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GDOT - Q1 2015 Green Dot Corp Earnings Call

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PRESENTATION

Operator

Welcome to the Green Dot Corporation first-quarter 2015 earnings conference call and webcast. Please note this event is 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.

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

Thank you, good afternoon, everyone. On today's call we will discuss 2015 first-quarter performance and updated thoughts regarding our 2015 outlook. Following these remarks we will open the call for questions.

For those you that have not yet accessed the earnings press release and the slide presentation that accompanies this call and webcast, they can be found at they can be found ir.greendot.com. Additional operational data have been provided in the 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 Dots' filings with the Securities and Exchange Commission, included the 2014 Form 10-K that we filed on March 2, 2015 for additional information concerning factors that could cause actual results to differ materially from the forward-looking statements.

During this call we will make references 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. Quantitative reconciliations of our non-GAAP financial information to their most directly comparable GAAP financial information appears in today's press release and in the appendix of the presentation that accompanies the call.

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

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Thank you, Chris. Welcome, everyone. Let's get into the call. For the first quarter of 2015 Green Dot reported growth of 43% year over year in non-GAAP total operating revenues to approximate $231 million and growth of 120% in adjusted EBITDA to $83 million. Green Dot also reported a $0.86 in non-GAAP diluted earnings per share, representing growth 105% year over year.

These positive results represent our first full quarter of the new consolidated Green Dot, inclusive of our acquisition of TPG and two smaller prepaid program managers AccountNow and Achieve Card. Additionally, quarterly revenues were negatively impacted by approximately $12 million, resulting from fewer reload transactions attributed to the discontinuation of MoneyPak, and approximate $7 million in lower-than-expected revenue from our tax refund processing subsidiary TPG.

Despite these headwinds, we posted significant revenue and adjusted EBITDA growth during the period as result of both the incremental revenue and EBITDA contribution from our new acquisitions and better than expected performance in Green Dot's organic branded and private label account business.

Adjusted EBITDA in the quarter exceeded our expectations due to lower than expected operating expenses and the deferral of approximately $9 million of expenses at TPG that will occur later in the year. We're clearly pleased with the performance of our business in Q1, but we continue to be cautious our full-year revenue forecast in light of the lower number of reload transactions in the quarter, the implied pacing of reload transactions throughout the remainder of the year, and how those fewer reload transactions may ultimately impact the overall performance of our card portfolio ecosystem.

We still feel confident in our adjusted EBITDA and non-GAAP EPS forecast for the year, because the cost savings being generated from the discontinuation of MoneyPak, the efficiencies being generated from the integration of our recent acquisitions, and the lower operating costs being realized across the enterprise as a result of a number of efficiency initiatives, are all coming together to more than offset the additional revenue headwinds expected for the full year.

Now that you have the high-level results, I thought it might be helpful to provide more information about our organic business results, talk about this specific performance of our recent acquisitions, and share some more information about our processing division, which includes both our reload network business and our TPG tax refund processing business.

We were really quite pleased with how well our organic branded and private label account business performed in Q1 versus plan. Based on the MoneyPak headwind forecast, actual results were better than planned. So, we were higher, for example, than what we had forecast for the total number of active cards and actual results were better than what we had assumed for the average economics of those active cards. We had more active cards than we thought, and we had better revenue per active card and lower expenses per active card, in reality, than what our model had predicted.

The organic business was a key reason for our better-than-expected overall performance in Q1. We'll have more color on these metrics for the organic portfolios in the financial section of the call.

On our recent acquisitions, our teams have come a long way with the integration of AccountNow and Achieve Card into the large Green Dot infrastructure, with the revenue and EBITDA being generated by those entities generally in line with our forecast so far. We are very pleased with the leadership team we inherited along those acquisitions, including Dave Petrini and Sam Reed, who are just doing a fabulous job for us.

On TPG, we came up around $7 million short versus revenue planed in the quarter, which means we are now forecasting the full-year revenue result to be $70 million instead of the $77 million originally forecast. An adjusted EBITDA, TPG is performing closer to plan, where we forecast $46 million, and TPG is now on track to deliver $44 million for the full year.

The reason for the revenue miss forecast is a mix shift of business going from higher net revenue channels to lower net revenue channels. Although, total refund transactions for the full year are expected to be up around 3% year over year.

Now, let's talk about the reload business and the impact of the discontinuation of MoneyPak. As you heard in my opening remarks, the discontinuation of MoneyPak is proving very difficult to forecast. When we developed our model for 2015, we attempted to take into account the full potential ecosystem impact from the discontinuation of MoneyPak, which includes a complex set of variables. For example, MoneyPak was used to load money to prepaid cards, but it was also used to send money to a PayPal account or to pay a bill or some other non-prepaid card use.

As part of the model, we assumed we would lose a certain number of MoneyPak sales for any purpose, multiplied by the average fee per MoneyPak. But, we also had assumptions for how fewer reload transactions could impact our total number of active cards and the revenue-generating components of those active card. In other words, if you lose X million reload transactions, it stands to reason that your active card base could suffer from fewer reloads, leading to lower GDV and lower interchange, and so on.

We also made and assumption for how the sale of new cards could be impacted, based on MoneyPak going away, leading to fewer active cards over time. For example, in the legitimate use case, will a parent no longer buy a Green Dot card to give a child in college for the purpose of providing money on the card through the use of a MoneyPak. Or in the illegitimate use case, will a con artist no longer buy a card to be used to facilitate some type of scam involving the use of MoneyPak.

Would the long-term customer, who has used MoneyPak for years, adapt to a new method of reloading via swipe. Will the cashier, who for years has known how to ring up a MoneyPak, learn how to now reload the customer's card with a swipe instead.

Based on the pacing of actual cash reload behavior in Q1 versus our assumptions, we now believe that the full-year impact resulting from the discontinuation of MoneyPak could be considerably higher when you take the current run rate on lower reload sales for the full year, and then extrapolate what that lower reload rate could mean for the total ecosystem of our active card base over the remainder of the year.

We did see some of this ecosystem impact on our organic portfolios in Q1, but it was a much less pronounced than we had forecast, and so that favorable variance to plan is one of the reasons why we did so well in the quarter. But we believe that, based on the pacing of the total number of lost reload transactions for the full year and pacing for active card counts, we could see an incremental full-year revenue headwind as much as $25 million on top of the forecasted $40 million high-end range.

