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GDOT - Q3 2013 Green Dot Corporation Earnings Conference Call

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PRESENTATION

Operator

Good afternoon ladies and gentlemen, thank you for standing by. Welcome to the Green Dot Corporation third quarter 2013 earnings conference call. During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be open for questions. The contents of this call are being recorded. I would now like to turn the conference over to Mr. Christopher Mammone, Vice President of Investor Relations for Green Dot. Please go ahead, Sir.

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

Thank you and good afternoon, everyone. On today's call, Steve Streit, our Chairman and Chief Executive Officer, will discuss 2013 third quarter performance and updated thoughts regarding our 2013 outlook. Following these remarks, we will open the call for questions. The slides that accompany this call and webcast can be found at ir.greendot.com and will remain available after the call. Additional operational data had 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 future 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 Q2 Form 10-Q that we filed on August 9, 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 references to financial measures that do not conform to generally acceptable accounting principals. 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, replay, or distribution of any transcription of this call.

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

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

Okay. Thank you, Chris, and welcome, everyone. Our new Chief Financial Officer, Grace Wang, doesn't begin her new post at Green Dot until end of November, so with me today for help as needed is Simon Heyrick, our Chief Accounting Officer, and a few members of our awesome accounting and finance team, so thank you guys for supporting us on the call.

So, a lot to cover today. On the agenda is one, review of Q3 performance including further detail on the investment spend in the quarter that impacted margins. Two, we'll announce revised guidance for the remainder of the year. Three, we will have an important business update covering a number of key positive developments and, lastly, we'll share some facts and commentary on industry pricing trends in light of the recent American Express announcement that their serve prepaid card with free reloads will now be selling at retailers that also sell Green Dot products. In preparation for that section of the call, you may wish to visit ir.greendot.com and pull up the Q3 earnings deck that accompanies today's call.

So, let's first begin with our financial results for the quarter. In Q3, Green Dot continued to fair better than our internal forecast in light of the year-over-year headwinds related to losing exclusivity at most of our retailers and the new more stringent risk controls we put into place that cut new customer enrollments by incremental 10% to 20% on a year-over-year basis. Green Dot posted $139 million in non-GAAP revenue, representing year-over-year growth of 4%. Adjusted EBITDA was $22 million, representing an adjusted EBITDA margin for the quarter of 16%.

As you will recall, we previously disclosed that our margins in the second half would be impacted because of incremental investment spend of approximately $30 million in growth initiatives intended to provide for a strong and reliable ramp next year and beyond. Later in the call we will walk you through that spending and the associated growth we expect to realize in return. When we excluded the non-capitalized portions of our investments and other one-time expenses in the quarter, our adjusted EBITDA margin would have be been around 18.5%, 100 basis point expansion over our margins in Q3 2012.

We believe this is a healthy indication because Q3 also bore the full impact of the Walmart commission increase that went into effect in May. Non-GAAP diluted EPS for Q3 was $0.24 and benefited from tax credits earned in the period that led to a lower effective tax rate. Additionally we ended the period with $245 million in unencumbered cash and continued to generate strong cash flows with $93 million in cash flows from operations year to date, an increase with 12% compared with the same period last year. So, all the way around, this was a very solid quarter for Green Dot Corporation.

I am also pleased to let you know we again experienced very solid portfolio performance improvements year-over-year as we saw nice gains in the key customer usage metrics that drive our business. Our active card base remains steady at 4.4 million, a pretty amazing achievement in light of all the new competition and when you consider our new risk controls have cut new customer enrollment by an incremental 10% to 20% over the past year.

Customers receiving recurring direct deposit grew very strong 24% year-over-year. In Q3, 45% of all money loaded, in fact, to our products came from direct deposit. Cash reload transactions on our products also grew, posting year-over-year gains of 9%. As a result of the growing direct deposit loads and cash loads, our GDV, or total dollars loaded through our products, also rose, posting year-over-year gains of 8% to $4.4 billion. Spends on our cards also rose 10% year-over-year.

So, the summary here is that usage metrics are moving in the right direction as we continue to benefit from the long-term trend of better customer behavior and, therefore, better financial results all while boasting what we believe to be among the most pro-consumer offerings in the prepaid industry. It's also important to point out that Green Dot is again not only the clear leader in the prepaid industry but also the hands down leader in attracting sticky longer term customers with around 3 million reloading card holders, the largest reloading card holder base in the industry by far.

Okay. Now let's talk about the investment spending that impacted Q3 and that will impact the second half more broadly. The vast majority of the spend can be split equally into two main buckets. The first bucket is new retail distribution and new product launch investments like packaging and display racks and merchandising and so forth which are largely expensed in the second half of this year with some smaller portion to be expensed in the first quarter of next year.

The second bucket is largely technology spending related to creating all those new products we are now selling at Walmart or in check cashing stores and so forth. A material part of this spend was also related to technology investments needed to increase the capacity, speed, and throughput of our core infrastructure like, for example, installing a new high speed, high bandwidth rail that connects Walmart's POS system directly into Green Dot's data centers. This bucket of spending is largely capitalized and depreciated over the next 2 to 3 years.

Now, let's talk about what we're getting in return for spending all that money. First, in addition to the large 20,000-plus incremental distribution locations we announced last quarter at Dollar General, Dollar Tree, the Home Depot, and others, I'm also pleased to let you know that our Green Dot brand product suite is now also on sale at more than 7,800 Family Dollar locations nationwide. Family Dollar, like the other large publicly traded dollar format retailers where our products are now sold, provides great incremental distribution and well managed stores located in and around the neighborhoods where many potential Green Dot customers live and work. Our sales thus far in the first few months of these new retailers has been very encouraging and could provide for meaningful lift in active accounts next year and beyond within our Green Dot retail book of business.

Next, let's talk about Walmart. Starting earlier this month, Green Dot and Walmart began the nationwide roll out of a jointly conceived category of new GPR prepaid card products. This new category includes nine new GPR products inside Walmart stores including six new Walmart money card brand of GPR products, plus a variety of affinity branded GPR cards. These new products have unique branding, features, and functionality designed to appeal to different segments of potential prepaid customers in an effort to attract and better serve a broader base of Walmart shoppers.

