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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the fourth-quarter and full-year 2012 First Data financial results conference call. My name is John and I will be your operator for today's call. At this time, all participants are in a listen-only mode. Following the prepared remarks there will be a question-and-answer session.

(Operator Instructions)

As a reminder, this conference is being recorded for replay purposes. I would now like to turn the presentation over to Mr. Chip Swearngan, Senior Vice President of Communications and Investor Relations of First Data. You may begin, sir.

Chip Swearngan - *First Data Corp - SVP, Communications and IR*

Thank you, operator, and good morning, everyone. Thank you for joining us for this financial results conference call. Today's call will be focused on First Data's fourth-quarter 2012 financial results. Ray Winborne, First Data's Chief Financial Officer, will be leading our call. And joining Ray with comments to answer your questions will be CEO Jon Judge.

Now please turn to slide 2 for some important information about the call. Our comments today include forward-looking statements, and we ask that you refer to the cautionary language in our Form 8-K that was filed today with the Securities and Exchange Commission for information concerning factors that could cause actual results to differ materially from those in the forward-looking statements.

We will also discuss items that do not conform to generally accepted accounting principles, and we reconcile those measures to GAAP measures in the appendix in this presentation and as part of our quarterly results press release, which can be found on our website at www.investor.FirstData.com. So with that, I will now hand the call over to First Data's Chief Financial Officer, Ray Winborne.

Ray Winborne - *First Data Corp - CFO*

Thanks, Chip. Good morning, and thanks for joining us. Today we released our fourth-quarter and full-year results. We had a solid year, delivering 3% top-line growth and 8% growth in adjusted EBITDA, despite a challenging macro-economic backdrop. We maintained cost discipline, holding expenses flat, and expanded margins 200 basis points to 36% for the full year. Negative foreign currency impacts took a point of growth off both the top and bottom line for the full year.

Over the past 24 months, we've tightened our alignment with customers, focused on innovation in a rapidly changing landscape, capitalized on regulatory changes, and adjusted our path to speed the benefits of forming the acquiring lines with Bank of America. We have been disciplined, prioritizing our spend to enable investments in areas of strategic priority, while de-emphasizing lower margin businesses. As a result, we have grown adjusted EBITDA over $400 million, or 20% since 2010, during a period of the slowest economic growth in decades. Last, but no less important, we have de-risked the balance sheet by extending the runway on debt maturities, refinancing over $18 billion since the summer of 2010.

For the full year, consolidated revenue was $10.7 billion, flat to 2011, as growth in merchant acquiring was offset by lower debit network fees. The full-year net loss attributable to First Data was $701 million, $185 million higher than the loss reported a year ago. Breaking that down, operating profit improved 14% or $132 million, but was more than offset by higher interest expense and a decline in non-operating income and expense. Mark-to-market losses on interest rate swaps as well as a prior-year gain from the formation of a joint venture drove that decline.

Adjusted EBITDA for the full year was $2.4 billion, up $187 million versus 2011, largely driven by solid growth in our RAS business. In addition, we grew adjusted EBITDA 6% in International and 2% in the Financial Services business.

Now moving to First Data's consolidated results for the quarter, starting on slide 5.

Consolidated GAAP revenue rose to $2.8 billion in the fourth quarter, up 3% or $69 million over the last year. 2 points of that growth was driven by higher debit network fees, the majority of which are margin-neutral pass-through fees. And the remainder is attributable to incremental software license fees.

For the fourth quarter, the net loss attributable to First Data was $179 million, compared to a loss of $69 million a year ago. The change was primarily due to the gain from the formation of a joint venture recognized in other income expense on the prior year, as well as a lower income tax benefit in the current period, due to the establishment of valuation allowances against operating loss carry-forwards.

We managed the business using adjusted revenue, which excludes certain items, including debit network fees, and conforms the presentation for other items. We believe this presentation is more meaningful in terms of understanding our performance, margins, and related operating metrics.