I won't to be clear that we don't know for sure, but this new estimate reflects our current modeling. The actual outcome could be better or worse. This revised mode, combined with the expected $7 million full-year revenue shortfall at TPG is why we're lowing the top end of our full-year revenue guidance from the current $720 million to $780 million range down to a new range of $720 million to $740 million.

The sad truth is that we're losing a large number of legitimate business from good customers who used to regularly use MoneyPak to pay bills, load cash to PayPal, reload their prepaid cards and so on. It's painful to lose good business. But on the positive side, with the discontinuation of MoneyPak, we have in fact eliminated the potential for that product to be used as means to commit fraud.

The only way to now reloaded money to your Green Dot Bank issued card is either by swiping your actual debit card at a retailer, by loading money through a bank- to-bank ACH transaction, or by loading money through direct deposit. We would expect that the vast majority of reloading customers who now use our products are true, honest customers who are using the Green Dot Bank account, whether a prepaid card or a GoBank checking account as their bank account of choice.

If the better than planned active card financial metrics we're seeing in Q1 continue to show similar results in successive quarters, it may be that we end up being a somewhat smaller revenue but higher margin company with a more stable and committed customer base relying on our products for legitimate everyday use. If that turns out to be the case, I think that would be a terrific outcome, and only time will tell.

Our long-term mission is to reinvent personal banking for the masses and in so doing become a big, sustainable, brand-name branchless bank serving millions of Americans with modern, feature-rich bank accounts so they can get, right from their neighborhood store, online, or their favorite app store, all with the Green Dot Bank promise of no overdraft fees or penalty fees of any kind ever.

While the elimination of MoneyPak is clearly frustrating our revenue modeling efforts, make no mistake that we believe the decision to discontinue MoneyPak was the right decision and that our Company will ultimately be better positioned to achieve our long-term goals as a result.

Now, we'll move to the financial section of the call, but before we begin, I want to let you all know that we have made some changes in our finance team in an effort to increase bandwidth in light of all the recent acquisitions, to increase our data and analytics capabilities, and to ensure that we have the right skill sets in place to facilitate our future growth plan.

As part of these changes, I want to announce the current CFO, Grace Wang, who is here with me in the studio, is transitioning to a new role at Green Dot as SVP Corporate Finance focused on business intelligence. In this role, Grace will help drive the foundation for a much stronger BI function within our finance and accounting platforms, using her strength in financial operations to help the team improve that important capability.

Grace Wang - *Green Dot Corporation - CFO*

Thanks, Steve. I look forward to continuing to help drive this Company forward.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Thanks, Grace, and I greatly appreciate all your efforts, as we all do, in your time as CFO.

We've retained Korn Ferry to conduct a search for a new CFO, and we'll let you know when that search has culminated in a new hire.

Next, I'm pleased announce the promotion of two longtime veterans our finance team to new leadership positions. Jess Unruh, our longtime VP of financial reporting and six-year Green Dot veteran, has been promoted to the role of Chief Accounting Officer. An 10-year Green Dot finance veteran and VP of FP&A, Paul Farina has been promoted to the role of SVP of Finance leaving the Company's FP&A function and other finance duties.

Lastly, I'm pleased to let you know that Mark Shifke, current SVP of Corporate Strategy and Head of M&A, has been appointed acting CFO. Mark is a four-year Green Dot veteran and richly credentialed legal, business and finance executive, who among other things, led the TPG, AccountNow and Achieve acquisition. I'm appreciative of Mark stepping in to work with Grace on the transition and to serve as acting CFO while we conduct the search.

Jess, Paul and Mark are also here in the studio with us. And I want to thank them all for working together to strengthen and grow our finance division.

Okay, and so now I'll turn the call over to Mark to go into more detail about the quarter and to provide our updated outlook for the remainder of 2015. Mark?

Mark Shifke - *Green Dot Corporation - Acting CFO*

Thanks, Steve. My name is Mark Shifke, and I've met some of you over the years at various conferences and meetings. I've been an executive at Green Dot for the past four years, with most of that time being spent as Senior Vice President of Corporate Strategy heading up our M&A activities.

In that role I led TPG, AccountNow and Achieve deals and arranged a loan syndicate with our partners at Bank of America Merrill Lynch and Wells Fargo to finance the TPG acquisition. Over the course of the 27 year period prior to my joining Green Dot, I held leadership positions in investment banking, law and accounting organizations, including being a partner at Davis Polk in New York and holding senior positions at JPMorgan, Goldman Sachs and KPMG.

As bit of trivia, I was also Green Dot's second investor right after Steve, and was one of Green Dot's first Board members and actually served a couple of terms way back in the early days. So I've been close to Steve and the Company since the investment 15 years ago. Grace, thank you for your contribution as CFO and I look forward to working with you in your new role.

I am very pleased and honored to serve as acting CFO while the Company works with Korn Ferry to recruit our permanent CFO. With that, let's talk about the quarter, and in particular how MoneyPak is affecting our world.

While there are a number of moving parts to the story that we'll discuss, Green Dot clearly had a very strong quarter. In Q1, Green Dot posted $231 million in total non-GAAP revenue and $83 million of adjusted EBITDA for a margin of 36% for the consolidated enterprise, and an underlying margin of 21.2% for the organic business, despite the losses from the discontinuation of MoneyPak.

In terms of our key operating metrics in the quarter, consolidated active cards 14% year over year to 5.4 million 90-day active cards in total. Our organic actives were down less than 2% to 4.6 million, and cash transfers, or reloads, applied to our organic branded and private label portfolios were down by over 13% in the period as result of the discontinuation of MoneyPak. Yet organic GDV was down only 4% because we experienced significant growth in active cards enrolled in direct deposit, which in fact were up 19% year over year. The strong result of this direct deposit penetration helped to overcome much of the GDV loss from the fewer cash reloads.

When you look at cash transfers, overall, whether to our own card portfolios or the card portfolios of the network acceptance members participating in Green Dot Network, the drop is quite sharp, declining by around 2.5 million transactions in the quarter, representing a 20% decline in cash transfers year over year. That's a transactional that decline that generated the $12 million revenue loss in the quarter that Steve referenced.

Of course, not all of those lost sales were intended to be reloads to our accounts. Recall that many MoneyPak sales were made for non-prepaid card reload purposes, like loading money to a PayPal account or paying a bill. Many others were purchased to reload a third-party bank program not part of Green Dot.