These new products boast gorgeous new packaging and elegant card designs all showcased on large double stack displays that are affixed to approximately every other checkout lane per Walmart store and inside all 1,000-plus Walmart money center locations. Customers can now choose from a MoneyCard basic card, a MoneyCard plus card, and a MoneyCard preferred card. Each designed for range of use cases from the occasional use customer up to the heavy use direct deposit customer or for those who gravitate to Affinity brands. Customers can now also choose to carry an AARP card, a NASCAR brand of card, an NFL team brand of card, the Rush Live card, and an innovative product called the Create Your Own Card that allows you to customize your plastic with any photo from your personal photo collection from Facebook or your computer.

So, all of these new products are issued by our own Green Dot bank and all come with robust consumer protections including FDIC deposit insurance, full Reg E dispute and error resolution rights, no overdraft fees or penalty fees of any kind ever, and all the pro consumer attributes that you would expect from Green Dot and Walmart. Since 2006 we have featured essentially just one core money card product marketed in various flavors over the years but built upon the same product platform with the same features and the same price. So, this new category of expanded offerings inside all 4,100 Walmart stores presents the largest expansion of new products in our Company's history.

What's also exciting is that each card product is specifically designed to better engage the customer with services, features, and functionality that are intended to promote higher usage and longer retention. For example, depending on the product, cards come with pharmacy and gas discounts, person-to-person payment tools, savings options, road side assistance, and even the ability to take that personal photo and put it on the front of your card. The additional value and utility designed into each product allows us to have a variety of fee schedules reflective of that additional value.

So, we now have products with purchase fees of $3, $4, $5, and $6. We have monthly fees of $3 and $5.95 and we have reload pricing for all cards at $3 except the MoneyCard preferred card designed for heavy direct deposit users which features free cash reloads inside Walmart. So, given the prospects for higher usage and longer retention on these new products and the wider variety of pricing plans within the category, we believe we have a real opportunity to achieve higher lifetime revenue per customer and, therefore, greater revenue and expanded margins on the overall Walmart portfolio mix.

Now, I'd like to let you know how we're coming with our entry into the financial service center channel, also known as the check cashing store channel. So far, the research we shared with you last quarter, which showed an overwhelming consumer preference for our brand and an overwhelming demand for our products in this channel is playing out just as we had hoped and expected. Sales at our check cashing partners in the New York City metro area have gotten off to a very strong start and on a per-store basis, these check cashing stores are already among the best selling stores in our retail footprint.

We also had a chance to be a featured presenter at the annual FSC conference in Florida a few weeks back. FSC is the trade group for the Financial Services Center Industry and the response to our products and the deal flow from FSC owners and operators interested in selling our products was very robust. So, we believe we have a significant opportunity to become the leading seller of prepaid cards in America's best financial service center locations and we are bullish on our continued expansion in this channel.

Lastly, here is the latest on GoBank, America's coolest mobile bank account, we think so anyhow. Since our public launch in July, we have been very pleased with GoBank's progress to date. We continue to receive wide praise for the product which has helped word of mouth and social media buzz. For example, GoBank was mentioned in an article by Consumer Reports magazine, then Apple featured GoBank on the front page of their app store as one of their best new apps. Plus, Apple highlighted GoBank in a special section of apps designed for iOS7.

Together, all of this activity plus our ongoing marketing efforts has led to a dramatic increase in the number of downloads and enrollments for GoBank with positive trends in direct deposit enrollment, ongoing deposit rates, and debit card spend, plus many customers are opting to pay us a voluntary monthly fee which is great to see and many are ordering a custom Visa debit personal photo card for $9. So, while still a very small revenue contributor relative to all of Green Dot Corporation of course, we believe GoBank can become a meaningful contributor to our results over time. So, these are very days for GoBank, but as you can tell from my commentary, we feel we really have something special here.

So, given everything we've talked about on the call thus far, we also wanted to provide some color around what all this of could mean for 2014 and beyond. We certainly are not ready to provide any kind of official guidance for the next year since many of these big new programs are young and there could be any number of factors that could sway account acquisition performance or customer behavior or revenue per account left to write. So, our preference is to save formal 2014 guidance for our usual timeframe on the Q4 earnings call which will be in January.

Given all of these new growth initiatives already deployed and performing in the market combined with the organic same-store growth that we continue to enjoy even in these times of enhanced risk controls and increased competition, it's fair to say that we believe we are well positioned to return to double-digit growth in 2014. As it relates to guidance for the remainder of this year 2013, we're pleased to provide another modest bump to reflect our continued better-than-expected financial performance and our increased visibility for the remainder of the year.

So, on non-GAAP total operating revenue we are taking our former guidance of $565 million to $575 million and raising that to a range of $575 million to $580 million. On adjusted EBITDA, we are tightening our formal guidance of $95 million to $105 million and now we're moving that to $100 million to $105 million. And on non-GAAP diluted EPS, we're tightening our formal guidance of $1.05 to $1.20 to be within the range of $1.10 to $1.20. Finally, on today's call I'd like to share some facts and commentary on industry pricing trends in general and in particular how the newly revised American Express Serve prepaid card might color the future pricing for Green Dot prepaid products.

So, turn to page 8 of the earnings deck titled, Since the Launch of Bluebird. To be sure, we think Bluebird is a very good product. It's innovative, feature-rich, and very well priced with no monthly fees and no reload fees and both Walmart and American Express have done a great job of marketing the product to a different demography of people looking for an alternative to a traditional checking account. Bluebird was also well stocked in areas of the store where the MoneyCard product was previously stocked, while in the same timeframe Green Dot was turning on newly enhanced risk controls that turned out to materially cut new card activations and enrollments by as much as 10% to 20% year to date compared with the same period last year.

Yet, despite all that, as you can see on the chart, the Walmart MoneyCard portfolio still grew its key usage metrics quite nicely on a year-over-year basis with significant growth and cash reloads and GDV and a nearly 25% increase in accounts receiving recurring direct deposit. Now, we understand that Bluebird is a different product than Serve, but given the shear size of Walmart's shopper base and the high concentration of potential prepaid customers within that base, we do think the past year's results at Walmart are illustrative of the most extreme competitive scenario that we could ever face at any retailer. So, perhaps these facts can be helpful in understanding what might happen at a CVS, or a 7-11, or any other Green Dot retailer down the road that may offer the serve product alongside Green Dot products.

