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GDOT - Green Dot Corp to Acquire Santa Barbara Tax Products Group - America's Largest Consumer Tax Refund Transaction Processor

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PRESENTATION

Operator

Thank you and good afternoon, everyone, on today's call. Steve Street, our Chairman and Chief Executive Officer, and Grace Wang, our Chief Financial Officer, will discuss our acquisition of TPG with commentary related to our revised guidance metrics. Following these remarks, we open the call for questions.

For those of you that have not yet accessed the press release that accompanies this call and webcast, it can be found at ir.greendot.com. As a reminder, our comments include forward-looking statements about, among other things, our expectations regarding future results and performance including the potential benefits of the acquisition of TPG such as the accretive impact on non-GAAP diluted earnings per share and its effects on the Company's growth. Please refer to the cautionary language in the two press releases we should rates and in Green Dot's filings with the SEC, including the Q2 Form 10-Q that we filed on August 11, 2014, for additional information concerning factors that could cause actual results to differ materially from the forward-looking statements.

During the call, we will make reference to financial measures that do not conform to generally accepted accounting principles. This information may be calculated differently than similar non-GAAP data presented by other companies. The content of this call is property of the Green Dot Corporation and is subject to copyright protection. Other than the replay noted in our press release, Green Dot has not authorized and disclaims responsibility for any recording, replay, or distribution of any transcription of this call.

With that, I'd like to turn the call over to Steve.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Okay. Thank you, Chris, and welcome, everyone. As you saw in this morning's press release, we are pleased to announce that we've entered into a definitive agreement to acquire Santa Barbara Tax Products Group, also known as TPG. The transaction has been approved by the Boards of both companies and has already received the required regulatory approvals and, therefore, we expect to close shortly within the next 60 days.

On this morning's call we will discuss the high-level details of the transaction. We'll talk about TPG's business, the strong strategic rationale for the deal, and then at the end of the call Grace will update you on our 2014 guidance based on this acquisition and other business considerations. So, let's start by talking about the transaction itself.

We're acquiring TPG for approximately $320 million in cash and stock. We expect to generated approximately $85 million of tax benefits from the transaction, bringing the net transaction value to around $235 million or around 5 times TPG's FY14 EBITDA.

TPG's 2014 fiscal year ran from July 1, 2013, through June 30, 2014. TPG investors also have an earn-out opportunity of an initial $80 million that they can realize based on TPG achieving certain financial performance targets in each of the next three years.

We believe the combination of these two companies advances Green Dot's position as the leading financial services company focused on low and moderate income American families. The reason is that customers who use TPG's services are generally the same segment of consumers who use Green Dot's product and services. Millions of low and moderate income Americans rely on TPG's partners in the tax preparation industry to prepare and file their taxes and just about all of these customers can benefit from one of Green Dot's awesome prepaid card or checking account products.

We expect to fund the transaction with $55 million in cash from our balance sheet, $150 million in new bank debt, and approximately 6.133 million shares of Green Dot class A common stock. Post closing, TPG investors will own in aggregate approximately 10.5% of Green Dot's fully diluted shares.

Finally, we think the transaction is a truly fabulous deal for Green Dot investors and here's why. First, the deal will be immediately accretive in 2015.

The transaction is expected to generate non-GAAP EPS accretion in the of mid teens percent range. Now, as usual, we won't provide annual guidance until our Q4 call, so for simply illustrative purposes we calculated these accretion estimates using Thomson first call consensus estimates for 2015, but we're not implying whether those consensus numbers are right or wrong or otherwise endorsing them.

Next we expect that the acquisition of TPG will provide significant diversification our revenue and earnings beginning in 2015. To help you understand this better, we estimate that no one partner is expected to generate more than around 25% of our earnings in 2015.

Next, as a financial transaction processor, TPG has much higher operating margins than Green Dot does on a standalone basis. Using the current year as an example, we estimate that the acquisition of TPG would have materially improved Green Dot's consolidated margins by as much as perhaps 5 or 6 percentage points above what Green Dot's adjusted EBITDA margins would have been without TPG.

And, lastly, like Green Dot, TPG is an asset-like business that throws off most of its EBITDA to free cash flow. So, once again using the current year as an example, we estimate the combined entities would have generated about $140 million or more in annual pretax cash flows. So, taking all that together you can see why we feel like this acquisition is such a great strategic fit and such a great financial deal for Green Dot.

Next, we'll move on to a description of TPG's business. TPG is a 20-year-old financial technology processor that functions as the integrated processing and settlement engine that enables tax preparation companies to electronically collect and process a customer's tax refund when it is received from the IRS. Then, the system collects the tax-preparation fees owed by that customer and pays it to the tax preparer, and then ACH's are otherwise sent to the net proceeds of the tax refund to the customer.

In the most recent tax season this year, TPG processed around $32 billion in tax refunds on behalf of nearly 11 million tax filers who chose to receive their tax refund through TPG's processing and settlement service. TPG is integrated as the tax refund processing and settlement engine for four out of the six leading consumer online and in person tax-preparation companies. Additionally, TPG services are integrated into the offerings of the nation's leading tax software providers which together enable TPG to serve nearly 25,000 independent tax preparers and accountants nationwide.

So, how does TPG generate value for its various stakeholders? In other words, why do tax preparers, also known as EROs, want to offer TPG services and why do tax filers or customers want to use TPG services?

Well, for the tax filer, TPG service allows them to not pay for the cost of their tax preparation until the tax refund process is complete and the tax refund has been received. Without TPG, the customer would instead need to pay the tax preparer up front at the time of tax filing.

For example, the cost of tax preparation services can be as much as perhaps $200. Upon completion of the return, the customer has to pay their account or their tax preparer that fee.

The customer can choose to pay that fee to the preparer at the time of filing with a check or cash or credit or debit card or the customer can choose to have their preparation fees automatically taken out of their tax refund proceeds whenever that tax refund is received from the IRS. Now, many people do in fact choose to pay the tax preparer at the time of filing and so they would not become a TPG user, but many other people prefer to pay their tax prep fees from the refund when their tax refund is received.

Some folks will opt to use TPG services because they don't have the money to pay their tax preparer at the time of filing. Others do have the money, but the choose TPG because they don't have a bank account or prepaid card and, therefore, using TPG allows them to receive their refund electronically and therefore more quickly. For others still, they choose TPG because they just find it easier and more convenient to have the tax preparer's fee taken out of the refund whenever it arrives from the IRS.

Now, for the tax preparer they know that they need to have an enhanced way to get paid from their customers. The reason is, is that once the tax return is filed and the customer leaves their office, the tax preparer may have a tough time collecting that fee from their customer.

So, the preparer either needs to collect payment from the customer right then and there before filing the return with the IRS or they can offer TPG services to satisfy their customer's desire to pay the later on the proceeds of the tax refund. So, TPG's processing and settlement service allows the customer to pay later without having to come up with the money right away and the tax preparer or accountant can rest easy knowing that their bill will be paid whenever the customer's tax refund arrives from the IRS.