Adjusted revenue for the fourth quarter was $1.8 billion, up 1% versus last year, on growth in our global acquiring businesses. Adjusted EBITDA was $656 million, essentially flat compared to last year, on lower-revenue growth in the US acquiring business and margin pressure in the issuing business. Overall EBITDA margin clocked in at 37% in the quarter.

Now let's move to the segments performance, starting at Retail and Alliance Services on slide 6.

Revenue in the quarter came in at $931 million, up 1%, which translated into EBITDA growth of $418 million, up slightly versus prior-year, while margins remained steady at 45%.

Let's go to slide 6 and look at the revenue drivers in this segment.

In Merchant Services, which accounts for more than 70% of the RAS business, revenue was up $4 million or 1%, as growth in process volumes was partially offset by pressure on revenue yield. This quarter, we anniversaried the implementation of lower-debit interchange rates and additional advanced processing revenue. So while now fully reflected in our run rate, we aren't getting the tailwind of incremental growth from those initiatives that we experienced over the prior four quarters.

From a market perspective, the overall holiday season saw moderated spending. Same-store sales volumes for the quarter were up 5.4% versus last year. That's down about 1 point relative to the third quarter growth rate. The month of December saw the slowest consumer spending growth in three years and was particularly weak for smaller retailers, which directly affects our revenue yield.

First Data's normalized transaction growth was 6.4% in the fourth quarter, which is converging with reported growth as we begin to lap the impact of the more significant adjusting items. Normalized revenue per transaction was down 5.3% year-over-year, an uptick from what we saw in the third quarter, but still within the historical range we've experienced. Recall that revenue per transaction is an all-in revenue yield. It can be affected by a combination of factors, including merchant mix, pricing plans, merchant attrition, and contract renewals. In the quarter, volume skewing toward large national merchants and independent sales organizations, as well as the continued industry migration to interchange plus pricing plans, were the primary factors in the year-over-year yield compression.

Credit and signature debit mix remained relatively stable at 71%. As the chart shows, PIN debit transactions continue to out-pace credit and signature debit growth. This is occurring primarily in the large merchant space, and resulting in a slight negative impact to revenue, given the rate differential. As I have mentioned before, roughly 80% to 85% of our transactions are interchange plus fees, and the rest are spread-based or a percentage of the ticket. As you can see in the bottom-right quadrant of the slide, it increased a little under a percentage point to $68.83. The pressure from volume growth and lower average ticket verticals like quick-service restaurants is muted, as their percentage share relative to total volumes has stabilized.

Turning to product, revenue in the prepaid business was up 8% on increased usage in our open loop product. Revenue moderated sequentially, due to the early shipment of holiday-related card stock, more of which occurred in the third quarter this year. Card holders, transactions, and related revenue from our money-network payroll card continued to grow at a healthy clip as we penetrate the fast-growing segment of underbanked and unbanked consumers. As general purpose reloadable cards gained more and more interest in the marketplace, we like our payroll-based distribution model. It has proven to be sticky as normal employee turnover takes place, making it very efficient from a customer acquisition perspective.

Revenue in the point-of-sale business grew 1%, driven by continued double-digit growth in our leasing income, offset by a decline in terminal revenues on lower bulk sales relative to a year ago.

And finally, check processing revenues declined 7% year-over-year on 7% lower check volumes, driven by the secular shift to electronic payments. We continue to benefit from a large base of credit-rating data, which is helping us manage warranty exposure across the portfolio and maintain margins in this product.

Now turning to the results of the Financial Services segment on slide 8.

Revenue was down 1% compared to a year ago, on the divestiture of two small non-strategic businesses. Absent that impact, new business and volume growth were offset by lost business and price compression.

EBITDA decreased $12 million, or 8%, in the fourth quarter. This decline reflects higher technology and operations costs, the drivers of which I would categorize into three buckets -- high volume, increased security investments, and a shift in the mix of projects that resulted in lower rates of labor capitalization. EBITDA margin was 42% in the quarter. That's down 3% versus a year ago.