On page 9 you'll see a description of the new Serve product and some information about how Green Dot products fair today against the American Express prepaid card already sold in Green Dot retailers. So, the new Serve card features low fees, including a $2.95 purchase price, a $1 monthly fee, and free reloads. Serve will replace the existing American Express prepaid card that has already been on sale in many Green Dot retailers, including CVS and Walgreens, for the past year or longer.

American Express supported the previous American Express prepaid card with excellent in-store merchandising and a multi million dollar media campaign and we would expect similar marketing support for Serve. Without regard to this low pricing and heavy marketing and retailers that sold both the previous American Express prepaid card and our Green Dot brand cards, Green Dot estimates that it outsold American Express by a wide margin, including a margin of 17-1 at one major retailer year to date.

Next, on page 10 we thought it might be helpful to explain what we believe to be the economics of selling a Serve prepaid card at a retail store and the ongoing expenses associated with supporting that active card. While American Express has publicly provided some revenue model assumptions and a list of their fees, they have not provided information on expenses, so what we've done is created our own assumptions based on our years of experience in the prepaid industry and distributing our prepaid cards at retail locations.

What you can see is that American Express would need to achieve spend volume on every active card of at least $4,000 per year just to break even on a marginal unit basis. So, while our estimated model may not be exactly precise, we believe it's directionally accurate and that the Serve card could potentially accumulate significant losses per active account. Lastly, I often get asked where I believe pricing is headed in the prepaid industry and, more specifically, whether American Express pricing could cause Green Dot to reduce pricing to unsustainably low levels. So, rather than share my opinion, I thought the best way to answer that question would be to simply show you what's happening in the market in reality today.

So, on page 11 you can see a large list of the industry's top selling cards, including our own Green Dot brand, with the associated top line fee schedules to the right and all the new private label prepaid card products that have just sold out this month at leading high value retailers like Walgreens and Walmart. As you can see from this slide, there is no indication of any type of unsustainable price compression on any product at any retailer from any provider. So, it is our opinion that Serve pricing is most likely an American Express model but in no way indicative of an industry pricing trend.

So, we feel very good about the sustainability of our pricing which is already among the lowest in the industry and widely recognized by our consumers, retailers, and numerous consumer advocacy groups as an excellent price at a superior value. And with that, let's open the phones for questions.

QUESTIONS AND ANSWERS

Operator

Thank you, sir.

(Operator Instructions)

George Mihalos of Credit Suisse.

George Mihalos - *Credit Suisse - Analyst*

Thanks for taking my question and congrats on the quarter. I just wanted to go back on some of the commentary you've made about pricing. We've seen more of the models move towards a free reload, whether that's partial or full free reloads. What are your thoughts for your model as that evolves going forward? Do you see yourselves having to offer more free load or, for that matter, having to lower pricing on your reload given some of the competitive dynamics that are out there?

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

Well, the answer is like we talked about in the prepared comments. We don't think so. We don't look at reloads as an independent price.

It's sort of how that price affects the overall unit economics on the card. For example, if you lowered a reload price by $2 but you believed it would increase GDV that generated interchange by an equal amount or better, then you would break even or make more money, right. So, it's not about the reload price in particular.

The other thing I think a lot of folks don't understand about reload fees is that the majority of it goes to the retailer, not to the prepaid card issuer. So, the retailers, generally, when you think of the price and products that are sold, benefits disproportionately in many cases for that amount of money. So, it's a question of what revenue does the retailer need to make to provide that reload service and what does the prepaid card company think is worthwhile to provide that service? And then, how does it play into the overall economics?

So, I'm not saying that a $4.95 reload may not be $3.95. Today we have reload fees ranging from $3 all the way up to $4.95 on our products, so even we have a fairly wide range of reload pricing. I think it's a question of the overall economics of the product you are offering and what you believe your lifetime revenue on that card might be.

George Mihalos - *Credit Suisse - Analyst*

Okay. Great. And then, I am not sure if you addressed this, I may have missed it, but the percentage of GDV now that is coming on board from direct deposit, I'm not sure if you mentioned that earlier.

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

We did. In Green Dot, it's 45% of all of our GDV is through direct deposit.

George Mihalos - *Credit Suisse - Analyst*

Okay. Thank you.

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

You bet.

Operator

David Scharf of JMP Securities.

David Scharf - *JMP Securities - Analyst*

Steve, I appreciate the color on the investment spending and the granularity, but I'm wondering, aside from just the levels incurred in the second half, can you give us a little more color on how we ought to be thinking about ROI? Or if that's still premature on that front, maybe a cash-on-cash breakeven period to get our arms around how this $30 million --

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

Well, it's a good question. I guess the answer is we have an internal view on that and I purposely kind of cut that from the prepared comments because it starts turning into 2014 guidance and I really want to be disciplined and hold that specific guidance until January during the Q4 call. So, the answer is, we tried to give you some directional guidance by saying that all this combined would return to double-digit growth.

So, I suppose, if you have the time to figure it, let's think about this -- if double digit earliest is 10% and we have a base of X, you could add 10% onto it. But the answer is that we believe that the investments will be returned to us over many years, handsomely, and we can provide more color on that when we do the actual guidance next year.

David Scharf - *JMP Securities - Analyst*

Fair enough. And then, just a follow up question on the fraud control front. Are you seeing -- I think in Q2 we saw a pretty big moderation in the percentage of rejected accounts. Are there any new incremental kind of fraud prevention measures that might kick in next year? I realize it's an evolving process. Or are we starting to kind of anniversary the implementation and it's not going to be much of a drag going forward?

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

Right. Well, so let me think how to answer that. Fraud controls and risk controls are kind of like painting the Golden Gate Bridge -- as soon as you get to the very end, you have to start again from the beginning.

So, it is an evolutionary process and an arms race as our chief risk officer calls it. So, you never are done with risk controls. You are always monitoring the latest scam and how to combat the latest scam.

And that's the nature of, frankly, managing a financial services company whether you're us or anyone else, so I think that's fairly typical. But I think more to your point, there's no more big [baboons]. In other words, we put in what we believe to be the maximum throttle on the risk-control knob last year in response to what we expected would happen with taxes, and that did turn away a lot of customers and close a lot of accounts.

So, you tend to see the risk controls having a bigger impact in Q1 and Q3 because that's when most tax fraud happens and most craziness happens with the attempting to get cards and fake IDs. So you see a lot of declines then. And then you see a more moderate reaction of risk controls in Q2 and Q4, which tends to have less goofy behavior, for lack of a more scientific phrase.