But you can see, through our organic portfolio results, how the discontinuation of MoneyPak is affecting not only revenue associated with the actual reload transactions but also to the extent the funds on those MoneyPaks would have been ultimately loaded to a Green Dot Bank issued card is potentially affecting the revenue generating components of our organic active card base, including potentially having an effect on the overall size of that active base.

We continue to generate strong cash flows in Q1 and maintain a very solid balance sheet. Cash flow from operations in the quarter was $84 million, which helped our total cash in investment securities reached nearly $1 billion as of March 31. Our unencumbered cash position increased by approximately $7 million during the quarter to approximately $142 million.

We define unencumbered cash as consolidated cash in investment securities excluding such amounts held at Green Dot Bank. As a reminder we used $65 million of our unencumbered cash towards the purchase of AccountNow during Q1.

Green Dot's very strong quarter was driven in part by out performance of the organic business relative to expectations. All card metrics were better than we anticipated, including the number of active cards and the revenue and variable cost per active card.

As result of achieving higher revenue per active and lower cost per active, gross margin per active card came in better than we planned for the quarter by 22%. Beyond the variable cost savings per active card, Green Dot's increasingly efficient infrastructure is a big part of our overall margin achievement for Q1 and for the remainder of the year.

So let's talk about our expense base. First, you may recall that when Steve talk about the potential impact of the discontinuation of MoneyPak during our Q4 earnings call, and how lost revenue may ultimately translate to lost EBITDA, he also talked about all the noise in expense generation that he believed was caused by that product. In Q1, we are in fact seeing meaningful reduction in variable expenses related to areas such as risk, customer care and supply chain.

Second, we are also seeing investments we've made in better technology begin to pay off in terms of lower fixed and variable expenses across the organization. New CRM software in our customer contact center, smarter risk analytics and predictive fraud tools in our risk management group, and the establishment of our new technology development center in Shanghai, are all coming together to deliver will efficiencies that are helping margins.

You may have also read the press release last week about our planned migration to the MasterCard transaction processing platform, which is expected to add further efficiency to our delivery platform starting in the second half of 2016. Of course, all of this technology spend over the past few years has added to the D&A burden on EPS, but we are now beginning to enjoy pay off from those investments in expanded profitability and ultimately expanded EPS.

The summary is, Q1 was a strong quarter, where both acquired businesses and organic business line contributed nicely to revenue and EBITDA in the period. But, going forward we are incrementally more cautious about the total potential full-year ecosystem revenue impacts resulting from the discontinuation of MoneyPak. As a result, we are lowering the top end of our non-GAAP revenue guidance and maintaining our adjusted EBITDA and non-GAAP EPS guidance. We now expect full-year non-GAAP total operating revenue in the range of $720 million to $740 million.

In addition, given all the recent changes to the business from MoneyPak and our recent acquisitions, we though it might be helpful to share with you are expectations for Q2. So, for the current quarter, we expect non-GAAP total operating revenue of around $165 million. We are reiterating our full-year adjusted EBITDA guidance range of $150 million to $170 million. Again, as you think of Q2, we expect adjusted EBITDA of around $33 million, with an adjusted EBITDA margin of about 20% on a consolidated basis and approximately 17% expected for the organic business for Q2 and a similar high-teens margin for the rest of the year.

The reason for the lower organic margin in the remainder of the year versus Q1 is that we expect the ecosystem impacts of discontinuation of MoneyPak to take a bigger bite out of our margins as the year progresses. As we expect to have lower revenue on the same expense base, and because the lower fee plans associated with some of the portfolios in our private label program have a year-over-year negative impact organic margins, as we discussed last quarter and displayed on the bridge slide.

Additionally, recall that we mentioned $9 million in expenses that we had forecasted for TPG in Q1 but did not occur in that period but will nevertheless occur throughout the remainder of the year. Finally, we're reaffirming our non-GAAP EPS guidance range of $1.24 to $1.47. For Q2 we expect non-GAAP EPS of approximately $0.23.

With that, we will open the phones for Q&A. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Sanjay Sakhrani, KBW

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Pretty close. Hi, Sanjay.

Unidentified Participant - *Keefe, Bruyette & Woods, Inc. - Analyst*

I'm in for Sanjay. My first question is just around the guidance in terms of, when we add it up, its impact to the revenue side is between $27 million to $32 million, but your lowering the guidance by $40 million. Could you provide a break out of what other moving parts there are?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Right, that's actually one of the questions we thought about as we were looking at the guidance range and the math indicated to $2547 million, $248 million. In the discussion, we thought, well, let's bring is down to $240 million because it gives us an opportunity if things go well to be a little bit above it, which makes sense, and at the same time, that is low enough to reflect a more likely range of outcomes. I don't know that when you're looking at a range like that, that it's intended to add up precisely, but that's the thinking that went into it. We could have made it something odd like $247 million.

Unidentified Participant - *Keefe, Bruyette & Woods, Inc. - Analyst*

Got it. Then just around TPG, you mentioned that it's coming in at about $7 million light. Do we have the revenues and expenses for the first quarter where it actually came in at?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

For TPG answer is, no. It's part of our consolidated Company. It would appear, Jess -- I have Jess, who's our Chief Accounting Officer, that would appear I guess in the Q as a division. Would it not, or is it all part of the MoneyPak?

Jess Unruh - *Green Dot Corporation - CAO*

It's part of our processing settlement segment, so it's going to be lumped in as part of our cash processing business with the Green Dot network.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

If you want, what we can do is after the call, Chris can follow up with you and get you some of that data to the extent it's part of our disclosure

Unidentified Participant - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay, yes, just in terms of it would help us model out the remainder of the year, given --

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

$70 million for the full year, as a general rule about 84%, 83% happens in Q1, but we can certainly get that for you, but I'd hate to ad lib it off the top of my head. Got it. Okay. I will hop back into queue with any other questions. Thanks.

Operator

Ramsey El-Assal, Jefferies.

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Ramsey El-Assal - *Jefferies LLC - Analyst*

Hi, guys. You may have commented on this and I just may have missed it. You gave us some good color on the organic characteristics for this quarter. Did you ever break out for us just the organic adjusted revenue number across the entire Company, like the growth rate rather?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

We don't, but we can. Mark has that. Feel free.

Mark Shifke - *Green Dot Corporation - Acting CFO*

Sure, so when we're looking at quarter over quarter, in terms of our organic non-GAAP revenue, it decreased 9% to $147 million for the first quarter of 2015 from $162 million for the first quarter of 2014.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

So we're down 9% year over year, apples to apples, most of that as you can imagine driven by the big drop in MoneyPak reload sales.

