credit Suisse - Analyst*

Okay. Well, it's helpful. So I appreciate that. And just a follow-up question. Just to David's question from before on maybe some of the different characteristics between the Wal-Mart customer base and the non-wal-Mart base. Is the lifetime value of a non-wal-Mart customer similar to a Wal-Mart customer?

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

Oh, gosh. Let me think of how to answer that. I would say the answer is probably similar. But at the same time probably not exact. And since I don't have the accounting in front of me, it would be hard to say. Generally our customers have similar characteristics in terms of reloading behavior and the revenue they generate over their lifetime. So if there's differences, I wouldn't say they're massive differences and nothing that I would focus on building a model out of I suppose.

George Mihalos - *Credit Suisse - Analyst*

Okay. I'll respect the one question and one follow-up. So thanks guys.

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

You bet. Thank you.

Operator

Next we have Ashish Sabadra of Deutsche Bank

Ashish Sabadra - *Deutsche Bank - Analyst*

Hi. Quick question on the cash transfer. So that slow down, was that also related to the weather, or in going forward, should we see that thing ramp up to more normalized level? And also a related question on the cash transfer itself. I was wondering if you could disclose how much did the third-party reload grew this quarter and what percentage of the reload is actually third-party reload?

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

The cash transfer slowdown is a couple of things. Again back to my train analogy, I guess, as I think about that. So you buy the card. You activate it successfully and reload it. Reloading normally trails about 30 to 60 days from card activations and these new programs are recent. So the 3% increase over 90 days of card sales and active cards has not yet reloaded yet. Right. These are all cards -- I shouldn't say all of them. But that cohort is new from November, December, now we're into January. I would that to pick up as active cards pick up and also I would expect that all of our metrics would have slowed because again we blocked two million customers over the course of the year. If you're not growing active cards and if you turn away more customers, people begin to attrite and you begin to flatten out and you plateau, and then you kick back up again. We're back in the cycle now of the train starting from slow and picking up speed. Whereas parts of last year, we had the train slowing down the inertia that involved. So that's also where you see the metrics. I'm sure the weather didn't help either, but I wouldn't think the weather is a huge part of that. Maybe at the margin, but I would say it's massive. Chris can give you the answer on the --

Christopher Mammone - *Green Dot Corporation - VP IR*

The second part of your question, the portion of cash transfer revenue that came from third parties was 29% in Q4 of 2013. And a year-ago period it was 26% of cash transfer revenues.

Ashish Sabadra - *Deutsche Bank - Analyst*

Oh, okay. Thanks on that.

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

Thank you.

Operator

Next we have Bob Napoli of William Blair.

Bob Napoli - *William Blair - Analyst*

Thank you, guys. I was hoping to dig in a little bit on the guidance on the revenue growth and just thoughts around the active card growth that you have in your guidance. Is -- do you expect active card growth to approximate revenue growth? You have been getting a little bit of increase in revenue per active card. Do you expect that to continue?

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

Yes, we would. So active cards, just from a mathematical formula point of view tracks amazingly close to revenue and vice versa. It's not exact because it isn't just active cards, but how those active cards behave. If you were to look historically over many years at the Company, active cards, if you said, hey, we're going to be up in 10% active cards. Then you would expect to be up 10% of revenue. That's held true give or take a few basis points for many years. So I think it's fair to stay that active cards track our revenue forecast.

Bob Napoli - *William Blair - Analyst*

Okay. And then just JPMorgan talked about -- announced they're going to sell their portions of their prepaid business. I don't think Chase Liquid was included in that, based on your comments. There may not be anything at Chase Liquid to sell. But I guess the other pieces of it might be something that could be of interest to you. I didn't -- so I was just wondering your thoughts. It would certainly reduce the exposure or the concentration, I shouldn't say exposure, that you have with Wal-Mart, 66% of your business. And get that to a smaller number and open up some other growth opportunities for you. Is that something -- be is that type of an acquisition something that you would take seriously? I mean you have such a strong balance sheet. That's what you're going to use it for.