But we think we'll anniversary what we have. And also, by the way, adjusting risk control does not always mean adjusting them tighter. For example, when we look at the different metrics, we are always investing in new technology and looking at new data.

And there are many times you'll have a risk meeting and say, you know what, we have been blocking these accounts but it turns out that was overly aggressive. We can open the throttle here because we now are doing some other risk control over here that over-compensates for that and we have kept the aperture too tight. So, it's really more of an evolutionary control.

But, to your point, we would expect that anniversary next year and what you see this year is what you get. If you think on average you did 20% of new customers rejected or accounts blocked, that will be roughly the same for next year or maybe better. So, there's no more big incremental changes, but you always are adjusting the dials day by day.

David Scharf - *JMP Securities - Analyst*

Got it. Thank you. It's helpful.

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

Sure.

Operator

Tien-tsin Huang of JPMorgan.

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

Just a few quick ones. Just on the Walmart -- the expanded Walmart cards. I'm curious about the in-store placement, how prominent will it be? Any big changes here? Are you taking some shelf space, for example, versus Bluebird? Any color there?

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

I don't know that we are taking shelf space versus Bluebird, and I don't think we think of it that way nor does Walmart. The question is making sure these products are where people can really find them easily. And I think the merchandisers at Walmart did a pretty good job.

In fact, I have a display that's in my office that I get to look at every day. It's a double wide -- let me think how to describe this, it's a double-wide display with seven cards on the top, seven cards on the bottom, which include reload packs, and they're affixed to the register. So, if you would imagine a Walmart checkout lane, you will have the People magazines and the different merchandise you'd have as you exit and different things in Action Alley, and then you would have this double-wide display that was attached to a permanent fixture.

So, certainly they're in line of sight, and it's certainly superior placement and showcases the products more prominently than our previous shelf space would have done. I guess that's the best way to describe it.

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

That's great. And then, I guess as you were sitting down with Walmart thinking about this product expansion I think you did a nice job of talking through the pricing and how it is not actually going down, it is going up.

How much did the idea of testing lower fee reloads or whatnot come about in the conversation? Just I guess trying to understand elasticity of reloads. I know you have tested that maybe in other retailers. Anything to share there?

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

Well, we look at it on a lifetime-revenue basis. So, here is the reality of the use of prepaid cards. If you're a direct deposit customer today, you're not paying, generally, reload fees anyhow; in the case of Green Dot or Walmart products, you're typically waived out of the monthly fee also.

And yet, you're our most profitable account because you're consistently putting on $1,000 a month, or whatever it might be, from your paycheck. And you generate far more revenue and usage and interchange and the occasional ATM fee and so forth. So, we look at it about how to attract the right customer to the right product.

So, if you are a direct deposit customer and you're an avid user of the product, the Walmart Preferred card with no reload fee is a fabulous deal and one that you'll really enjoy. And we'll make more revenue on that. And, in fact, we hope that everybody buys the Preferred card with that free reload option because the revenue characteristics on it and the margin characteristics for the right customer are actually superior to many of the other offerings that we have with the reload fee.

So, I think sometimes, Tien-tsin, as analysts, including here internally at Green Dot when we do our financial analysis, you tend to get -- we all tend to get hung up on that fee or this fee or the other fee. And it's no fee that we care about. It's the overall usage and revenue and longevity and retention of the card product, because that tells us we're pleasing customers more and that we're making more revenue while they pay less.

So, if a customer can use a card for three years instead of six months, or two years instead of eight months, and pay fewer fees while they're doing it, and yet generate bigger revenues and margins for us and our retail partners, then everybody wins. And that's really what I think you are seeing going into these new products, whereas, with a one-size-fits-all product it may be a great deal for the occasional user but not as good of a deal for a guy who direct deposits and uses the card for two or three years. So, we feel really good about the new fee schedules.

You are right that we have done a number of tests. We did a free reload test for over a year at 800 stores on the West Coast in a unique geographic area. We did free cards at Rite Aid and Walgreens for most of the year, I think it was last year or the year before -- I can't remember, maybe it was last year -- last year, Simon just said. And the answer is that it doesn't affect, amazingly, the overall revenue and performance that much.

So, what you're seeing is that consumers buy the brand they want. If they believe you're a fair company and the prices are fair, they're happy to pay it. If they believe it's a bad product or they don't know the brand or that fees are not fair, they tend not to buy it. But, within that, we have not seen great differences in usage and so that's why we feel good about where our pricing is today.

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

That's great. That's good to know. One quick numbers question and I'll jump off. The excess cash or unencumbered cash per share net of GE, can you give us an idea on what that is? Thanks.

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

That would clearly be -- it was $245 million unencumbered, meaning cash that we don't have reserved for other regulatory reasons.

Simon Heyrick - *Green Dot Corporation - Chief Accounting Officer*

Yes. It didn't grow so much this quarter. We had some big tax payments and then $30 million of spin impacted that as well. So it didn't grow -- it only grew slightly quarter over quarter.

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

The formula, Tien-tsin, is we have approximately 44 million outstanding shares, so if you divided that into the $245 million you get a sense.

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

Thank you so much.

Operator

Sanjay Sakhrani, KBW.

Sanjay Sakhrani - *KBW - Analyst*

I appreciate the color on the new cards. I was just wondering if you believed that these new products at Walmart help you address a part of the market that you weren't addressing before, perhaps some that were taking up the Bluebird product?

And I guess then, just secondly, in terms of profitability of this product, is it comparable to what the other products were yielding as well? And I have one more followup after that. Thanks.

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

Just so I understand, which product at Walmart are you referring to? The overall category or any one in particular?

Sanjay Sakhrani - *KBW - Analyst*

Well, the new -- all of the -- the entire rollout. Just all the additional ones that have come out.

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

Yes. Well, we don't know that it has any more or less appeal than for a customer who today is using Bluebird. So, I would assume if you're using Bluebird and it is a very good product and if you like it, my expectation is you will continue to use it and continue to like it. But, what I do think the expanded segmentation allows is for us to appeal to a broader collection of potential customers than we were before.

So, just think of any product. If you are selling one brand of Wrigley's gum and all you have is Juicy Fruit, you'll sell a lot of packs of gum. But the more you introduce sugar-free gums and spearmint gums, and gums made to freshen your breath, and gums made for sensitive teeth, before you know it you grow a bigger category and you have a larger penetration of your available customer base. So, I think that would be behind the thinking here.