Of course this value proposition sounds easy and logical enough but, as you can imagine, there's a great deal of technology, infrastructure, customer service, compliance and governance that goes into making that process work smoothly and reliably. TPG has a very long track record of excellence in their space and they are well known for doing a great job for the customer and the tax preparer in providing this highly needed and valuable service. The TPG Heritage operating team has a deep experience in their field and all are committed to remaining with TPG and running it as they have been for many years.

Next, I want to discuss why TPG and Green Dot are such a great strategic fit. In addition to the strong financial characteristics of the deal that we just discussed, we think there are potentially very meaningful revenue synergies over time resulting from the combination of Green Dot and TPG.

As mentioned earlier in the call, the customers who use the leading tax preparation companies that are partnered with TPG are very similar to the customers who use Green Dot's products and services. In fact, in the most recent tax season we believe over half of the tax refund dollars direct deposited to Green Got bank issued prepaid cards were processed through TPG.

Furthermore, we believe that the majority of tax refund dollars deposited through all prepaid debit cards as an entire industry were processed through TPG. We believe that the vast majority of these 11 million tax filers who annually choose to receive their tax refund through TPG services are prime candidates for Green Dot bank issued prepaid card or checking account, and it would be our goal to over time develop partnerships with

TPG's ERO partners to offer our award-winning prepaid cards and checking accounts to their customers at the time when that customer is make a choice as to how to receive their tax refund proceeds.

While we believe these revenues synergies could be quite meaningful over time, we want to be sure you know we have not modeled a single penny of revenue synergies or cost synergies into our financial analysis for this deal. In other words, the mid teens percentage adjusted EPS accretion estimates that we provided for illustrative purposes do not in any way rely on achieving any synergies.

I'd now like to turn the call over to our Chief Financial Officer, Grace Wang, to discuss the our financial implications of the acquisition to our 2014 EBITDA results and to discuss our revised revenue guidance in general. Grace.

Grace Wang - *Green Dot Corp - CFO*

Thanks, Steve. For TPG's FY14, the Company generated approximately $88 million in revenues and $45 million in EBITDA. Given the nature of its business, TPG generates nearly all of its revenue and earnings during tax season, which is the first four months of the calendar year. So, on a consolidated basis we estimate that Green Dot will absorb approximately $6 million of operating expenses generated by TPG from the time period of expected closing date through the end of the year.

It follows that while our adjusted EBITDA guidance for Green Dot's core business remains at our previous estimate of $128 million to $132 million. We estimate the consolidated income statement for 2014, inclusive of TPG, will reflect an adjusted EBITDA number approximately $6 million less to account for TPGs operating expenses. Beginning in 2015, we expect TPG to be materially accretive on an annual basis.

So, for 2014 we would now expect Green Dot's consolidated adjusted EBITDA result to be between $122 million and $126 million for the full year on a post-closing basis. Additionally, Green Dot will incur one-time deal-related expenses for items like banker's fees, legal feels and the like of approximately $13 million which will be excluded from our adjusted EBITDA and non-GAAP diluted earnings per share results. Therefore, we expect non-GAAP diluted earnings per share to be between $1.25 and $1.29 for the full year which again excludes deal-related expenses for this acquisition.

As it relates to our revenue performance for the full year, we're making good progress in executing initiatives that we believe can help generate higher revenue in remaining months of the year. And we also want to point out that we will soon be announcing a significant new program that we believe can have a material impact to our Company's performance over time. Nevertheless, given that we are now mid September we don't think that all these expected improvements will be enough to offset the year-to-date revenue pacing relative to our internal plan that we talked about in our Q2 call.

Therefore, while we're optimistic about what we can accomplish in the remainder of the year, I think it's best to adjust our revenue guidance to reflect most likely range of outcomes based upon what we're seeing today. Accordingly, we are revising our estimated 2014 non-GAAP total operating revenues to be between $610 million and $620 million for the full year down from our original guidance of $640 million to $650 million.

Despite this revenue re-forecast, we continue to track well against our higher EBITDA estimates discussed earlier because the revenue that's missing is lower margin while we're growing in higher margin revenues. So, this mix shift results in lower overall revenue but higher overall margins.

With that, operator, let's go ahead and open the phones for questions.

QUESTIONS AND ANSWERS

Operator

We'll now begin the question-and-answer session.

(Operator Instructions)

At this time, we will pause momentarily to assemble our roster. Matt Lipton of Autonomous.

Matt Lipton - *Autonomous - Analyst*

Hi, guys. Good morning. Congrats on the deal and thanks for taking my question. I guess just one clarification first, Steve, on your comments on TPG's revenue model. Who is paying that? I guess it works out to be about $8 a customer, $88 million on 11 million users. Who's paying that? Is it the filer or the tax preparer paying that to TPG?

Steve Streit - *Green Dot Corp - Chairman and CEO*

It's generally the tax filer. In other words, what the tax preparer would say is, here's what you can pay me today. I accept whatever it is, MasterCard, Visa, Discover, pay me by cash or check, whatever they may accept, or if you'd like, for a settlement processing fee, you can use this service. So the filer would be paying it as part of a separate processing fee.

Matt Lipton - *Autonomous - Analyst*

Great. And then just a question on the regulatory sentiment for the tax preparation business. I know TPG's legacy was obviously regarding refund anticipation loans. First, I just want to make sure that that business no longer exists within the Company at all.

And then secondly, I know there's some government programs for low to moderate income customers for free e-filing, so how does that factor into your outlook for volumes going forward considering I think there's been more nonprofits created in government programs to get the word out that customers can go elsewhere for tax preparation? Thanks.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Sure. Well, great questions. TPG is not a young company. It's been around for 20 some odd years and you're right. In their heritage they've done various products, including refund anticipation loans. They have not done that for some years now and I don't think anybody is doing that. I think that's pretty much been out of favor and out of law now for at least three years or something like that.

Whether it's in favor not, it's not a program or product that Green Dot, given our mission given the kind of company that we're known to be would do either way. So, not a penny of TPG's revenue or earnings has anything to do with anything related to a refund anticipation loan. So, that's the first part of it.

The second part that you bring up is right about regulatory exposure for all financial services businesses and everything we do in banking. So, always mindful of the regulatory concerns and generally our feeling has been over many products that we've issued the regulators appropriately are concerned with a product that is -- making sure a bank has a product that's a good deal for the consumer, that is well disclosed, fair, provides value and all those good things and this service does that.

So, we certainly understand the risk. We certainly had many, many conversations with all the stakeholders in the space as part of our normal due diligence and our own internal reviews. So, we feel good about how to moderate and manage that risk as we do about our overall business, and we think this service matched the Green Dot as a really good pairing that can help that risk profile going forward.