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

It would depend if I had to pay William Blair a commission. Kidding. The answer is we're very active-- I'm just teasing. We're very active in looking at a ton of acquisitions and we probably vet, oh, I'm going to say two or three a month of various sizes. But at the same time we have a pretty strong policy that I don't care what the acquisition is or isn't, and how tasty it is, if it isn't accretive, then it's just not something we're going to move forward on. As it relates to the corporate assets of JPMorgan's prepaid business, which is a government business, like benefits, it's a corporate business with some payroll accounts and then a health care HSA account business. Liquid you're right is not part of that. That's on a retail bank. This is on the corporate and commercial side of the bank. Those are assets that we'd love to look at and be aware of. Because some of those could be great. We have a huge amount of respect for JPMorgan. They led our IPO. I have a close personal affection for many of the folks there and I know the business as well and love the bank as a company. For all of those reasons it could be something we'd look at. Obviously to give more determination or more specificity on the earnings call probably isn't the most prudent thing.

Bob Napoli - *William Blair - Analyst*

Great. Thank you.

Operator

Next we have Glenn Fodor of Autonomous Research.

Glenn Fodor - *Autonomous Research - Analyst*

Thanks for taking my question. With respect to GoBank, we saw T-Mobile enter the mobile checking account space this quarter. Sounds like it's a little bit different twist on it -- the story than GoBank. Realistically this could be a competitive product. How do you think about the strengths of your position in offering this type of service versus folks like T-Mobile and carriers, and what I imagine will probably be a bunch of other new entrants at some point?

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

Yes, there will be 1,000 of them. So the two mobile products we're familiar with, it is a prepaid card and marketed as a prepaid card. It's not a DBA or checking account but it is a prepaid card that has a mobile app that allows you to do -- add minutes and what not a T-Mobile prepaid phone. And it's a good product and T-Mobile is a great company. So if you're a T-Mobile prepaid phone user, you're in the market for a prepaid card and you think the benefits are good, that may be a fabulous choice. But I don't know that it has any bearing, good, bad or indifferent on us or any players in the space. It's another product that appeals to a segment. And we wish them great success.

Glenn Fodor - *Autonomous Research - Analyst*

Just a follow-up on GoBank. Do you have any metrics on the uptake of people who were the percents or whatever of downloading the GoBank app and then becoming regular users? I mean, is there some type of conversion rate metric that you look at, and how does that compare to other consumer finance solutions?

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

Yes, we -- none that I can disclose, but we he obsess over we call the waterfall. The waterfall means I learned about GoBank, maybe I read about it in the "The New York Times" or "Wall Street Journal" or saw it on a TV show, what have you. It sounds cool, won an award, hey listen to that, I'll download it. So, first, you measure the awareness, the download, then from the download how many people successfully pass CIP, which is your customer identification process. Once you've done that, how many folks will make their initial deposit. And of those who make their initial deposit how many of those will [allow] direct deposit and become regular, ongoing users. So you have a four, five-step waterfall we obsess over every drop off at every piece of the waterfall. And you're constantly fine tuning it, and well gosh, why are so many people dropping off here? How come this guy downloaded it but didn't make an initial deposit. And so the product team works on it all the time, and it's certainly one of those things that you look to improve when you can.

Glenn Fodor - *Autonomous Research - Analyst*

Would you say you're tracking better than other consumer finance apps, if you have that type of data?

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

I don't know. We're a bank and it's a real bank account. Not a budgeting tool or something of that nature, which doesn't have the same regulatory requirements. I can't [totally] compare. If you were to compare our app successful downloads to other large banks, whether it's [Via Vetti] or Chase or someone, I would imagine -- well, actually not allowed to open accounts on those apps. Actually now I think about it, there are no other stand-alone mobile checking accounts at all. You have [Movin] which a start up and they have some neat stuff and you have Simple, which is a start-up, also has neat stuff. But then rents a charter at another bank to do their work. So I don't think there is anything like GoBank this frankly. Hard to compare. So I would say the approval rates are similar or better than some of our prepaid cards, not as good as the online prepaid card account acquisitions, better than retail. So I don't think there's anything radically good or bad about it. But where we can improve a lot, is the just the overall waterfall. You downloaded it, you passed the CIP, which you have to go through a process, how come you didn't make the first deposit? Was it too hard? The kinds of things that any product manager would do when they look at a new product.

Glenn Fodor - *Autonomous Research - Analyst*

Thanks for the color, Steve.

Operator

Ashwin Shrivaikarof Citi.

Ashwin Shrivaikar - *Citi - Analyst*

This is Phil Stiller on for Ashwin Shrivaikar. Just wanted to follow up on the Wal-Mart growth. I think you said it was 2% to 3% for the quarter. And I think that's the lowest it's been in a while, which is surprising, given the product introductions there. Can you provide some color. I believe you said you were pleased with how the introductions went. But can you reconcile that with the growth rate?