And then, more importantly, is once they acquire that product, they like it better because it's more custom tailored to their lifestyle and priced more to their needs and has the right kinds of features they like, which allows them to use the product longer. And so I would think of it more broadly in two strokes.

Number one, to sell and acquire more customers because we now have more products that appeal to a more broad selection of potential customers. And then, B, once we have those, to keep them longer with features and pricing plans that encourage retention. I think that's the best way to think of it.

Sanjay Sakhrani - *KBW - Analyst*

Okay. Great. And then, just in terms of the investment spend, understanding that you had a few items this year that you were investing in, when we look out to next year -- and I know you guys are going to provide guidance next year on this, but how should we think about investment spend going forward? Is it something that kind of re-occurs as you're growing out your product suite?

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

Well, in the case of investment spend in the second half, we hope so. Because this was a pretty powerful second half for us and the dollars we spent were well worth it, and then some.

But I would think of it this way. That second half was certainly an out-sized investment period. We had the biggest retailer growth on our Green Dot suite in the Company's 13- or 14-year history and rolled out nine different products at the world's largest retailer. So, it was -- on top of GoBank and check cashing channels and everything else.

So, we'll certainly have more launches and more products, as we do every year. So, I think you have sort of a normalized level of investment which would be far smaller than this that we've had for many years. And then you have sort of big, gigantic enterprise-level growth initiatives that have bigger investment. And I would characterize that $30 million in second half as investing in big meaty, juicy enterprise-level growth initiatives.

Sanjay Sakhrani - *KBW - Analyst*

Okay. Great. Thank you.

Operator

Mike Grondahl, Piper Jaffray.

Mike Grondahl - *Piper Jaffray - Analyst*

Yes, thank you, guys, for taking my questions. First off, congratulations on a double-digit growth next year. Not too many people thought that was possible.

The first question is really with Dollar General, Family Dollar, Dollar Tree, and Home Depot, can you walk us through maybe how a single location, how you expect that ramp over the next year or two in terms of number of cards? And then, secondly, any update on the GE acquisition?

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

Yes. So, the first part is that we have sales forecasts but then you have active card forecasts. So, we don't really look internally at new card sales numbers other than as a sort of beginning of the funnel kind of a metric.

A new card sale would be the equivalent of a download on GoBank. If you don't download it, you can't turn into an active customer but the download itself doesn't make you any money, right. The same would be true for a new card sale. We make a little bit of money on a new card sale, but really what we care about are retaining reloading customers.

So, the new card sales we can forecast fairly accurately and they've been -- as I said or alluded to in the prepared comments, they've been really, really strong. And what I love about it is that is incremental. In other words, you don't see -- oh, let's pretend, you don't see a Walgreens go down just because a Dollar Tree goes up. You tend to see the balloon getting bigger as opposed to the air in the balloon going to one side of the balloon or the other.

So, that's kind of exciting to realize it's just a lot of growth by adding new incremental locations. So, the answer is card sales have been really, really good, frankly better than I would have thought or hoped. But how that turns into active card users and how those active card users retain is unknown.

And that's why I said in the prepared comments that we know that, mathematically, it would almost be impossible not to be in the double digits next year. But whether that's between -- we were kidding around, somebody asked me earlier -- Does double digits mean 10 or what? I said -- Well, I guess mathematically it means 10 or 99, but somewhere in that range.

Mathematically, it would be hard not to have at least 10% growth, which is why we are giving that double digit. Whether that's higher than 10 really depends on how these cards mature, how usage takes place, how many reloads they do, what kind of spend.

And the reality is, you don't know that for -- Simon, what would you say? Certainly three, four months down the road you will start to get cohort behavior and have an indication of whether these are behaving the same, better, or worse than the kinds of cards we sell typically. So, by Q1 -- or, rather, by the Q4 call which happens in Q1 in the end of January, I would think we'd have a better read on how these cohorts perform and then can forecast more accurately.

Mike Grondahl - *Piper Jaffray - Analyst*

That's helpful. That's helpful. And then, the GE acquisition update?

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

Yes. I'm sorry. The bank merger application which allows us to take the -- if approved, allows us to take the deposits from GE consumer retail bank associated with the Walmart MoneyCard portfolio and to take that into Green Dot bank and Green Dot bank take over that issuing and act as the deposit holder.

That application is before the Fed, who is our primary regulator for that decision, along with the state of Utah. And we expect a decision back shortly, certainly hopefully before the end of the year. But as of right now we don't have that answer.

Mike Grondahl - *Piper Jaffray - Analyst*

Okay. Thanks guys.

Operator

Ramsey El-Assal, Jefferies.

Ramsey El-Assal - *Jefferies & Co. - Analyst*

Thanks for taking my question. It's about the check cashing channel. I'm wondering if you could talk a little bit about your pricing and product strategy there.

I am trying to get an idea about what types of products you are selling there and whether they carry the same margins as -- with the rest of your business? Do you have to share more revenue there or any dynamics like that?

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

So, it's our standard Green Dot everyday Visa product which is our best selling card in the portfolio. It has a fee schedule that is slightly different. It's the same monthly fee and the same fee waivers and the same free ATMs -- everything you'd get if you bought it at Rite Aid or CVS or somewhere else.

But we also have a pay-per-use plan, because in that channel those customers are accustomed to choosing, if you will, an all-you-can-eat plan, which in Green Dot's case is $5.95 with various fee waivers. But they're also accustomed to paying as they go, with no monthly fee, but rather, in our case, is a $0.75 fee if they use the card for a specific kind of debit transaction or something else.

Either way, the pricing comes out to about the same, which is about that $5.95 a month. So, from that point of view, the all-in money paid by the consumer would be similar. And our web shares, by the way, to answer your other question, are similar, too.

What is different is we think there will be higher margin -- we think. It's early on, right? It's only been two months.

Because, in that channel in the financial services industry, those customers are active reloaders that tend to reload back at the community check cashing location that they conduct their business in and so they should be longer retaining. And if they are longer retaining, the more months of retention we have it just turns into incremental revenue that falls down to margins.

So, our hope is that a year from now we'll know better, but our early belief is that they could be higher margin but certainly not worse margin.