Ramsey El-Assal - *Jefferies LLC - Analyst*

Okay. Thanks. Then on the TPG, the $9 million of deferred expenses, can you comment, just give us a little more color on what that is exactly? And just any comments on a cadence throughout the year? I think you mentioned it's was just going to come. Is going to come rateably quarter by quarter, just for modeling purposes, or is it going to be lumpier than that? Anything you could do there?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

No, it's actually not lumpy. Paul Farina, who is our head of FP&A and recently promoted to a more senior position in that, may want to expand better. But I'll give you the over view, and, Paul, you can nod and tell me.

It's a timing issue -- with a new acquisition, you get together with the management team, you go through all the numbers. You're taking private company numbers, putting them into our infrastructure and trying to figure it out. The answer is, that in the model, the artifact was that we got the full-year expenses right, but the timing of those expenses wrong. We overburdened Q1 with expenses, that never materialized. We all got excited until we realized that, no, they will materialize. It's just that the timing was off in the model that was created upon the acquisition.

That's why we wanted to all it out. It's not -- it's still money that will be there for the full year, but it has an affect of making the growth in Q1 look bigger. That's why I wanted to make sure we call it out. So, for the full year is still is what it is, but there was a timing artifact in the model.

Ramsey El-Assal - *Jefferies LLC - Analyst*

So it's just general expenses, it's nothing -- there's no -- ?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Yes, salaries and SG&A, exactly right.

Ramsey El-Assal - *Jefferies LLC - Analyst*

Got it. All right, thanks a lot, guys.

Operator

George Mihalos, Credit Suisse

Georgios Mihalos - *Credit Suisse - Analyst*

Great, thanks for taking my question, guys. I think you said the impact from the MoneyPak was about $12 million in the first quarter. Just wondering, what trends exactly have you seen in April? How much of it is a deterioration, have you seen in April, to make you raise your conservatism by 50% or so for the full year?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Well, it isn't because of April, necessarily. April, by the way, was similar to March. It may have been slightly worse, but in the zone and seasonality, not particularly crazy one way or the other. It's really more Q1, and that is that when we put the model together, George, we looked at, let's call it portfolio behavior, the full ecosystem of all that trickles down from the sale of a reload. Then, you have the reload transaction itself. The reload transaction itself is easier to figure out. That's the number of units times $4.95, whatever the average number is.

Its way harder to figure out all the trickle-down effects of how many fees and how much interchange and all of that kind of thing. So, we guessed high, meaning we were -- we put in too much in the model for portfolio effect that did not materialize in the way we thought it would. But, we underestimated the transaction count, so we didn't think it would be $12 million. We thought it would be something less than that.

So, when we realized that we had that many transactions gone in the quarter, the question is, uh oh, if that now flows through and our model is wrong by X percent in Q1 and we continue to be that wrong in Q2 and Q3 and Q4 -- not on the portfolio but on the actual transactions. Two things happen. The number of transactions times $4.95 is bigger than we thought. And, you have to assume that, okay, if your losing that many reloads more than what you originally thought in your model, at some point, even though we maybe didn't see it fully in Q1, it's got to catch up with you. That's our theory. That maybe by 2, 3 or 4Qs, you start seeing the degradation in active cards, the number active cards, the GDV on those cards.

It may be overly conservative, but we just don't know. The answer is, we were too high in one part of our equation, too low in the other part of our equation. Nothing about April, in particular, it's more about just the number of transactions, in general, that are above our original estimate.

Georgios Mihalos - *Credit Suisse - Analyst*

Okay, but you did not see any sort of deterioration as the quarter progressed and going in to 2Q? Just be clear, you're just --

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Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

No, the same level of deterioration was consistent, if you will, from -- there might be slight variations month over month, but nothing that would change the model.

The deterioration was the moment we took MoneyPak off the shelf, how many of those MoneyPak sales would convert to swipe? The answer is, not as many as we had modeled. Then, you have to start doing the math backwards. Okay, well, if we thought that X million missing reloads would generate Y million less of revenue from the portfolio, now we've got to up that, and the whole thing trickles down to a higher number.

What you're seeing in the extra $20 million to $25 million precaution, if you will, is our expectation that those higher number of transactions will generate a higher amount of trickle down effect over time. It may not happen. We forecast Q1 to be way worse than it turned out to be.

As we're intellectually honest looking through this is, it just doesn't seem logical, as a guy who know the business fairly well, that you can lose that many reloads and at some point not have it show up in the portfolio. I think that's what you're seeing.

Georgios Mihalos - *Credit Suisse - Analyst*

Okay.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Or that's what you're seeing in our model. Whether we're right or not, time will tell.

Georgios Mihalos - *Credit Suisse - Analyst*

Okay, thanks. Just for the follow up, Steve, I'm not sure if I missed it, but where are we in terms of timing of moving to in-house processing on the cards? I'm not sure if you provided an update early on the call on that?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

No. Well, on the call Mark talked about the fact that we actually -- it's not fully in-house. We're using MasterCard -- IPS is what the name of that division is called, and it's their transaction processor. I want to be clear, by the way, because somebody had this question before. The fact that this platform is owned and managed by MasterCard does not mean it doesn't process Visa.

Visa has a processor called Visa VPS that does everything. MasterCard has a processor called MasterCard IPS that does everything. So, I want to make clear that the transaction processor is not the same as the brand of the network, if you will.

Any event, that enrollment or that integration has been going on now for quite some time. It will continue. We begin migrating cards on it towards the end of this year in Q4. And if all goes well, we'll be fully migrated onto that new platform by June of 2016, and then fully operating completely off platform for the second half of 2016.

That's our schedule. That so for his running well. We're in friends and family pilot now, where you can use cards and see how it works. But for those of you listening who have done processor migrations, especially for a company this size, Green Dot is one of the larger debit portfolios in the country. You don't just flick a switch. It's a very thoughtful, slow, methodical process, because we would tend to be extraordinarily risk-averse into interrupting any kind of service to the customer. It does take a long time, but once you're on it, you're on it, and the savings will be quite helpful.

Operator

Mike Grondahl, Piper Jaffray.

Mike Grondahl - *Piper Jaffray & Co. - Analyst*

Hey, guys. First question, can you break out the active card growth for the Green Dot branded card and a private label card?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

We can. The branded division, if you will, if you think of our business slides in our slide deck, business lines. The branded side was up about 3% from memory. And, guys, tell me if I'm wrong. The private label side was down a similar amount. I think closer to 6%, then the average was minus 2%, a little less than 2%. It was like 1.8% something.