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

I don't think I would put a lot of stock into that one way or another. Remember that we started roll out on October 15 th or 16th, you're disconnecting product from one rack, you're adding product to another rack. You have hundreds of what are called jobbers or merchandisers screwing on racks to displays and checkout stands. You have so many things coming and going, up and down, sideways and frontward that to draw -- and that's why I said this before. These are so early. You're looking at 45 days, 60 days of revenue from an account, some setting from GE Money Bank or GE Consumer Retail Bank into a new format and being rolled out. With people buying cards that again will generate revenue over time. So a card bought in November wouldn't generate any material revenue in November or maybe December. It'd be January, February, March.

So I think you need -- as you build your models and we build our own, we think of that train analogy that you're beginning the inertia of the train, and it builds just like when last year we had the competition and we put on the risk controls, which turned out to more impactful than actually the competition was. It took a long time to slow down the train. So that's the nature of large portfolios. Nothing happens tomorrow morning or tomorrow night. These things move in waves and sequences. And I think we feel pretty sure from looking at sales and results and the active card growth in the short period of time. That the wave is now the upswing. With all the head winds and so forth, clearly our growth rate was on a downward trend from where we used to be let's say before the risk controls and so forth. So I don't know if that's helpful. That's how we think about it. That wave movement of the revenue and the payoff of the new account.

Ashwin Shrivaikar *- Citi - Analyst*

Okay. And then you mentioned earlier, you referenced your online distribution. Can you talk about how big that is today, relative growth rates and is there any plan to invest in that more significantly, given the brand strength that you guys have and how profitable that channel might be?

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

We invest out of CPA where we can be highly profitable with it. But we don't have a mission to be number one online. Let me tell you what I mean by that. By the way, we have a strong online acquisition and some of our best customers come from onlines. We like the channel a lot and that's both at greendot.com or walmartmoneycard.com. And we have many other products that we sell online, too, in our various brands and flavors. So we like the channel. But I just don't like -- how should I say this. I get an allergic reaction to our division leaders who come in and say I really want to run our cost per acquisition at a rate dilutive to the revenue of the card you're selling.

You don't want to spend $90 on an online acquired customer that you may only make in the year $50 on it. So we have these metrics that we focus on, that the cost per acquisition has to allow the card to be accretive either in the period or nearly in the period that it's sold. So I don't know that we're investing more or less. I'd say we're investing appropriately to make sure we're highly accretive in every customer we acquire online because we have many, many channels. Right? So we're not just an online-only company and I know that some of those companies have to spend more to keep the wheels spinning. The answer is we love online. Are we investing more? I'd say we're doing the same thing we've always done. We monitor cost per acquisition to make sure that's a profitable channel.

Ashwin Shrivaikar *- Citi - Analyst*

Okay. One last question if I could sneak it in. Looks like there was an impairment charge in the quarter. What was that related to and what expense line was that?

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

It was in technology and it was for some internally developed and later decide not going to be used internally software that we wrote off because we're just not going to use it. We used part of the code. But not the other part of the code. The answer was just to get rid of it in Q4 and move on. We're not going to use it. We have found better solutions at a more efficient, as we've hired a lot of new technologists from more sophisticated companies and we have looked at our underpinnings. There's some code that we began on that in the old days, if you will, that just became clear was not going to be used.

Ashwin Shrivaikar *- Citi - Analyst*

Okay. Thanks.

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

Yes.

Operator

Andrew Jeffrey of SunTrust

Andrew Jeffrey - *SunTrust - Analyst*

Hi, good afternoon. Thanks for taking the question. Steve, you mentioned a couple times having turned away about 2 million -- what was the number you gave us? 2 million customers.

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

Yes. Between new cards bought that were not able to be activated or existing customers who were blocked for one reason or another. It's a lot, a lot of people.

Andrew Jeffrey - *SunTrust - Analyst*

Is that roughly in line with the 20% rejection rate that you've talked about recently?

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

Yes, yes.. That's exactly right. So, well, yes.

Andrew Jeffrey - *SunTrust - Analyst*

How would you expect that to trend next year? I mean, if there's one lever that you haven't really addressed, now you've got a year of data and experience around risk management and fraud rate and so forth? Is that a lever you can pull to drive active card growth in 2014 or should we not think about that? Is the increment, is your revenue growth guidance entirely a function of new distribution coupled with the low to mid single digit growth in the installed base?