And then your last question was about growth. The tax preparation industry is clearly not new. This is a service that's been out there for a while and we know there's a lot of different programs. And to the extent that free programs, community service-oriented programs take business away from the commercial tax preparation companies, over time in the same way that affects their numbers of customers it would affect TPG's volume as well.

That's a fairly old story and something that's been out there for some time, but we don't see it meaningfully impacting that business. If you look at the volume of business that TPG has done over many years, the category has been pretty good.

So, but to your point, yes, theoretically if people stopped using paid tax preparers and they stopped using accountants and went to free services, then that would affect TPG's volume. That's a very fair statement.

Matt Lipton - *Autonomous - Analyst*

Doesn't necessarily mean it's going to happen. Thanks for the time piece. Appreciate it.

Steve Streit - *Green Dot Corp - Chairman and CEO*

We don't think so either, but I appreciate the question.

Operator

Sanjay Sakhrani, KBW.

Sanjay Sakhrani - *Keefe, Bruyette & Woods, Inc. - Analyst*

Thank you. Good morning. I guess, Steve, you talked about not incorporating revenue synergies but their possibly being synergies. Could you just talk about how fast that could materialize?

Steve Streit - *Green Dot Corp - Chairman and CEO*

2016, Sanjay, would be the soonest and the reason is, is that you have a huge amount of volume happening in the first four months of the year and really it's the first 3-1/2 months of the year because tax refund season happens call it end of January-ish, and then it continues on to end of March. So, we don't want to do anything hasty that would mess with TPG's infrastructure or technology systems that would require integration. The risk is too rich for my blood and I'm sure the executives at TPG would have the same feeling.

But as you look for the 2016 tax season and we have time to breathe and look at integrations, we think you could start seeing some activity there beginning in 2016. Because in talking with TPG's partners and doing our own review with the customers who use TPG today, many of these folks don't have any kind of checking or prepaid account and their getting the tax refund ultimately delivered by check which takes a while and is not particularly efficient and it's expensive.

Many others that do have a checking account, perhaps 70% or 80% of TPG's users have existing checking account, but like most people who use checking accounts who are in the low and moderate income bracket, they pay a lot of fees in overdraft fees and penalty fees and, as you know, Green Dot is renowned for not ever charging those kinds of penalties or overdraft fees.

So, we think we have great products and services. We know our brand name resonates strongly with TPG's customers as it does with most Americans in the low and moderate income bracket, and so we think we have a great opportunity to build a healthy acquisition channel through this.

Sanjay Sakhrani - *Keefe, Bruyette & Woods, Inc. - Analyst*

And then as far as the revenue shortfall, can we just talk about were specifically it's coming from relative to plan?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Well, probably not too specifically. Green Dot is a portfolio of business where 92,000 maybe now 95,000 including check cashers in terms of locations and all of them have different characteristics and different results quarter over quarter, year over year. So, I'd rather not get into the particular source, but I think it's fair to say that we saw that 2% negative [pacing] to plan. In Q2 we thought that we could reverse that trend in time to turn out okay and we think we still may turn out better than what we've guided, but we just don't know.

And so, as Grace said in her prepared comments, we thought that safety was the better part of valor and in the spirit of full transparency is to say, look, we're seeing what we're actually doing. Yes, we're seeing some improvements and, yes, we have a number of really cool things that we think will have a positive impact in the remaining months of the year, but no matter how good we do in October, November, December, we just don't think it's going to be enough to overcome the negative pacing plan that we experienced from January through today. And so that's the reason for the guide down.

So, I wouldn't say it's materially different than the trends we were seeing in Q2. The difference is we now have another seven weeks of data and we're saying to ourselves and to you as our investors and analysts hey, look, flag here, heads up. We may not be able to overcome this. We may do better, but we wanted to give you a sense of where we are in our current pacing.

Sanjay Sakhrani - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay. Great. And then just one followup on that. You guys talk about a new major program. Is that a new major program that was kind of anticipated for the year or is that incremental to kind of what you were thinking for the year?

Steve Streit - *Green Dot Corp - Chairman and CEO*

It would be incremental to what we were thinking for the year. The reason we put it in this press release is that the timing -- in a perfect world we need to control timing you'd have sort of results, you'd have a new announcement, you'd have an acquisition, and then you'd have guidance, that kind of thing, but the timing is what it is as you have all these events coming together and so we're a little bit herky-jerky with the timing.

So, we wanted to say, okay, we got to re-guide for the acquisition based on EBITDA. Let's give investors a full view of how we're pacing that in terms of revenue. At the same time, let everybody know that very shortly we're going to have another announcement which will be a fairly big and material announcement relative to the Company's history and we wanted to make sure that people understood that, too, so that we didn't have this herky-jerky sequencing of events. And so that's why we put it in the release.

Sanjay Sakhrani - *Keefe, Bruyette & Woods, Inc. - Analyst*

And just to be clear, it's not incorporated into your current guidance?

Steve Streit - *Green Dot Corp - Chairman and CEO*

No, that would not be true. It was not incorporated to our guidance at the beginning of the year. It would be incorporated into our guidance that we gave this morning on a conservative level because we just don't know what it means in 90 days. If we were making this announcement in February, would have a very different view of it, but no matter how well we do, we just don't think there's enough meat left on the bone in the year to counteract what we are seeing in negative pacing from January to current.

Sanjay Sakhrani - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay, great. Thank you very much.

Operator

Ramsey El-Assal with Jefferies.

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

Hi, guys. I wanted to make sure that I understood your comments earlier correctly around your expectations that no one partner will generate more than 25% of earnings in 2015. Is it correct to say that that's a material change from what it would be if you gave that statement referring to today's business?

Steve Streit - *Green Dot Corp - Chairman and CEO*

It is, yes. It's well known that our largest partner is, as of last quarter, 55% of revenue and then you can make your own assumptions as how that drops down to EBITDA. We don't disclose particular margins on an account by account basis, but that would be a significant improvement of diversification over where we are today, that's correct.

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

Okay. And I know you didn't base any of your deal economics on synergies and Sanjay just talked about the revenue synergies. Are there potential expense-related synergies available to you eventually with this deal?

Steve Streit - *Green Dot Corp - Chairman and CEO*

There are. We're not going to do anything in the 2015 tax season because, as I mentioned, it's just too soon and we don't want to mess with success and so we're going to leave it alone. We think that over time we've identified, I'll call it between $6 million and $10 million of easy fruit on the vine that is there for future years but nothing in 2015.

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

Great. That's fantastic. Thanks for your comments.

Operator

Tien-tsin Huang of JPMorgan.