Let's take a closer look at Financial Services on slide 9. Processing revenue, which represents debit and credit card processing plus network services, was down 1% or $2 million, as lost business, including the lingering impact of Wells debit processing, and price compression, offset growth from new business and volume growth.

The growth in active card accounts on file reflects the March addition of the Kohl's portfolio. Absent the Kohl's business, active accounts were up 3%, following the continued recovery in consumer revolving credit. And card activity continues to grow, with the credit and retail transactions up 15% over the prior year. And we continue to see opportunity for future growth in this business. Organic growth in the card portfolios we service was up 7% in the period, while private label card portfolios where First Data is the industry-leading provider continue to generate strong interest among issuers.

Normalizing for Wells activity in all periods, total debit issuer transactions increased 6%, nearly two-thirds of which is attributable to a net volume increase from the implementation of a Durbin routing and exclusivity rules. Of the remaining increase, organic growth related to the ongoing shift from cash and checks to debit was partially offset by lower volumes from competitive losses.

While the benefit of Durbin-related transaction volumes declined this quarter relative to the trend, it continues to be a slight positive contribution to year-over-year revenue growth. We will continue to make volume and rate tradeoffs in this area, and closely monitor competitive activity in the market.

Moving to the other product areas, output services revenue was up 4% in the quarter on growth in plastic shipments, driven by new business and flat print volumes. And other revenue is down 10%, resulting from the divestitures I mentioned earlier.

Let's take a look at slide 10 for a review of International.

Our International business performed well, with growth in our acquired business and stabilization of revenue in our issuing businesses. On a reported basis, revenue for the fourth quarter was $462 million, up 5% or $20 million, on $15 million of incremental software license fees, and growth in merchant acquiring volumes.

EBITDA was $151 million, up 15% versus last year, while margin improved to 33%. Both of which benefited from the license revenue. Excluding the incremental impact of license revenue, EBITDA growth was closer to 4%, and margins would have been roughly 30%. Foreign currency impact in the quarter was negligible, knocking about 1 percentage point off the top and bottom line.

Turning to slide 11

Looking at revenue growth on a constant currency basis at each of the four regions of our International business -

Revenue in EMEA was up 2%, posting growth for the first time since the third-quarter of 2011. Merchant Acquiring grew, 5% on continued volume growth, partially offset by a 1% decline in the issuing business. Incremental revenue from software license fees in the current year were offset by the benefit of termination fees recorded in the prior year.

Asia-Pac revenue was up $4 million or 4%, as growth in merchant acquiring offset the impact of declines in issuing revenue. The year-end deconversion of an issuing customer drove the decline in accounts on file in the fourth quarter, shown in the chart on the bottom-right quadrant.

Revenue in Latin America grew $13 million or 23% in the quarter. About one-third of that growth came from software license fees, and the remainder from continued growth in transaction volumes, terminal sales, and higher pricing associated with inflationary pressures in Argentina.

Lastly, the growth in Canada is attributable to both new issuing business and higher acquiring volumes, partially offset by a conscious decision to reduce bulk terminal sales.

Slide 12 provides the roll-forward of cash. We had nearly $140 million in cash build in the fourth quarter, and ended the year with over $600 million in cash and cash equivalents. We had $1.8 billion in available liquidity and no borrowings outstanding on the revolver at year-end.

For the year, cash flow from operations was $767 million, or $2.5 billion before interest payments. Improving our cash efficiency remains a focus and we had another great year, generating over $100 million of incremental cash from specific working capital initiatives.

Cash interest payments were $368 million on the quarter, $180 million higher than last year, primarily due to the timing of coupon payments. For the full year, we made payments of $1.8 billion. You can find our 2013 quarterly projections of cash interest in the financial attachments to the press release.