Mike Grondahl - *Piper Jaffray & Co. - Analyst*

Got it. Okay. Did you complete or start that rollout in the Walmart neighborhood stores?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

It's a fabulous question. I wish a new enough to give you that detail. The answer is, Walmart builds neighborhood stores as they build them. When the stores get merchandised, our products are in those stores. To answer the question, Mike, fully and maybe we can get it after the call, I'd need to get familiar from our Walmart GM with how many stores have been built and opened and merchandised. I don't have that at the tip of my tongue.

Mike Grondahl - *Piper Jaffray & Co. - Analyst*

Okay thank you.

Operator

Tulu Yunus, Nomura.

Tulu Yunus - *Nomura Securities Intl - Analyst*

Taking my question. Just firstly on MoneyPak, going back, when do you think the MoneyPak -- well, when did they disappear from the shelves? I know you stopped shipping them out sometime, I believe, in 4Q? (multiple speakers)

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Well, it was even more harsh than that. What we did was, actually, beginning in April of last year. It's been a fairly long process.

They were out of all Walmart stores in April 2014. Then, we took them out of certain dollar stores towards Q4 of last year. Then, they came out of other stores -- and I have a road map that we can sure later, but all the biggies were out, call it, by the end of January. Then, on February 1, we literally pulled the plug. In other words, even if it was on a shelf and the customer went to buy it, it would not process. It would say invalid sale. We actually, technologically, killed the product, for those where it was till on the shelf, by February 1.

The answer is, it was off of, oh, I'm going to take a guess and say, 70% or 80% of all stores in January, and then we technologically killed it on February 1

Tulu Yunus - *Nomura Securities Intl - Analyst*

Okay. Then so why is the -- you lost $12 million in revenue in 1Q, a period where two months, you didn't have the product at all and in the first month, it sounds like you didn't have the product working at most stores. Why can't we just annualize that? Is it because of seasonality? Because your overall estimate of $60 million to $65 million is significantly higher than 12 times 4, right?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Yes, that's right. If you annualize it -- first of all you don't have three full months. Let's say you have -- it would be hard to guess. Let's pretend it was $50 million had it been killed January 1 instead of February 1, a complete guess. You could annualize that and say, okay, well there's just $60 million in transaction costs. So if you take the $12 million and annualize that, you're already at $48 million, call it $50 million to buy you some time for the one month that you were a little bit active.

But that's just the transaction cost. That part is the easy part. Maybe I didn't explain it well enough, but you have this portfolio trickle-down effect. That's the part that's been so difficult for us to get right. The transactional part is somewhat more trivial. We can figure that out once you see the run rate.

Although, there is a seasonality, but we know what that seasonality is over many years. Q1 is always going to be your heaviest quarter. Not every quarter would be that heavy, but you could figure that out with a seasonal overlay. We do internally.

The way harder part is, what does that mean for active cards? What does that mean on GDV per active card? And therefore, interchange per active card? Does that mean there will be few active cards altogether? Because we're selling less cards to bad guys like crooks.

And good people use them because they want a card for their son or daughter or husband and wife. These are all their behavioral metrics that you have to try and figure out.

Then, the one that's even harder than that is the cashier, frankly. Some retailers -- we love all of our retailers, but some have better training protocols than others. It would not at all be uncommon, in Q1 especially when we first made the change, to walk into a particular retailer.

The customer knows exactly what they want to do. Hey, can you swipe my card? What you mean swipe it? Manager, aisle three. What do you mean swipe it? No, buy a MoneyPak. No, no the Company said you swipe it. I don't know what that means.

Unfortunately, that's retail. It's not pretty, but that's the nature of the game, and some are better than others. Now, over time, as enough customers complain and figure it out, we will see that training effect moderate. But in Q1, that's a big part of it as well.

It's somewhat of a guess. Look. I'll be honest with you, as we talked about this, we thought, look, we can wait another quarter to lower the guidance. In other words, it's pretty early on to the year. Maybe we wait another quarter to get six months of data, which would give us a little more of a reliable run rate.

The difference of transactional volume was a good 30%, 40% ahead of what we thought it would be in Q1. The answer is, holy cow, if that continues at that rate in Q2, by the time we re-guide in -- or lower the top end in 2Q, we already may be in that zone. We didn't want to get in that trap.

It may be that we have a little bit of a hair trigger on the top end, but we don't think so. With that kind of transaction count, we know, just to your point, that just on a run rate basis, you could be at $50 million there. So, that's already $10 million over our high-end estimate was prior. Then you figure out what is increased trickle down. We're saying, okay, maybe there's another $10 million to $15 million of increased trickle down.

It may not happen exactly that way. It did not happen that way in Q1. Obviously, it was a pretty good quarter, but that's what we're thinking.

Tulu Yunus - *Nomura Securities Intl - Analyst*

Got it. If I could just sneak in one last one> You talked about private label and Green Dot branded doing better than you planned. Can you -- have you adjusted your guidance to reflect that? If so, could you share what you're revised expectations are on both of those? Thank you.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

We don't guide on any one business line. It's the entire enterprise, then we guide with organic, which is a combination of all of our organic portfolios with Walmart and Green Dot. The guidance implies whatever performance we think we're going to have those cards, good and bad.

I'll say this by the way, Walmart is a wonderful acquisition partner, and we sell the Green Dot brand at Walmart. So, when we talk about the Green Dot brand versus the private label program, both are sold at Walmart. You can buy the Green Dot brand. We sell a tremendous number of Green Dot brand cards at Walmart. It's fair to say that much of the success we've had in the Green Dot brand has been driven by Walmart, maybe at the expense of our own private label card at Walmart.

It's all -- Walmart is still an important distribution partner. You can see that when you look at total revenue concentration versus the revenue represented by the private label program contract. But in any event, it's all in the implied guidance. That mix would be in there, good and bad, all portfolios.

Tulu Yunus - *Nomura Securities Intl - Analyst*

Got it. Thank you.

Operator

Tien-tsin Huang, JPMorgan

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Tien-tsin, you would win the name annunciation of the day award.