Tien-tsin Huang - *JPMorgan - Analyst*

Great. Good morning. I guess you left core Green Dot EBITDA unchanged for trend revenue. What's the confidence level in changing EBITDA?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Pretty high. We're tracking well against that, actually towards the higher end of that, so we feel good. Something could go wrong in the next three months, but we don't think so. So, we feel pretty good about that and that's been consistent on our pacing and the outlook looks very favorable as well. So, we feel good about the EBITDA, but more cautious on the revenue.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. And then on -- just two on Santa Barbara. Just KYC and it sounds like regulatory, you said things are fine, but just thinking about things like KYC and other issues related to that business, can you just update us on how that might impact whatever the [OCC] and others might think about Green Dot bank?

Then just how diversified is the distribution channel for Santa Barbara? It sounds like it is pretty diversified given the going after independence, but just wanted to make sure there is not some customer concentration issue there?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Well, I think like most companies, they have some customer concentration on the revenue, less so on the EBITDA line item because bigger customers tend to command a higher share of the revenue and therefore have lower margins, but they have some customer concentration but your point is a fairly broadly diversified business.

In terms of the regulatory questions, know your customer or also known as CIP customer identification, Green Dot has gained, as you can imagine, tension over the years, a lot of experience on the tax fraud and countermeasures to overcome tax fraud. We served on many panels with government. We're well known as a positive participant in understanding how people commit tax fraud. So, we're no strangers to that topic and I think we're pretty good at it and with or without TPG, Green Dot has a massive volume of tax refund volume, as you know, on our existing portfolios. So, none of that would change.

In terms of know your customer specifically, much of TPG's business is done by in person tax preparers. And in that regard, the CIP is documentary. It's somebody sitting in front of you with identification and somebody who likely is known in the neighborhood.

So, I think the in person part of that business is certainly safer than what we're doing today, and the online providers have also become highly sophisticated certainly over the last two or three years and doing a better job of KYC. But as a bank to the extent that we issue bank accounts to these tax filers, the same customer identification that we deploy for any of our account holders will be there as well. So, we don't see any additive or unusual about our KYC obligations as it relates to customers opening accounts to receive tax refunds.

Tien-tsin Huang - *JPMorgan - Analyst*

That make sense ask. Let me ask one more if you don't mind. Just 11 million tax filers, 25,000 EROs. What's the market opportunity or the addressable market if I were to think about a dominator the calculate penetration?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Most of the companies in the space are private, so we don't get a lot of good reporting. And talking with the management at TPG, including the founder and heritage CEO, Rich Turner, who started that industry and has been doing it for a long time, they have a good sense of metrics for what their competition does, and we think TPG has about half the market, so that means maybe the total market of that specific refund and processing service is call it 20 million or 22 million tax filers using some type of service of which 11 million use TPG.

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So, the opportunity would be to have a bigger share among those folks. An opportunity, too, is a lot of those other players are small players and so another strategy given the amount of cash we throw off will be to continue to build out scale in that channel maybe to acquisitions of some tuck-ins there is well. But, that would be your TAM. So, if you said, hey, what's the TAM of this particular processing service, call it 22 million filers of which we have half.

Tien-tsin Huang - *JPMorgan - Analyst*

Great. Thank you.

Operator

Mike Grondahl, Piper Jaffray.

Mike Grondahl - *Piper Jaffray - Analyst*

Yes, what's been the growth rate at TPG the last couple of years, that 88 million sort of what level it has been growing at?

Steve Streit - *Green Dot Corp - Chairman and CEO*

That's a fabulous question. Do you have a richer sense of (inaudible)? Hang on. We're doing some live on the time analysis. Not much. About 2% to 5% and I would've guessed a little more flattish than that and the reason is that the tax industry as an industry is somewhat mature. So the question is, who's providing best services and who's providing the best technology and who the customer's use.

And so big reason, Mike, for us buying this, as we mentioned in the prepared remarks, is not about growth in and of itself. The business certainly isn't shrinking and they are forecasting single digit growth over the next few years, the management TPG is. But the main reason for buying it is margin expansion, diversification, generation of free cash flow which then can be used for other accretive activities, and giving us a fabulous acquisition channel at the time of our customer's biggest financial event of the year.

The time of that customer is getting $3000 which is the average tax refund or earned income tax credit. That's the time when these customers choose to open a bank account or buy a prepaid card or use your checking account which is why that's a big season for us in general for the Company.

So, those are all the reasons why we're excited about the acquisition. Pure growth in the tax industry would not have been a driver of the acquisition.

Mike Grondahl - *Piper Jaffray - Analyst*

Okay. And then does TPG do any business at Walmart or through Walmart?

Steve Streit - *Green Dot Corp - Chairman and CEO*

TPG today does not. There may be some check cashing that happens organically as they share a lot of customers together, but I don't believe today. Are there any things in place today at Walmart?

Unidentified Company Representative - *Green Dot Corp*

I would just say that many of our professional preparers actually do quite a bit of business through Walmart.

Steve Streit - *Green Dot Corp - Chairman and CEO*

So, the answer is while TPG may not, some of the professional preparers who access TPG's processing service may have other workings with Walmart that we would not be directly aware of. But in terms of if the question is about revenue diversification of TPG, today none of TPG's revenue would be from Walmart.

Mike Grondahl - *Piper Jaffray - Analyst*

Got you. And then maybe just lastly, Steve, kind of the thoughts behind using some stock in the acquisition of six million shares. How did you come to that?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Well, it was a negotiation of all stock, no stock, some stock, and we ultimately decided on having a minority of the transaction be in stock for a couple of reasons. Number one, allowed us to lock in a better price because it's the view. I don't want to speak for them, but my understanding it was a view of the seller that the stock has significant upside and so they thought they could ultimately achieve a higher value by having some percentage of the [GLBN] stock for us was helpful because we wanted to keep a war chest of cash for other acquisitions and other reasons because our Company continues to grow and we continue to do new things.

So, it was an ultimate negotiation of balance to say much cash do we want left unencumbered on the balance sheet, how much more dry powder do we want for various reasons, how much does the seller want in stock based on their belief of the future performance of Green Dot, and that was sort of the ultimate number we came to.

Mike Grondahl - *Piper Jaffray - Analyst*

Okay. That's a lot.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Thank you.

Operator

Ashish Sabadra with Deutsche Bank.

Ashish Sabadra - *Deutsche Bank - Analyst*

Hi. Quick question. Quick followup on the revenue synergies. Steve, can you talk about the 25,000 EROs? How many of them are using Green Dot versus a competition prepaid card or not using any prepaid card product? So, I'm just trying to better understand how big is the portion [that needs] to penetrate the ERO's?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Right. So, in addition to the 25,000 independents, there are also all the major branded or many of the major branded tax companies that partner with TPG as well. And so to your point, Ashish, many today or some, I don't know if it's many actually, but some have deals with existing banks for prepaid companies to provide their card products.

Some don't sell any prepaid cards or card products. But whether they do or not, we have a pretty good track record based on our brand name, the quality of our products, the awards we win, the fee schedules, and how our products are viewed generally by the customer segment and by the industry of being able to win those deals over.