Ramsey El-Assal - *Jefferies & Co. - Analyst*

Okay. My second question is on the new Walgreens Balance product, do you anticipate any move by Walgreens to limit sales of competitive products? Yours, there's also -- there is obviously other people in there as well. Has there been any kind of move afoot to restrict your marketing your card alongside theirs or changing your positioning in the stores, that type of thing?

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

No. I think, and I'd hate to speak for any retailer, but my belief is that Walgreens is interested in growing their entire category and being a key neighborhood retailer where people can conduct certain kinds of financial services and buy these prepaid cards. And that's why they've invested in the introduction of their Balance MasterCard.

So, I think if you think about how large retailers, whether it's a Walgreens or others, think about private label brands, you can buy Arm & Hammer baking soda or you can buy the nice brand baking soda. You can buy Metamucil, the number one natural brand of fibrous laxative or you can buy the Walgreens equivalent brand of the same thing.

And I think that there is a time-honored tradition of framing the category with nationally advertised brands, and that's what keeps the category relevant and keeps people coming to the category. And so I think that's all good.

I think, ultimately, all these things are very, very positive for our industry. Because it used to be that Green Dot, and Green Dot alone, did 100% of the marketing, or close to it, for the entire industry. Now you turn on the TV, you'll see commercials from American Express, you'll see advertisements all over the place for Green Dot.

You will see marketing for a product from Incomm. You will see marketing from a product from Western Union and a lot I'm leaving out. So, the overall category gets bigger. People have recognized it more, it becomes more mainstream.

And I will tell you a fascinating statistic that, frankly, blew me away when we were doing our review of the sales to date at our retailers -- unrelated to this earnings call, just our internal review -- that our growth rate for active cards was anywhere from two times to five times greater than our growth rates at exclusive retailers. In other words, at non-exclusive retailers -- the Walgreens and 7-11s and so forth of the world -- we were growing faster there than we were at the remaining exclusive retailers we have, and I don't think that's something that our analysts would have thought. It clearly, to be honest, is not something I would have thought.

And as we went back and tried to disaggregate that, it just seems that a more active, vibrant category where you have multiple products competing -- lots of colors, more shelf space, more external media -- seems to create a more vibrant category. And because we're the national leading brand, my guess is, while they don't have their sales numbers, but, to my previous silly analogy, it may be that Metamucil sells more when there's other products that are also marketing that kind of product. So, we feel, frankly, very well blessed and excited to see those results, but that's how it's turned out.

Ramsey El-Assal - *Jefferies & Co. - Analyst*

Great. Thanks for your comments.

Operator

Bob Napoli, William Blair.

Bob Napoli - *William Blair & Company - Analyst*

Just on the strategic investments that you guys laid out -- second half strategic investments, the $35 million or so in the range, did you say how much you -- it was expense versus capitalized this quarter versus next quarter, how much you are capitalizing versus expensing?

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

We did, but we'll give it to you. We gave some direction where we said it was in two equal buckets. Half would be expensed over three quarters, so just for easy math on this call, figure if you spend a total of 15 -- of $30 million, so say $15 million give or take will be expensed in equal parts in Q3, Q4, Q1 -- less in Q1, so maybe a bigger part of that in the end of this year. Simon Heyrick just said correct.

And then, on the other side, the rest will be amortized and then depreciated over two to three years, so over a longer period time. So, if you thought about, easy math, $4 million to $5 million in Q3, Q4 and then maybe $3 million in Q1 of expenses, that's probably not a bad way to think about it, give or take.

Bob Napoli - *William Blair & Company - Analyst*

Okay. Thanks. And then, just on the American Express move and the reload network and fees, obviously it looks like your fees have held up extremely well in the face of price competition. They're coming in with this new product, a relaunch of the old product, but, in November, having these free reloads available at more places.

You are generating like a $4 per reload average fee revenue that you are bringing in. I know there are commissions against that, but why are you able to withstand that type of aggressive pricing? My view is American Express wants to build a big portfolio of customers and are willing -- even if they're willing to lose money to do it I am sure they would not agree with your math or me saying they were willing to lose money to build that portfolio.

But how are you able to withstand this big expansion by them and marketing free reloads versus -- why would a customer use the Green Dot and pay $4 versus using the American Express and paying nothing? And if you do that ten times a year --?

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

I think there's a lot of answers to that. First of all, the most factual answer is that you don't need to wonder how consumers will withstand it because we've been facing it for a year plus at Walmart in a very highly concentrated environment at the epicenter of the prepaid world. So, we don't need to wonder, we can look at that, number one.

Number two is because -- and I don't mean this in a negative way because I'm no different, analysts tend to think of everything by price. In other words, clearly something that costs $1.99 has got to be better than something that costs $2. And that's just not the way the consumer thinks. It's about brand. It's about, in the case of American Express, acceptance.

It's about ease of use. It's about my brother has it, my sister has it, my aunt uses it, I know how to use it. It's reliable. It's about fee waivers and free ATM networks and the fact that people habitually enjoy a product.

And so I think that while analysts -- no disrespect, Bob, because you're one of the better ones out there -- get sort of hyperventilating on an actual fee, consumers think about actual value, and there's a difference. So, when you think of the furniture in your house, I am quite sure that you could have bought furniture that was more expensive and furniture that was much less expensive. But you bought what you bought because you liked it and it fit your needs and you thought it was rugged or the right color or the right design or who knows why.

But I think to sort of assume that every product is absolutely identical and the consumer views them all as absolute commodities -- a widget, a bucket full of nails at Home Depot -- I think is really highly flawed. And when you see the sales difference we have, even though the old American Express product had no monthly fees, it was way cheaper at these other stores -- outselling them 17 to 1 says something.

I don't know, among our listener base, who is involved with marketing and who is not involved with marketing. In no way do I mean this as a cut down on AMEX, because I carry an AMEX card and most people in my income category do as well. It's a very good brand and a fabulous brand with high trust scores and everything else within the demographic that's accustomed to using them.

But when you see a sales differential of 17 to 1, that tells you that there is a huge disconnect with the brand. For whatever reason, customers are not viewing that as a product that they would associate with. And why that might be the case or why that's happening is a better question for Ken Chenault.

But I think when you have a premier brand -- and American Express is as premier as it gets -- it may not translate. And, frankly, it's a good thing it may not translate, because if it did translate to American Express meaning the best brand for low-income customers, it may be that it won't translate into the best brand for people like you and me. So, it's very, very tough.