Tien-tsin Huang - *JPMorgan - Analyst*

No, I'm used to that. I don't even pay any attention to it, but thanks for that. I'll follow through on your last comment on the Walmart side. What was the actual revenue in the quarter and the concentration? I don't think I heard any mention of GoBank. How did that do at Walmart?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

We didn't talk about the GoBank or the other stuff, because the script was so long based on all the other data that MoneyPak, that we just didn't fit it in. GoBank continues to do well. The retention continues to do well. Really the same story as last time. That product has the well, but we want it to do better and better. We want that product to be in other channels that can help us get to that seven-figure run rate. Jess or Paul, which one of you have the total Walmart concentration for the quarter?

Mark Shifke - *Green Dot Corporation - Acting CFO*

Hey, it's Mark. The total Walmart concentration would be 40%. If we're looking at just MoneyCard.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Yes, you're right because of TPG. That's why. I was going to say that sounds way low.

Mark Shifke - *Green Dot Corporation - Acting CFO*

When we're looking at MoneyCard, it's the 29%, under the 30%, where we thought it would be.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

And the total concentration, you're saying, is 40%. The reason it's not the 50% I expected when you said that was because we have TPG in there. Got it. So the answer to that will come up in other quarters, okay.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. That's good to have. Thank you. Just as my follow up a tax -- a TPG question and also a tax rebate question, if you don't mind? The tech -- the TPG shift in the channels, do you have a plan to point that to your product next year, to reverse that trend? As I was thinking up that question I was wondering, was some of the difficulty in modeling MoneyPak related to tax rebates maybe driving more historically into the MoneyPak? Just trying to understand what was hard to model?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

No, the MoneyPak modeling miss, or what we think is going to turn out to be the modeling miss, is just that we had a formula that we assumed, based in part, on what happened when we took MoneyPak out of Walmart, of how many customers would simply move to swipe. That fundamental model was low. In other words, we assume -- let's pretend that X percent would go to swipe and in fact X minus some percent went to swipe. So, that's the fundamental miss there and it wouldn't have anything to do with tax refunds.

On the TPG side, so I'm not sure it's a trend. To prepare for the earnings call, I spoke with our CEO there, great guy, Bill Maher. I said, Bill, tell me about this, because if what we're saying it's a shift from your franchise higher-margin players, if you will, or higher net margin in to online or digital, which has lower margins and that's the channel mix that we saw. Is it a trend? Is it a one-time event?

They're view is it's not a trend. it's just what happens year to year, season to season. Sometimes it's more; sometimes it's less. I don't know that it's a trend, because we've not seen that consistently.

What happened was two of the franchise players did more of those transactions in house. They've always done them in-house, but they tend to allocate some to third parties, some they keep in-house. Having said that, there's other conversations we're having where more is coming to TPG for next season. We're in those conversations now.

I think what he's trying to say is it's part of the year-over-year negotiation, not particularly a trend, and it's a 25-year old company. You can see over those years, those numbers bouncing around somewhat. I think it's fair to say, they guessed wrong for this year. I think that's clear.

I somewhat, as you can imagine, disappointed and a little unnerved by the percentage of that, given the quarter. But as I worked with Bill on that, I feel more comforted that it's the nature of how that industry works and how that company works.

On the question of how do you get it back? There's revenue synergies that we talked about when we bought the company that we feel incrementally more positive about now than when we bought the company. That is, can we work with the tax-preparation companies who use TPG's processing services to sell Green Dot accounts and GoBank accounts and that type of thing?

Those conversations are going really well. You never know how it's going to turn out. We built a really powerful collection of assets, meaning, a really great bank with a big balance sheet and strong relationships with advocates and others who matter, a very strong technology bench, increasingly becoming viewed as one of the best in all of financial services, and great products and a great brand.

As we meet with these tax preparation companies, along with executive at TPG, the reception has be very warm. How that all turns out at the end of the day? I don't know, but I think we will have some opportunity there.

I do think that the miss in channel allocation shouldn't be taken as a trend, or at least that's what I've been convinced after my conversations with TPG management. Anyhow, by the way, it's interesting to note the numbers of transactions is actually up. It's interesting to learn that business better, and to see it. I have six months of experience at it. Bill's been there for five or six years, so-- but that's the information. I hope that explains it a little bit better, or gives you some better color.

Tien-tsin Huang - *JPMorgan - Analyst*

It does thank you, Steve.

Operator

Smitti Srethapramote, Morgan Stanley.

Smitti Srethapramote - *Morgan Stanley - Analyst*

Steve, I think my name beats Tien-tsin's.(laughter)

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Operator, if your listening by the way, it's meant to be humor and it's very tough. I would have just as tough of a time. Go ahead, Smitti.

Smitti Srethapramote - *Morgan Stanley - Analyst*

First question is, can you help us quantify the cost synergies from the acquisitions, where they're coming from? Also, help us understand the -- you're able to maintain guidance. Can you help us understand where the upside to EBITDA and EPS are coming from? That would help us.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

What was the first question? I couldn't hear what said. What to guidance?

Mark Shifke - *Green Dot Corporation - Acting CFO*

Synergies.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Oh, where the cost synergies come from. Let me answer the first one, first. The cost synergies comes from all the things that Green Dot, what I'll call the mother ship, does so well. We're just such a high-scale player in terms of things like call center and IVR and increasingly software development and risk and loss management and regulatory oversight and all the things you need to do in the states to sell financial products. Think about that whole, what I call the belly of the beast, the widget factory.

We do that at such high scale, and not to sound overly proud of our Company, but we do it so well in terms of the quality scores and the way we do the training of our employees and call center and a risk. We really our a best-of-class operator in that way.

When you make an acquisition like AccountNow and Achieve, and they're good companies, but they're small. They're small scale. Things that they are doing -- so let's pretend that $1 a call, Green Dot maybe doing for $0.23 a call. Or IVRs that they're outsourcing and that costing X per call into the IVR, We're fractional to X.

You just go down the list. Or loss management techniques. The technology we have to detect potential regi charge-offs before they become regi charge-offs.

Smitti, you know it because you're probably a customer of a large bank. Something will happen and you'll get a text message or a phone call that says, we've noticed unusual activity on such and so card. Please call 1-800. Those are all neural networks that are predictive of common usage patterns by customer that tells you, hey, this one day could turn into a fraud event that will turn into a charge-off.

We've never had that stuff before, but we do now. This is all the technology that we've invested in. When we take these smaller companies into a very systematic process, begin to integrate chunk by chunk, the cost savings can be quite extreme. We're having good success with that.