So, we think we have really good opportunity without regard to whether or not a particular partner today has a card program in place to say, look, here's what we have, here's what we think we can do, here's why it's awesome for your customer, here's why it's great for you as the tax preparer to offer this product, and if we can show a win-win opportunity, we have a pretty good track record of convincing people that marketing Green Dot is a good thing.

Ashish Sabadra - *Deutsche Bank - Analyst*

That's good. Just quickly on the cash tax benefit of $85 million. How does that benefit -- does that benefit flow into the P&L or is it cash flow benefit only?

Steve Streit - *Green Dot Corp - Chairman and CEO*

So, it's a great question and Mark or Grace can answer that. You want to do that, Mark? Mark Shifke is our head of M&A and he is actually based out of New York and this guy has been working 18 hours a day for how many months on this, so Mark maybe you can talk into that mic there and answer the question.

Mark Shifke - *Green Dot Corp - Head of M&A*

Yes, sure. So, the tax benefit arises because TPG is a partnership, and so for tax purposes Green Dot should be treated as acquiring all of its assets in a taxable manner. And so the tax benefit arises as a cash flow benefit not through P&L as we amortize the entire purchase price over the life of the asset for tax purposes.

Ashish Sabadra - *Deutsche Bank - Analyst*

Okay. I just wanted to make sure that I understand, no cash -- I'm sorry, no tax benefit of (inaudible) non-GAAP or cash shortenings?

Steve Streit - *Green Dot Corp - Chairman and CEO*

What he is saying is he understands it's not going to hit non-GAAP EPS but does it hit GAAP EPS or is it strictly a balance sheet benefit?

Mark Shifke - *Green Dot Corp - Head of M&A*

This is strictly balance sheet benefit, strictly a cash flow benefit that arises each year.

Grace Wang - *Green Dot Corp - CFO*

Yes, it's treated as an asset purchase for tax purposes regardless of GAAP.

Mark Shifke - *Green Dot Corp - Head of M&A*

So, the answer is not in reported earnings, yes in balance sheet.

Ashish Sabadra - *Deutsche Bank - Analyst*

Okay. That helps. And the 80 million of notes over the next few years, does that impact the P&L?

Mark Shifke - *Green Dot Corp - Head of M&A*

If the earn outs were paid, it would be part of the consideration and would not impact the P&L.

Ashish Sabadra - *Deutsche Bank - Analyst*

Okay, thanks.

Operator

Bob Napoli, William Blair.

Bob Napoli - *William Blair & Company - Analyst*

Thank you. Couple questions. First on the earn out. What are the targets that have to be hit in order for the earn out to be earned?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Those are targets, Bob, that is, as you can imagine, we're not going to disclose publicly, so, but they're based on hitting the revenue and EBITDA plan that TPG presented to us as part of the sale consideration.

Bob Napoli - *William Blair & Company - Analyst*

Okay. And I'm sorry, it's $80 million is tied to the earn out?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Yes, it's $80 million divided over three years, roughly equally and each year has its metric that has to be hit to get that one-third, if you will, of that earn out.

Bob Napoli - *William Blair & Company - Analyst*

Okay. And who would be competitors of TPG?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Well, there's a number of -- Rich, this would be a good one for you. There's five or six maybe competitors outside of TPG. Hang on, Bob. We're doing a little bit of chair moving here.

Unidentified Company Representative - *Green Dot Corp*

Yes, there are a number of competitors that have kind of moved in and out of the space over the 20 years we've been working in it. Right now there are a couple of banks in particular that work in the same space we do. River Citibank out of Louisville, Kentucky, and Republic Bank quartered in same city, both very able competitors. There are some processors that are not bank specific, but one is named Refund Advantage. There are a couple of other smaller processors as well.

So, those would be considered the main competitors at this point. And H&R Block currently has their own in-house processing solution, so we would consider that to be space -- similar to the space we occupy.

Bob Napoli - *William Blair & Company - Analyst*

Okay. Then the 11 million I guess refunds that you do per year, how many of those go on -- what percentage of those go on prepaid cards?

Steve Streit - *Green Dot Corp - Chairman and CEO*

That's a great question. Do you know? Richard is saying about 40% of that would go on prepaid cards and as you mentioned, Bob, we think better than half of all tax refund loans, if you will, are direct deposits to the prepaid card industry is processed through TPG, so a pretty strong correlation.

Bob Napoli - *William Blair & Company - Analyst*

Okay. And of that 11 million, how much of that goes on to Green Dot cards today?

Steve Streit - *Green Dot Corp - Chairman and CEO*

It's 11 million people and $32 billion, so the question is of that $32 billion, how much goes on prepaid card? Oh my gosh, I have no idea offhand. That's - as usual --

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Bob Napoli - *William Blair & Company - Analyst*

How much to Green Dot? What percentage of the 40% that goes on prepaid cards, so I guess so you have like over 4 million refunds that go on prepaid cards, how many of those are Green Dot?

Steve Streit - *Green Dot Corp - Chairman and CEO*

That's a great question that I don't know the answer to here on the West Coast this time of the morning, but maybe we can get that on followup. We just did an overall bid and tracking for the statistic that I used and maybe we can dive in later and get that step. I don't have that with me. I'm sorry.

Bob Napoli - *William Blair & Company - Analyst*

Then what incentives would you use to get a big proportion of what you don't get today, what doesn't go to Green Dot, what can you do to get a higher percentage of that? Are there things that TPG can do incent. I know this is 2016, but --?

Steve Streit - *Green Dot Corp - Chairman and CEO*

The biggest opportunity is just to have the product available. The consumers, as you know from a retail experience, see the Green Dot brand. Odds are they are a customer, used to be a customer, know the brand. They go, oh, I know what that is, and that's a good idea. So, part of the biggest challenge is not an incentive, it's just being there is two-thirds of the battle.

The other part is I'm sure we can come up with all kinds of neat opportunities to get customers more interested than they otherwise might be to open one of our checking or prepaid accounts. I don't know what those are off hand today, but as you know historically we've been pretty creative in coming up with marketing programs and campaigns and the fact is that somebody getting their tax refund today, via check or cash, is way better off getting it on any of our accounts, for that matter anyone's account, but in particular our accounts.

And so we think that explaining that benefit is helpful to folks. We also think that being able to, as a bank, directly talk to these consumers at the time of the biggest tax event of the year and say, look, here are these products. You know our Company. If you don't, let us tell you about it. We never charge overdraft fees. We never charge of penalty fee. The entire fee schedule is short and disclosed right here for you to view.

Why don't you give Green Dot bank a try. We think you'll really, really like it, and that's a pitch, if you will, that we can make to customers whether they have a current bank account or not. Having a great product with low fees and no penalty fees is in style no matter who you are and what kind of bank you currently use.