At the same time, the value is terrific. The product is strong, and they will find their customer base and they will be successful in prepaid. I am not negating that.

At the same time, so will we and so are we. And so I think to compare everything in the world as a commodity, that everyone just buys things according to who has the lowest price, just doesn't play out.

The other color I want to share on that is the concept of lost leader pricing. We have faced the boogie man of lost leader pricing for a long time. I remember, at our IPO, the big scare was Western Union who debuted their card. If you remember, they gave it away for free, it had no monthly fees. It only had a reload fee. Everyone predicted that would be the end.

And since then there have been many products. There's been a product from Incomm over the years with no fee. There has been the American Express products with very low fees or no fees. We have tried it ourselves with no fees in different retailers to see what would happen.

I think we feel really good about where we are. So, while pricing may come down as scale goes up, which is typical in any market, lost leader pricing has generally not succeeded in hurting the leading company. We had a price war here with airlines. And, if you live in Los Angeles where we, there is a big route between LA and San Francisco and LA and Vegas, and it's very common that you'll have -- by the way, Southwest Airlines hands down has probably, I don't know what they have but it's got to be a 90% market share of those routes.

And there is always an upstart who'll say round trips to Vegas for $19 and this and that. That's a price leader promotion in an effort to gain traction on a product. There is nothing wrong with it. It is not sinister. It is not bad. And, if you have the money to do it, it's a good thing. We are not saying it's not. But, generally, you don't see the leading airlines immediately rushing to offer $19 seats.

Price leader promotions have a limited shelf life and limited appeal. And that doesn't predict a trend in pricing, it's more about a promotion for that particular product. I don't know if all those comments are helpful but that's my feeling on it.

Bob Napoli - *William Blair & Company - Analyst*

Sure. Thanks, Steve. Appreciate it.

Operator

Smitti Srethapramote of Morgan Stanley.

Smitte Srethapramote - *Morgan Stanley - Analyst*

Can you talk about the new set of cards introduced at Walmart in regards to how much of the $12 million to $15 million in investment spending on new products was actually allocated to Walmart in the past quarter?

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

The slide that Chris -- we issued an 8-K for those of you wondering about the source of the question. So, we issued an 8-K -- I don't know, maybe 45 days ago -- and then we spoke about that 8-K at a Goldman Sachs conference. And it described an unnamed program of $12 million to $14 million or something on a new suite of prepaid products. We were not able and unwilling to disclose that it was Walmart, but that was, in fact, the expense on the Walmart program.

Smitte Srethapramote - *Morgan Stanley - Analyst*

Got it. And then, maybe just briefly on GoBank. I know it's early days so far, but are you guys seeing any overlap between the consumers signing up for GoBank and your prepaid cards products?

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

No. What's really awesome about it is I think we have succeeded in creating a truly unique and separate brand. Unless you're an investor or in the business, so to speak, you would have no idea ever that it had anything to do with Green Dot Corporation. I think we've really done a great job there.

In fact, I will tell you something that's interesting. I do a lot of panels and that kind of thing at investor shows -- not investor shows, but like the Money 2020 conference and that kind of thing.

And, if I am at a mobile banking conference, people have no idea we're in the prepaid business. In fact, if somebody asks a question, people say -- Well, I don't understand, what does that mean, prepaid? They're not even aware the product exists. They're not even in that world.

I think we have done a really good job at creating a truly incremental product that talks to a segment of customers who, in a million years, would have never used a Green Dot product anyhow and, at the same time, have come up with a really creative product that is finding its own footing. We are very pleased with that.

Smitte Srethapramote - *Morgan Stanley - Analyst*

Maybe, lastly, if you can comment on, just the past year it seems like you left most of the headwinds from the loss of exclusivity from your key distributors. Can you comment on how your market share in new cards activated at your top four and five retailers, where you have loss exclusivity, are performing?

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

Well, we don't talk about cards activated because it's not really predictive of revenue, it's more active cards. In other words, people acquire them and reload them.

I mentioned earlier -- maybe it was Bob's question, I forget, but I will say it again because it's a great statistic that even we were pleased with and surprised with -- that the biggest active card growth we had on the Green Dot brand, okay, so this is not Walmart, but let's talk about the Green Dot brand. We had, at 7-11, there's three, four, five competitors.

Walgreens has cards competing with us, CVS has a number of cards competing with us. In fact, nowadays we are only exclusive really at our great friends and partners at Rite Aid, who is a great retailer, and the Kmart stores. Everywhere else is non-exclusive.

And our biggest active card growth and our biggest margin growth has been at our non-exclusive retailers. In other words, the ones where the racks are replete with all kinds of products, we have grown anywhere from two times more to five times more in active cards for the year than we grew at our exclusive retailers.

That's what I was talking about before, is that our assumption is that more marketing and more advertising and the buyer paying more attention to it, meaning that -- the buyer at the retailer, meaning that the cards are more in stock and there are cleaner racks and the cashiers are better trained, all this has seemed to create tailwinds for sales for us and maybe for others, and the retailer maybe is winning too with more overall category sales. But it's turned out to be a good thing for us.

Operator

Ashwin Shirvaikar of Citibank.

Ashwin Shirvaikar - *Citibank - Analyst*

Thank you. Steven, well said on your comments on price versus value. My first question is clarification. Do different cards at Walmart have different commission structures, so when you introduce new products do they all fall under the same master service agreement I guess, just a clarification?

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

So, what Mr. Heyrick is communicating to me here sitting next to me is that they all are largely the same, although there may be a slight difference on the Affinity cards, and I think we also pay the Affinity brand a little piece, right? But I think the way to think about it is, on the overall portfolio, it is not dissimilar enough to worry about to what we were paying.

Ashwin Shirvaikar - *Citibank - Analyst*

Got it. Okay. And then, probably a good segue, I had a question on the Affinity products and typically companies, banks, issuers that go after that market, the product itself needs to be sort of refreshed. There is sort of no end to how many entities you can co-brand with and so on and so forth, it keeps growing, which means that the development costs keep sort of recurring. Would you expect that as we head into next year? So, this year you had (inaudible) $15 million for that Walmart development of a new suite of prepaid products. Would you expect that to repeat, either at Walmart or at other outlets?