We also have a wonderful team, called the EP2 office, which in Green Dot, runs our world. It's called the enterprise wide product delivery office, and headed by one of our 11-year executives. It's a very important division because it's a very systematic project management team that touches every division of the Company, and we work these integration projects in a very methodical and professional fashion. So, you can actually guarantee certain results by certain dates. It's actually hit every single target. They've done a wonderful job.

A lot of saves in those divisions. All the things you'd expect.

Then, the second question was what?

Smitti Srethapramote - *Morgan Stanley - Analyst*

You outlined that you were able to make up for the lower revenue from the shortfall from three different things. Can you just help us quantify what percent of the make up from -- ?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Three things, one was -- the word got a lot of laughs, but I don't know how to better describe it. Maybe for a time I'm going to say adjidub. All the nonsense, all the noise -- the word I use is mishegas, of MoneyPak. It's hard to quantify it. On one hand you're saying this product has pretty good gross margins, maybe it's a 40% or 45% gross margin.

But, that's also the product generating all the calls to call center and all the risk activities and me flying to Washington, DC to give testimony to Senators. Packaging that is out of stock and constantly doing emergency replenishments and on and on and on. In fact, while we couldn't quantify it and rip it apart in an analysis, just knowing the Company the way I know the Company. I said, guys, when we get rid of that product, you're going to see a lot of that nonsense go away.

In fact, that's happened. Call center utilization and utilization of our risk investigators and charge-offs as a percentage of MoneyPaks, all of that has plummeted. That's been one big area.

Another area is just the initiatives we've put into place. We spent a lot of money on technology that, as Mark said in his script, has the impact on D&A that is painful when you look at our EPS year over year. But, this stuff allows us to, long term, be a sustainable competitive player and compete with all the big boys. We can't be a bank of our size -- we've become a pretty big size when you look at our customer accounts, 5.5 million active customers. That's without the nonsense of MoneyPak and whatever that was generating. That's a big bank, at this point, if you look at the national size of banks.

We need to have a technology that allows us to compete on an efficient basis. All the predictive fraud tools, some of which I mentioned earlier, the new CRM software package, which took us way too long to develop, frankly, but it was a couple year process. Now, when you call the Company, we know by whether you calling in, are you a high-value customer? And you go to that operator over there. Are you a low-value customer? We like all of our customers, but on a relative basis -- and you go to that operator over there.

Are we going to do give your regi charge-back right away because you know that you've been with us for year on direct deposit? Or are we going to investigate that claim because you've only had your account for a day, and it's weird that you calling about a regi?

All these kinds of things that allow us to more efficiently execute our day-to-day business. The savings have been extreme, when you look at all of that.

Another area was our software development center in Shanghai, China that was built by Kuan Archer, who was at the time was our Chief Technology Officer, now he's our Chief Operating Officer. Kuan, with out question, one of our more favorite executives in the Company. He said, hey, Steve, look it -- no disrespect to you guys. You're all my favorites. Kuan would be one of my many favorites.

He said, look it, when I worked at Microsoft and Semantic and others, we had these Chinese development centers. I'll build one for you, and it's really going to help us in addition to our technology centers in Palo Alto and in Pasadena and in Tampa. It's going to allow us to do a lot of software development, QA, and other key assignments, especially on the mobile apps and Internet, at a price fractional to the US, while still maintaining a very powerful US presence. And we've done that.

You are seeing efficiency of code checked in across the world. That's quite impressive. If we ever put together another investor day hear at the Company, an it would be fun to do, we'll show you what's called the international sync up, where Green Dot Pasadena, Green Dot Tampa, and Green Dot China, all sync up on these big TV screens.

So literally, we're working around the clock on code development, QA, checking in code. That's one of the ways we've been able to develop so many new products simultaneously, and integrate processors and build new risk controls. It's really been a Renaissance period for Green Dot over the past 12 months.

Smitti Srethapramote - *Morgan Stanley - Analyst*

Great. Steve, thanks for that detailed answer. Lastly, just quickly. Any updates on the Walmart renewal?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

I thought I'd go through the call without a Walmart question, but it's fair to say. The answer is that none that I can share with you. Yes, none that I can share with you.

Smitti Srethapramote - *Morgan Stanley - Analyst*

Fair enough. Thank you.

Operator

Ashish Sabadra, Citibank.

Ashish Sabadra - *Deutsche Bank - Analyst*

Thank you. Hi, guys. Midpoint to midpoint, you lowered revs by $30 million. That's great. I guess a point of clarification, was the revenue contribution from the two prepaid managers, program managers, already included in your prior guidance? I just want to make sure.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Yes, so AccountNow and Achieve were part of this year's guidance. That's correct. That's why we tried to give you a little road map for that, so you can see about $32 million, $7 million on the miss on TPG for full year and the potential additional impact of $25 million on MoneyPak. Those together $32 million. That's about the delta that we're trying to guide down to. We padded the top end a little bit with another $8 million because it felt good, but that's how we did the math. That's right.

Ashish Sabadra - *Deutsche Bank - Analyst*

Okay. With regards to the MoneyPak product, as you were taking it out of various stores over the course of last year, were you already seeing some sort of a downstream impact that could help you in the analysis here? I'm trying to figure out -- clearly, you given yourselves some breathing room here. I'm trying to figure out level of confidence, if that makes sense?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Oh gosh. Look, I'm trying to think about how to describe it. I think it's fair to say that we've struggled on guiding MoneyPak. To have this kind of a miss, or this kind of an increase in the estimate, after one quarter would be a fairly good indication that our prognostication isn't exactly going to win FP&A award of the year.

I think it's -- we have to go back and say, well, look, how the hell did that happen? What did we do to figure that out? You go through and look at all the analysis, and the core analysis of it --because it's not scientific. You're trying to understand cashier behavior, customer behavior. How much is really fraud? How much is really the honest mom and dad trying to buy a card for their kid in school?

You don't know, and so it's honest guesses. We have, actually, multiple teams of people in FP&A running their own analysis to see who -- then we chose the highest one, which was 40%, of the three analyses that were done. At the end of the day, it wasn't enough.

It may turn out that we're overly cautious, now. But, the number of transactions, I think, if you were to say what's the core analysis you got wrong? It would be we thought more reloads would convert to swipe than did. That's probably the foundational analysis, because everything flows from the foundational analysis. That is the part we missed./

Now, we have theories right now in our revenue team that, oh yes, but, Steve, once the retailers learn how to do it, more and more they are learning how to do it, and that trend will self correct. Maybe. We could have waited, like I said early to one of the other questions, maybe we could have waited another quarter, don't know.