Bob Napoli - *William Blair & Company - Analyst*

But those decisions are not made by TPG, it's made by the partner to TPG what prepaid card?

Steve Streit - *Green Dot Corp - Chairman and CEO*

That's right. That would be made by the partner and then what we would do is in a sales call with those partners say, hey, gosh, we see now that today you're using XYZ or, hey, today you're not using anyone. May we interest you in this?

Bob Napoli - *William Blair & Company - Analyst*

Is Intuit a partner with TPG?

Steve Streit - *Green Dot Corp - Chairman and CEO*

They are.

Bob Napoli - *William Blair & Company - Analyst*

Okay. And then last question. The accretion -- the mid teens accretion that you give, essentially what you're saying is you're looking at what the consensus estimates are next year and without saying what this year, you're just saying that you think numbers should be 15% higher -- non-GAAP EPS numbers would be 15% higher with this deal than what the street consensus estimates are today?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Yes, we're saying mid teens. We won't know exactly until one of the key inputs is what Green Dot standalone does in 2015 and we've not yet prepared that fully and we have a lot of new initiatives coming in the next three month which will dictate that run rate into the next year.

So, we're trying to come up with a way to say, well, how do you illustrate this? We know what our internal beliefs are. We're not ready to provide guidance to the street, why don't we go ahead and use Thomson first call consensus because it's out there and it's public and it gives us that mathematical input to give to you that illustrative guidance.

But I want to be clear to your question, Bob. In no way are we saying that the Thomson first call consensus is right. Up, down, low, good, bad, middle. We're simply saying that it's out there publicly and, therefore, provides an input so that we can help you illustratively.

Bob Napoli - *William Blair & Company - Analyst*

Is any color on the 6.1 million shares or is it just 6.1 million regardless of where the Green Dot stock is when the deal closes?

Steve Streit - *Green Dot Corp - Chairman and CEO*

It's a fixed share count without regard to the share price.

Bob Napoli - *William Blair & Company - Analyst*

Great. Thank you very much.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Thank you.

Operator

Doug Greiner, JMP Securities.

Doug Greiner - *JMP Securities - Analyst*

EPG is used by four out of the six leading consumer (inaudible) in-person tax preparation companies. What's the situation with the other two? Are there potential opportunities there?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Maybe. One, as Rich just told you, is H&R Block that does not use TPG. They have their own in-house solution. And I'm not sure who the other one is but they will, and let's go ahead and close them, guys. (laughter) There may be an opportunity. I don't know, to be honest with you.

Doug Greiner - *JMP Securities - Analyst*

Got it. And then just as a follow up to that, can you just talk more about sort of the contract nature, are any of these exclusive, any key upcoming renewals? What's customer retention been like? Thanks.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Right. Thank you. Good question. We're not going to get into as a wholly owned sub any one individual contract will not be material to the consolidated enterprise, so we're probably not going to get too granular, but we'll have to come up with some good business metrics to help the street better understand the value over time and we'll tell you what those metrics are when we get there.

In terms of renewals and that type of thing, like any company I'm sure they rotate, but there's no risk that we see in the near term there. And then the -- in terms of our diligence and looking at those agreements. And then in terms of -- what was the question, oh gosh, say it again. I'm sorry, it's pretty early here on the West Coast. What is it?

Doug Greiner - *JMP Securities - Analyst*

Customer retention.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Yes. The answer is the customer retention has been fabulous. Many of TPGs customers have been with them for 10 plus years, 15 years easily. So, very, very long retention. Oh, the other question you had was about exclusivity. Generally, they are not.

So, generally there is no exclusively in this channel and tax preparers can choose their partners for processing based on who they believe is the highest quality partner, the best technology partner, the most innovative and flexible in helping them increase and grow their businesses and those types of things, but it would be very common for any particular tax preparer to have one or two or three processing options that they can choose from.

Operator

Was there a followup, Mr. Greiner?

Doug Greiner - *JMP Securities - Analyst*

No, that's it. Thanks.

Operator

Smitti Srethapramote, Morgan Stanley.

Smitti Srethapramote - *Morgan Stanley - Analyst*

Yes. Hi. Two questions. One was regarding the major new program that you are planning on introducing for the rest of the year. Can you just give us some more details regarding what that program is and what segment it's targeting?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Well, Smitti, that's the easiest question of the morning because the answer is no. That's why. But, no, I can't. We just wanted to make sure that given the materiality of the announcement that people understood it was coming very soon and we've done that, but more than that I can't say, but this is not a long-term thing. Certainly by -- within the next week or two you'll have that information.

Smitti Srethapramote - *Morgan Stanley - Analyst*

Okay. In the next week or two. And then regarding the comment about in 20 -- [so close] this acquisition no customer will count more than a quarter of your profitability. I'm just trying to parse that out a little bit more. Are you giving any hints regarding any potential renewal terms with your largest partner for next year? Are you baking in any sort of --?

Steve Streit - *Green Dot Corp - Chairman and CEO*

No. We're just taking our normal run rate as a business without factoring good, bad, indifferent, high or low for Walmart renewal which is what you're asking about so, no, that was not part of that analysis. And so that's just taking Green Dot as we know it and playing it out and adding in the TPG EBITDA.

Smitti Srethapramote - *Morgan Stanley - Analyst*

Okay. Great. Thank you.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Thank you.

Operator

James Friedman, SIG.

James Friedman - *Susquehanna Financial Group / SIG - Analyst*

I wanted to follow up, Steve, with some of the operational questions. I know you had mentioned earlier that 50% of your returns come through TPG, more generally about customers that do returns reloaded to you. Could you talk about some of the operating characteristics, how sticky they are, how sticky they are relative to the wider population, how you have been able to cross sell them, comments of that nature.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Great question and sort of two answers. If you're a Green Dot customer today who uses a tax preparer that is partnered with TPG and the tax preparer says, Mrs. Jones, congratulations, you're getting $3000. Did you want that in a check? Do you want it sent to your bank account? And she says, yes, I want it sent to my bank account. I use a prepaid card and it's Green Dot and here's my routing number.

If you're that customer, those people are very, very sticky. Those would be among our best customers because they're loyal Green Dot customers who use us as their full-time year around bank account. So, if you look out just to organic loads of tax refunds through Green Dot card, they would be fabulous long-term customers.

If you look at it on the other side and say, okay, a customer comes in, they have no bank account and the taxpayer preparer says, hey, do you have a bank account you'd like us to ACH your refund to and she says, no, I don't. Well, look, we have the such and so card and the such and so account. The retention on those cards are historically very, very small. When I say very small, I'm going to say less than 10% has been our experience.

(audio issues) millions of cards and you keep 10% it's not a bad thing, but those would be more used as disbursement cards and then it's the job of the bank or in this case our job to tell that customer hey, gosh, you're new to our company, you're new to our bank. We saw you received your tax refund. That's awesome. Let us tell you why it's a great idea to use this as your full service year around bank account.