We continue to invest in infrastructure and product, and improving our service capabilities, and strengthening security. Our capital expenditures for 2012, consisting primarily of equipment, capitalized software development and customer converging costs, totaled $370 million. And we will continue to invest for growth. Our capital plan in 2013 is targeted at 6% to 7% of adjusted revenue.

Other cash flows include $36 million related to the acquisition of a start-up software company that has developed a tablet-based point of sale system. This will be incorporated into additional solutions for small and medium businesses as part of our growing Universal Commerce product portfolio.

Now I would like to take a few minutes on First Data's capital structure on slide 13.

As you heard me note earlier, we generated significant cash flow. We have no covenant issues and we have plenty of headroom on our only financial covenant, which is the ratio of consolidated senior secured debt to consolidated EBITDA. Our current ratio is 4.1 times, which is comfortably under the covenant limit of 6.25 times.

We have ample liquidity sources, with cash on hand, a $1.5 billion revolver, and cash generated from operations. We have no significant debt maturities until September of 2015.

As you can see on the slide, our maturity ladder and liquidity profile has improved dramatically over the past two years. Since June of 2010, we have extended the maturity dates on $18 billion of debt and extended $1 billion of revolver capacity out to September 2016.

Using the current capital structure and forward curve, we are projecting interest payments of $1.8 million in 2013. That's in line with what we saw in 2012. We have a weighted average interest rate of 8% across the debt structure, and approximately 83% of our debt is fixed-rate, or swapped to fixed-rate, providing a measure of certainty from when interest rates eventually do begin to rise. Growth in EBITDA over the next two years will provide improved cash coverage, as we look to address upcoming maturities.

Finally, despite long runways before maturity dates, we have proactively managed the balance sheet to reduce risk and provide time to executing against our business plan. We have been opportunistic in when and how we have approached the market. And given past success, you can expect us to continue on that same path.

Looking ahead, the economic outlook remains uncertain. While employment is recovering, the housing market is showing signs of life, and gas prices are projected to come down from record highs in 2012, we expect consumer spending to remain under pressure in the near-term. The end of the payroll tax holiday and continued fiscal uncertainty in Washington gave consumers pause in the holiday season. We have modeled moderate economic growth in 2013, starting slowly and ramping in the back-half of the year. In terms of the first quarter, you will recall that we had an incredibly strong start last year, particularly in RAS. The benefit of unseasonably warm weather across the US and an extra shopping day for leap year contributed to strong retail sales growth, which will create a tough year-over-year comparable.

Now I will turn the call over to Jon Judge for his comments on the quarter. Jon?

Jon Judge - *First Data Corp - CEO*

Thanks, Ray, and good morning, everyone. Thank you for joining us today. I will be uncharacteristically brief, and then Ray and I along with Ed Labry and John Elkins will be happy to take your questions.

As you have likely seen from the news reports, we have made two important announcements over the past three weeks. On January 11, we announced that I am retiring from First Data for health reasons. While my plans had not anticipated such an early retirement, in discussion with my doctors, it seemed the only practical step, given my health issue and the need to make some lifestyle changes. I want to again thank the Board of Directors and the management team and employees for the support they have provided me. I will miss being part of First Data. It's a great Company and a terrific industry. And I have greatly enjoyed leading it for the past two-plus years.

In that announcement, we also said that I would continue running the Company until the transition plan was effected. Then last night we announced that the transition plan has been put in place and that we selected Ed Labry to act as our interim CEO until the search process is completed. As you know, Ed is currently the President of our North American business unit, and a terrific leader with nearly 30 years of experience in our industry. I'm a huge supporter of Ed's. And our Company is in very good hands with Ed in this position. And I feel very comfortable turning the reins over to Ed.