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

Yes, the revenue growth is new distribution, more sales, more activations, because you have more sales, and then better behavior because the product becomes more adopted. And you've seen that trend. On risk controls we would never use risk as lever to increase or decrease revenue. We would simply use risk controls as lever to decrease risk and make sure our bank is clean as a whistle and we have the kind of portfolio that we want to have. Having said that it's also true that we're a more sophisticated, bigger Company today. As you look at these investments and these massive risk systems and neurologic networks that predict behavior and shut down accounts and generate reports that look suspicious. We do become more sophisticated.

So let me think of a good analogy. People always make fun of my analogies. If prior to the better technology we use a sledge hammer to kill a cockroach, it would certainly kill the cockroach, but it may have also cracked some foundation on the floor that was unnecessary. We're beginning to with our risk team, that does a fabulous job and we're beginning to with our better technology, start to be able to segment types of risks, types of behavior, better alerts. So that we can now use smaller hammer and maybe not a sledgehammer. But we still need to kill the cockroach. Because we have no interest in running a Bank of our size and the sustainability we want to have, by allowing any kind of silliness into the system.

Andrew Jeffrey - *SunTrust - Analyst*

Is that another way of saying the rejection ratio may decline, but it won't be by design, relative to growth? It will be by--

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

Right. If we alter risk -- by the way, there's no one day. I get this question a lot. It's a very insightful and thoughtful question. People say when you did this to the risk control, there's no -- it isn't like, hey, let's do something to risk on Tuesday at 2.00. We'll have a meeting. It is an evolution of new kinds of fraud, looking at monitoring boards online to see what people are thinking about our cards and how they're using. It's looking at weird behavior that sometimes you may not even understand. What does that mean? We don't know. Let's track this and watch it. It's a constant update. When you have the enterprise risk committee meetings on a regular basis, there will be all kinds of discussions and details around what you're seeing.

So you're always adjusting this, doing that. Hey, wow. We went a little bit nuts over there, we can back off on that. Or it looks like we're not stringent enough over there. It's an evolution of how those controls go together not one switch you turn on and off. So the question is do we always adjust and monitor risk controls for efficiency? The answer is absolutely. Would we purposely do something to risk control for the sheer benefit of increasing enrollments? No.

Andrew Jeffrey - *SunTrust - Analyst*

Okay. And one follow-up. A housekeeping question. I noticed your share count guidance in 2014 is actually a decline from the weighted average outstanding in the fourth quarter. That expiration of options? I don't think there's a buyback in there, is there?

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

There's not. I hate to plead ignorance. We have about 44,500,000 shares of something. Is that different [Jess]?

Unidentified Company Representative

No. We had -- for the year it was 44.5 million, projecting somewhere in the 45 million range for 2014.

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

So I don't think that's different than where we've been. I know some services, though, if you look at some of the new services, I think they may only count common shares and not preferred in others because they always tend to have the valuation of the Company smaller than it really is. So I know that there's some reporting service that have a smaller share account than what it is in reality. Roughly 44,500,000 is the right number.

Andrew Jeffrey - *SunTrust - Analyst*

Your guidance says non-GAAP of 45 million and the non-GAAP at the end of the quarter was 45.8. It implies there are about 800,000 shares in the fourth quarter, the full year that go away.

Unidentified Company Representative

Yes. Some of that diluted share count adjusts as our stock price going up and down. As people exercise options and some variability in there. But our best guess for 2014 is going to be 45 million.

Andrew Jeffrey - *SunTrust - Analyst*

Right. Thanks, guys. Appreciate it.

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

Okay. At this point I think we're -- . It's actually over time. Listen, we appreciate the questions and thank you for listening in and we look forward to delivering a good 2014 for you. And we look forward to meeting you at a conference. We're going to be at KBW in New York a week from Monday.

Christopher Mammone - *Green Dot Corporation - VP IR*

Monday, February 10th

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

And then somewhere else. We're doing something else, no?

Christopher Mammone - *Green Dot Corporation - VP IR*

Well a lot of one-on-ones.

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

Well very good. We look forward to seeing you soon. Thank you, everybody. And have a great day.

Operator

We thank you sir, and the rest of the management team, for your time. We thank you all for attending today's presentation. At this time you may disconnect your lines. Thank you. And have a great day, everyone.