That was our thinking in it. We'll see how it plays out. We were really pleased. We thought the Q1 organic results would be really damaged, because you have MoneyPak going away. You have a lot of confusion with cashiers. It's tax season, kind of the perfect storm.

But our core business really held up well. Direct deposit was increased at record levels. We achieved a record milestone in the number of reloaders and the number of direct deposits. With 1 million direct depositors and 3 million active reloaders, far and away the largest active reloading base in the industry.

It's all a-natural. In other words, you are seeing the fraud leave the system, to the extent we had that fraud. It's gone. You can't do it now. We don't have any deals today with any tax preparation company, so Green Dot is kind of naked in the sense that it's just customers who choose our brand and use it as you would choose to use your bank account in whatever bank you use.

It's a pretty gratifying result. If that maintains the rest of the year, we'll be at the high end of the range or maybe better. Who knows? We don't know, and with that many missing reload transactions, me thinks that we're going to be in for a spanking. We're just not sure exactly when, and that's why you're seeing the caution.

Ashish Sabadra - *Deutsche Bank - Analyst*

Understood. Thank you for that. Appreciate it.

Operator

Andrew Jeffrey SunTrust

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

Hi, guys, thanks for taking the question. Steve, as I think about the knock-on effects from the discontinuation of MoneyPak, how have you thought, holistically, about whether or not there are, or were, Green Dot customers who were really using MoneyPak solely for that anonymous load, the quasi-cash functionality of the product and may never come back and ultimately create a, perhaps, a structural change in the growth profile of the business? In other words, when we lap this MoneyPak, this continuation, could there continue to be this trickle off effect, if you will?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Well, no, you level out. To you're point, Andrew, we fully believe that there is -- and that's why we killed the product. That there's some level of nonsense and mischief in the portfolio, and by the way, that would be, as you know, not just with Green Dot. Every bank has fraud. Every bank, I don't care who you or what you are. Every prepaid company has it.

I think what maybe is a little bit different about Green Dot is because we are the only bank in the industry, directly regulated by the Federal Reserve and because as an individual I have a somewhat conservative view on these issues, regulatory issues, governance issue, so we tend to run on the more conservative side. As we've always been, as you know, by following the Company, a very strict on fraud controls. Way back before anyone talked about tax fraud and anything else, we were on these earnings calls, as far back as 2012, talking about new risk controls and new methods of out-of-wallet identity verification.

There were a lot of questions. Why is Green Dot doing that? Nobody else is doing that. Well, now they are. They're going to need to.

We've always been on the cutting edge of that. So we did believe, and do believe, that some out of our active cards and some amount of MoneyPak sales were there in ways that we don't want them to be there. We want them out of our Company.

This is what I said in my prepared remarks. It may be that at the end of the day, you're a somewhat smaller revenue company, but a more efficient company with higher margins, less call center utilization, customers who are more available to lend money to, as we try to get into lending and other kinds of activities, and a more healthier, sustainable, long-term company.

You may be right. I don't think it affects your growth profile forever. That wouldn't make sense. In other words, you can only get rid of MoneyPak once. Once that products gone, and it's been gone since February 1, and increasingly to last quarter, Q4 into February 1. Once it's gone, it's gone.

What you going to see is -- and fraudsters, by the way, don't retain. In other words, you don't buy -- remember our cards are never anonymous. They're a fully-fledged Patriot Act compliant bank account, so to open an account, you have to go through full panoply of a customer identification tools, just like opening a checking account at a Chase or Wells Fargo, or somewhere like that. So, it's the same controls that all of us use as regulated banks subject to the Patriot Act. The cards are never anonymous.

The question is, when do you see all the nonsense get fully out of the system? Our answer, the answer is, should be fairly be fairly quickly, because fraudsters don't get their cards and reload them for years. They use them. They get their money off. They throw them away. They buy a new one. The use them. They get the money off. They throw them away. They buy a new one. That's where it creates those one and done, or part of that one and done behavior.

We also have a lot of very honest customers doing the same thing. I want to buy something out of Orbitz, an airline ticket. I want to buy something on eBay. I need a card for a day. So the problem is that the fraudsters look just like a good guy, and so we're not sure exactly where it's going to end up.

But to your point, that's why we're so thrilled with how resilient the active card base was in Q1. Yes, we were down 1.8%, but given that we lost MoneyPaks, 20% down in our reload division. We could have every right to be down 15%, 20%, and we weren't.

That's telling me that, hey, we may have been selling MoneyPaks that are having trouble converting to swipe, but our active card base would seem to be what's remaining, honest, good customers who want to use a bank that doesn't rip them off. That's what excites me, because even if it means you've got to take a haircut as a reset in revenue, it is what it is. But, going forward, you have a real customer base and sustainability.

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

Okay. One quick follow up. I noticed that some of historical metrics, card metrics, cash transfer metrics et cetera were restated. What's going on with that?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

That, I don't know what that means. Jess, can you -- ? Restated in what way, Andrew?

Oh, you're talking about -- because we bought companies and bought portfolios, so can't -- in other words, we're no longer just the prepaid company. You have to sort of include now, GoBank, which hadn't been included before. That, now, has legitimate GDV. We now have an ever-increasing gift card portfolio that we need to sweep in, or should sweep in to give the size of our full network.

Then, what we did for the GDV at PPG -- a lot of initials here. That is large GDV. We did not include that, because that's really not consistent with the card portfolio, so that we keeping separate as a transaction metric. The explanation should be fairly obvious and logical to our investors. I would assume it is to you, too.

Was there a question about one them that did not seem logical?

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

No, just to clarify, you just pro formad the historicals?

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Yes, then what you do is you change the prior period to make sure that investors can see the apple-to-apple comparison. That's exactly right.

Andrew Jeffrey - *SunTrust Robinson Humphrey - Analyst*

Thank you

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

I think, operator, that does it. Unless my screen is wrong? Is there anyone else?

Operator

No, at this time we're showing no further questions.

Steven Streit - *Green Dot Corporation - Chairman, President & CEO*

Okay. Well, thank you for your time today on the call. I know there was a lot of data and a lot to share, but we wanted to give you a good, crisp review. Thank you, Mark, you did a fabulous job today. Tank you, everybody, for listening. We'll see you, I'm sure, on the conference circuit, shortly.

Operator

Thank you. That does conclude our conference for today. Thank you for your participation. You may now disconnect your lines.