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

Well, not at that level. And, frankly, I think we're a pretty efficient Company. For that many new products -- and just think about what goes into making a new product, the technology, the regulatory oversight, the compliance routines, the audit routines, processing, direct deposit routing numbers. These things are not -- you just don't give birth to them, they are fairly, well, I guess like giving birth, it's fairly laborious and expensive.

You're right that there's a lot of Affinity programs in theory that could brand a card and we get many, many calls on a monthly basis from lots of different organizations or personalities or this or that who want to do a card. The way we think about it is, if we find one that we think has strong appeal and justifies the economics and we have enough retailers who are interested in selling it, we would always be interested in it. From our point of view, I wouldn't think that has any impact into an abnormal spend.

Like I commented earlier, the second half spend -- 27,000 retailers. Guys, before that we only had [16,000]. Think about it, we are a 13- or 14-year-old Company and we've rolled out more retailers in this year, in a condensed portion of the year, than we have in total, probably, in many years. That's a huge number of retailers when you think about displays and packaging and shipping and trucks and distribution centers and all the things that go into making that happen. So the growth -- or the spend, I should say, in second half of $30 million was for two -- Walmart and outside of Walmart -- very large enterprise-level gigantic growth initiatives, in and of themselves could have been a whole company.

So, I wouldn't try to model that kind of spend quarter over quarter or anything like that. That's a very unusual spend. It's a great thing. We are happy to spend the money, and if we ever had such a growth opportunity again we would certainly spend it again because that's fabulous. But that was an outsized amount of spend.

We may have some other products we develop. We're a product company and we'll always want do more innovation. But nothing on the scale of that, I think is fair to say.

Ashwin Shirvaikar - *Citibank - Analyst*

Okay. And I guess in answer to an earlier question -- I think it was Tien-tsin's question -- you explained how these cards at Walmart would be positioned, placed, and so on and so forth which is useful, but I guess a more simple question, is your penetration of number of J-hooks going up a lot? I mean, are these kind of going to be positioned in the same percentage of J-hooks so people can look at it the same way?

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

Well, let me think this through. So we would have more total J-hooks displaying more products, but I don't know what the total universe -- to answer that I'd need to understand the total universe of all J-hooks in a Walmart store selling prepaid products. And I don't think I know that, to be honest with you.

So, I think the way to think about it, on a simple basis, is there are more products that are hanging on more J-hooks in more check lanes, or that kind of theory, so it's easier for customers to find them. I think that's a true statement, whether what percentage of that is, I probably couldn't guess easily.

Ashwin Shirvaikar - *Citibank - Analyst*

Okay. Got it. Last question, sort of heading into the fourth quarter here at the end of October, it's still a $0.10 range on EPS, fairly wide. What drives the upper and lower end of that range? Anything in the assumptions there?

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

Well, we have not raised the upper range of EPS in some time. Chris, you may remember, I think it was always the higher end of -- was $1.20 a beat --a raise early on in the year or was that always $1.20?

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

I think the original range was $0.95 to $1.20.

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

$1.20. I think we have not intentionally expanded the upper range at all because we knew we'd have this margin impact in the second half and we have been very open about that, there is no secret about that. We have tightened the lower range as we have continued to do better, because at this point the year is largely fully baked and so our visibility is fairly strong.

So, we have taken up the bottom end of the range. We have not extended the top end of the range -- on revenue we have, but not on the margin products, because we knew we would be spending a lot of money. Does that answer the question?

Ashwin Shirvaikar - *Citibank - Analyst*

I was asking more about how wide the range still was with only two months remaining in the year.

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

Oh, I don't know. I guess because we are cautious, conservative bankers and we don't want to disappoint. But we feel pretty good it will be in that range. Simon has a comment.

Simon Heyrick - *Green Dot Corporation - Chief Accounting Officer*

There is always some uncertainty around taxes. You probably saw we had some tax credits in Q3. There's potentially some in the pipeline, but we're always uncertain about that kind of thing, so we just have some conservatism built around taxes.

Ashwin Shirvaikar - *Citibank - Analyst*

Okay. Thank you.

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

I think we have time for just -- we have a lot of folks still in queue but, unfortunately, the hour is gone and we'll take one last call.

Operator

Yes, sir. John Rowan, Sidoti & Company.

John Rowan - *Sidoti & Company - Analyst*

As far as the agreement to move the deposits over from GE money bank, if that happened today, how much cash would you have to contribute down to the bank?

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

Simon can answer that and I think we may have talked about it. Is that a public disclosure or is that something we've talked about?

Simon Heyrick - *Green Dot Corporation - Chief Accounting Officer*

Yes. We've talked about cash usage of about $90 million to $100 million. Probably half of that would go down to capitalize the bank. Probably another half of that would go to pay off the overdraft balances with GE.

John Rowan - *Sidoti & Company - Analyst*

Okay. And then --

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

The answer is -- yes. Does that affect unencumbered, would that unencumbered go lower than 245 as a result?

Okay, so the cash doesn't get spent. It simply goes down into the bank and stays there, so you'll still see it on the consolidated balance sheet, but it would no longer be counted in unencumbered.

John Rowan - *Sidoti & Company - Analyst*

Exactly. It would still be cash but it would be encumbered cash.

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

That's right.

John Rowan - *Sidoti & Company - Analyst*

Okay. And then just one last question. The past two quarters you had given a number for total revenue growth out of Walmart. I was wondering if you had the revenue growth figure for the third quarter.

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

We do. I can tell you that it was largely the same -- well, here, the concentration was flat at 63% revenue concentration from Walmart. So the best way to think about it is that implies that business outside of Walmart grew at the same pace as business inside of Walmart. If you drill down to below the rounding errors, business outside of Walmart grew slightly more than inside of Walmart but close enough for rock-n-roll, nothing that would excite you.

John Rowan - *Sidoti & Company - Analyst*

Okay. Thank you very much.

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

Okay. Well, listen, everybody, have a wonderful Halloween. We tried to get done early for those of you with young kids. So, go home and enjoy yourself. We appreciate you attending today.

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

And I'll just add one more comment. We hope to see many of you at our first annual analyst day on November 19 out at our Pasadena headquarters.

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

Right. Okay. Bye bye, everybody.

Operator

We thank you, sir, and to the rest of the team, for your time today. The conference call is now concluded. Again, we thank you all for attending today's presentation. At this time, you may disconnect your lines. Thank you, and take care.