So, there are two different customers with two different retention profiles. Was that kind of helpful in how I explained that?

James Friedman - *Susquehanna Financial Group / SIG - Analyst*

Yes, that was perfect. I think that you had mentioned that with regard to the question about competitive landscape -- I think that you had mentioned in answer to that -- you had mentioned who tax preparers are. I was just wondering if any of your prepaid competitors also have an embedded tax preparation solution that you're aware of?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Well, so no other prepaid card would have tax processing and settlement services like what we've acquired with TPG. That would be out of the realm of banking or out of the realm of prepaid cards.

If you're asking do we have competitors who sell their cards in partnership with these tax preparers, the answer is yes. I'm going to say maybe half of these partners have card programs. So, about half card programs today that would not be Green Dot. Today, Green Dot has no card programs in partnership with any tax preparer either online or in person.

So, 100% of our tax refund dollars received at Green Dot today are just organically millions of Green Dot customers saying, hey, this is my bank and is this is where I want my refund deposited to, but today we acquire zero customers from the tax preparation channel.

James Friedman - *Susquehanna Financial Group / SIG - Analyst*

Got it. Thank you for taking my questions.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Sure

Operator

Tom McCrohan of Sterne, Agee.

Tom McCrohan - *Sterne, Agee & Leach - Analyst*

A couple clarifications. The 25%, no partner being more than 25%, is that of revenue or of EBIDTA?

Steve Streit - *Green Dot Corp - Chairman and CEO*

EBITDA

Tom McCrohan - *Sterne, Agee & Leach - Analyst*

And the 55% concentration from Walmart of revenue, is that statistic still to be provided going forward?

Steve Streit - *Green Dot Corp - Chairman and CEO*

It's a good question. One of the notes we have in, and we haven't had time to vet all of the future reporting implications, is what of the various materiality thresholds under SEC regulation that require disclosure. I haven't asked that question yet and we will at some point when we sit down and do that.

Certainly for the near term we will provide that because Walmart is such an important retailer in the entire country, not just for Green Dot, and as a barometer for business in general. And so certainly something we would provide for example the next quarter or something but, Tom, to your point it may be that going forward into 2015 or 2016 if the regulation allows it, maybe we wouldn't continue to disclose that independently. I have no idea, but it's a very good question.

Tom McCrohan - *Sterne, Agee & Leach - Analyst*

Okay. And in terms of credit products in general, Steve, are there any intentions with this acquisition to provide any sort of credit products to tax customers similar to like the [emril lavance] product?

Steve Streit - *Green Dot Corp - Chairman and CEO*

No. You never know what gets developed down the road but, in general, when you think about -- I don't want to answer this, and I'll speak now as a chairman of a bank and a CEO of a bank holding company. When you think about that tax refund event, our goal is how can we most quickly and efficiently and electronically get that tax refund on to a safe regulated FDIC insured bank account that is doing good for the customer's life. That would be our goal and that's what we're doing.

When you think about the question of lending, if it's a lending program unrelated to the tax event and we're using that as an acquisition channel, who knows. There could be an opportunity for that down the road. If you talk about lending, meaning like, hey, in three months you're going to get this much money from the IRS, we'll give you a loan and charge you interest rate against it, not something we would be interested in for a lot of reasons, but -- so the answer to that question would be no.

Tom McCrohan - *Sterne, Agee & Leach - Analyst*

Okay. Thanks. That's all I had.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Sure

Operator

John Rowan, Sidoti & Company.

John Rowan - *Sidoti & Company - Analyst*

Good morning.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Morning.

John Rowan - *Sidoti & Company - Analyst*

Steve, just to understand kind of how we would look at active card growth throughout the balance of 2015, in the scenario that you provided regarding the consumers who is using this just as a disbursement, what would you expect the average lifetime of that card to be? I'm just trying to understand if we're going to see just this big bump up in the first quarter of active cards and then not much of a delta throughout the rest of the year?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Yes, a very good question. In 2015 you won't see anything different because there will be no integration in January to March 2015 tax season. In 2016, if we do a good job in sales and we're able to be a lucky enough to convince TPG's partners that Green Dot is a great product to sell along with their services, you would see a big bump up just like, to be fair today, Q1 always has a big growth spurt, if you will, of new people looking to buy a bank account, open the bank account so you can see that. And the retention curves in the old days used to be 10% or so, but most people look at government disbursements, whether it's a tax refund or something else, as a disbursement, meaning I have the money and I want to get it off an ATM machine or spend it quickly.

And then our job is to, as we mentioned earlier, to say to that customer, hey, we know you want your cash and that's great but, gosh, it's so much safer on this bank account. Your funds are protected. You're protected against fraud because Green Dot is a [reggie] shop, meaning if you're ever a victim of fraud or you have a dispute we'll take care of you. If, God forbid, our bank ever failed, your funds are protected from the FDIC.

And boy can do bill pay and holy cow you can do person-to-person payments and you can do budgeting, all the neat things we provide, and then see if we can encourage that customer to keep that account year around because it is just a really good account to have and that's where the rubber meets the road in terms of the retention.

But, nevertheless, you're never going to get 100% of people retaining all the time, so I would still think at maturity you're still going to see a Q1 bump that levels off in the course of a year but that's not a horrible thing and investors generally can see that.

John Rowan - *Sidoti & Company - Analyst*

Okay. Thank you very much.

Operator

Phil Stiller, Citi.

Phil Stiller - *Citi - Analyst*

Hi. Thanks for taking my questions. You talked about the historical revenue growth of TPG. Can you talk about the margin profile of the business, what the major cost components are and how the margins have trended recently?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Sure. The margins have been fairly stable over a long period of time and the margins are, as you will see in the pro formas that we delivered to you, material. It's a 50% give or take EBITDA margin business. It's one of the things that attracted us to it and that's fairly consistent in the processing space. It's a software as a service type of a company.

Now, you have a lot of governance and risk and there is an opportunity for things to go bump in the night like with any business, but it's been fairly stable. And the trick is now how can we help the tax partners make more money year around by selling our products and doing other things and building that business, but as a standalone processing business you would have margin characteristics similar to many software as a service processing businesses.

Phil Stiller - *Citi - Analyst*

But has there been a noticeable trend up or down and what would be your outlook absent any kind of revenue or cost synergies from the business?

Steve Streit - *Green Dot Corp - Chairman and CEO*

We would absent any synergies that we would look at the margin to be stable. It's been really steady as a rock give or take a point here or there for some years.

Phil Stiller - *Citi - Analyst*

Okay. And what kind of financing costs are you assuming on the debt?

Steve Streit - *Green Dot Corp - Chairman and CEO*

I'm assuming I want to say a 3% interest. Is that right, Mark? Give or take? Mark gave me the eyebrow raise when I said give or take. Grace, did you want to give a comment?

Grace Wang - *Green Dot Corp - CFO*

Yes. I think we had, give or take, about that 3% rate. It's market for a borrower Green Dot targets credit profile, and I think it's an attractive rate that takes advantage of the current rate environment.

Steve Streit - *Green Dot Corp - Chairman and CEO*

And that cost was figured into that accretion illustration we provided.

Phil Stiller - *Citi - Analyst*

Great. Okay. And then last question. Just going back to the 25% comment on Walmart. It doesn't sound like you're assuming any impact from the renewal, but what is the revenue assumption there? Obviously the revenues there I guess down in the first half of this year and you lowered the guidance for the rest of this year. So I'm just trying to understand what you're assuming as you roll into 2015 for that business?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Right. Well, I hadn't said Walmart per se, I just said from any one partner, but it's a fair question. And we're not making any assumptions for revenue. We're sort of looking at our current EBITDA. We're looking at the inflows from TPG's EBITDA now and the future and providing that calculation because that diversification component is one of the big reasons why we looked at this Company as a positive thing for our investors.

Phil Stiller - *Citi - Analyst*

So, you're just assuming that the profitability from the program stays the same going forward?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Yes. We don't know what the future holds good, bad, or indifferent, so what we're saying is Green Dot as we know it, Green Dot as it rolls forward without assuming anything good, bad or indifferent for any renewal for any particular contract, Walmart or other.

Phil Stiller - *Citi - Analyst*

Okay. Thank you.

Operator

Jordan Hymowitz, Philadelphia Financial.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

Hi, guys. Thanks very much. Two quick questions. Does this acquisition make you any more likely to win Walmart since a lot of their products, now they know American Express or other competitors tend not to have these products?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Jordan, I don't know how I can respond to that question. Our goal -- this is really in our mind unrelated to the Walmart RFP. It makes us a stronger company. It makes us a company that has more cash resources and more diversified, so that's probably a positive thing for any partner, Walmart or anyone else, but I have no visibility beyond that to the question.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

Okay. These clients would probably be Walmart clients, it could be an extra feather in your bidding cap.

Second thing is you spent very little cash on this deal and they took a lot of stock which is a sign of their confidence in you, but you still have $5 to $7 in excess cash right now. Does this make you more likely to do a stock buyback now that you got a good new acquisition, you still got plenty of cash?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Well, I think it makes us more likely to do more really great things that are highly accretive for investors. And while a stock buyback maybe on the list of things we considered, it doesn't make us any more or less inclined to do that particular accretive activity. Look, we're in an industry -- how's that by the way for not answering, Jordan? We're in an industry where Green Dot is increasingly the most powerful brand in the industry. I don't think there is any dispute. Even our competitors would tell you that.

Our sales have done very well in light of every competitive threat a small company like ours could endure, and we've gotten stronger through that process. The result is that you have a lot of assets in the prepaid industry and in the financial services industry in general that have values that are declining but are good companies that are available for purchase at prices that we think are highly accretive to Green Dot and have provided us with more scale, more diversity, more margin.

And so this gives us a war chest to do more organic growth initiatives that are smart and it gives us a great war chest to make opportunistic and highly accretive acquisitions when the opportunity arises. So, I think it's fair to say we would want to do more accretive things with that cash, but I wouldn't want to say that that only activity would be a share buyback.

Jordan Hymowitz - *Philadelphia Financial - Analyst*

Fine. And last thing is based on the number you just gave, your margins this year EBITDA are about 21% from about 17.5% last year and you said this new acquisition has higher margins than your existing balance.

So, it seems to me that your EBITDA margins could approach mid 20s next year. Is there a reasonable thought process and as your margins get higher, don't you think that could justify a greater and greater valuation either (inaudible) earnings as you become a more profitable more free cash flow business?

Steve Streit - *Green Dot Corp - Chairman and CEO*

Keep talking. No, I'm kidding. Jordan, we haven't given guidance for 2015, so I can't say specifically whether or not we'd be in the mid 20s, but I think mathematically as my comments imply, if you were to sort of look at this current year that would too five or six points, so if we were at 20, then that means we'd be at about 25 for this year, so -- but I think that's -- the point that this provides something good from margins, the answer is yes.

And obviously we want to grow both top and bottom line and we're in an industry that is changing and evolving and we've been able to stay on top of that for a very long time, and so gives us more confidence for the future and I think that's a fair statement. But beyond that I probably can't give you specific 2015 information.

Operator

[Scott Pauli] of Charter Bridge Capital.

Scott Pauli - *Charter Bridge Capital - Analyst*

Hi, guys. Thanks for the question. So, as I'm sure you're aware, a lot of the major tax preparers are pushing for lobbying Capitol Hill for increased regulation, particularly trying to get some sort of certification process put in place for tax preparers. So clearly if this happens it would raise the regulatory burden on a lot of the independent guys.

So, I guess what I'm curious of is in your due diligence process, how do you handicap the likelihood of success for that regulation and can you help us set up guard rails around what the potential impact would be on the 25,000 independents that TPG deals with? Thanks.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Yes, it's a good question. There's certainly -- I think what you mean to say is there are consumer advocates and others who may be appropriately saying if you're going to do somebody's taxes, make sure you know what you're doing, but we have no particular dog in that hunt so to speak. That's sort of out of our preview and we don't have a lot of knowledge about it.

We think that the independent tax preparers that TPG deals with do a fabulous job their customers, they're community based, they know the neighborhood, they know the customer, they know often the husband, wife, the kids. They are independent tax preparers and they've been doing taxes for these customers for many, many years.

So, we think the vast majority of TPG's partners would pass muster to any kind of regulation that were to come because they've done this for years. These are not fly-by-night guys. These are professionals tax preparers and of course the larger companies and franchisees obviously have good risk training and certification already. So, I don't see that as being a headwind good or bad for TPG.

Scott Pauli - *Charter Bridge Capital - Analyst*

So to be clear, I guess my point was less about the quality of TPG's partners and more about their financial durability in the face of increased regulatory fees.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Well, I apologize. I'm sure -- how to answer, if the government requires tax preparers to be certified, the answer is I would not see that having an impact at all, good or bad, to TPGs volume. If to take another question, we said, well, gosh, if something happened that would make those 25,000 preparers become 21,000 preparers or something like that, I still don't think it would have a material impact because TPG's business is so widely dispersed and there are so many folks, plus all the branded franchisees and services. So, again, we don't see any headwind good or tell either way to that discussion.

Scott Pauli - *Charter Bridge Capital - Analyst*

Thanks.

Steve Streit - *Green Dot Corp - Chairman and CEO*

Guys, I think that's it. Looking at the list, we've been able to answer everyone's question in a crisp hour or so, and we really appreciate your time and we look forward to talking with you all again soon or seeing you at various conference. Thank you all.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.