Now, to the original reason for this call, the fourth-quarter and year-end results. As you heard Ray describe, we're pleased to now count nine consecutive quarters of EBITDA growth through the fourth-quarter of 2012, and to end the year at $2.44 billion of EBITDA. This represents over 20% EBITDA growth across that nine-quarter period. I'm particularly proud that we have achieved that EBITDA performance despite a slow growth, post-recessionary economy. It represents steady progress against our goal of driving the incremental billion dollars of EBITDA to our annual run rate.

In closing, I would like to thank you and our investors for your support of First Data. This is a fantastic Company with a great future, and it has been a tremendous pleasure for me to be a part of it. With that I will turn the call back to Chip, and we will be glad to take your questions.

Chip Swearngan - *First Data Corp - SVP, Communications and IR*

Thank you, Jon. We have two quick ground rules for the Q&A portion of this call. Please limit your questions to one question and one additional follow-up in order to be fair to all participants. As we approach the end of our time this morning, I will let you know when we have time for one final question. Again, participating in the Q&A are Jon Judge, Ray Winborne, Ed Labry and John Elkins. So now, operator, let's schedule our first question.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Ana Goshko of Bank of America Merrill Lynch.

Ana Goshko - *BofA Merrill Lynch - Analyst*

Hi, thanks very much for taking the question. As you look forward to EBITDA growth in 2013, I wanted to ask you to give us a sense of where you see the drivers for that. And, more specifically, with regard to top line growth, do you expect outsized International growth as we're seeing in the fourth quarter results, relative to more muted RAS domestic results, given some of the headwinds you have on the transitory benefits of debit interchange? And then secondly, on the cost side, is this a cost-cutting story any longer? Because one thing I've noticed is even though you continue to project forward cost savings, as you mentioned, on a year-over-year basis, costs remain flat. So it really seems like you're re-investing the cost savings that you're achieving.

Ray Winborne - *First Data Corp - CFO*

Good morning, Ana, how are you today?

Ana Goshko - *BofA Merrill Lynch - Analyst*

Hi, good, thanks.

Ray Winborne - *First Data Corp - CFO*

Good. Let me address your first question, really, on a segment basis. Because you have to look at each of these businesses. It is a nice portfolio and some grow in certain quarters and some struggle in certain quarters. But with RAS, this business model is very dependent on the ebbs and the flows in consumer spending. So we're very closely aligned with the economy there. But when you look forward, the secular trends and the electronic payments is still firmly in place. We have got the strongest distribution model in the industry. And really, we're in a period of the most exciting innovation in this industry in decades. Mobile and tablets are going to transform that point of sale experience and open up some new revenue opportunities for us that we haven't been able to participate in, in the past. And eventually, this economy is going to strengthen, with housing starting to look up, employment starting to look up. And we are going to be well-positioned for that improvement when it happens. On the FS side of the business, yes, we see that as a low- to medium-growth business. And we will continue to manage the expenses there to generate EBITDA growth.

And you're right, within International, we have grown through some of the pressures in that issuing business and the losses that we incurred in the 2010 and 2011 period. So we do expect that to become less of a headwind. And the merchant acquiring business there, quite honestly, has continued to show good strength, despite some of the macroeconomic headlines that you've seen there. As far as the cost-cutting story, yes, I think I have been telegraphing this for a while. But this is not a cost-cutting story anymore. This is more about top-line growth, and taking advantage of the leverage in this business model. Now that's not to say we won't continue to be disciplined. Where we have focused our efforts now is in, not reducing costs as much as making sure we are prioritizing our costs and our investments. That's where a lot of focus you will see coming out of this Company in the next 12 to 24 months, is investing money where we need to in order to grow that top-line. But also just getting more and more efficient, like we will expect people to every year. Does that answer your question?

Ana Goshko - *BofA Merrill Lynch - Analyst*

Yes, thanks. And then if I can just ask a quick follow-up on your comments on the capital structure. If I have been keeping track of all of the activities correctly, I think there is about $500 million of revolver that remains, that is still due later this year, I believe in September. And wondering, do you feel that you need that revolver capacity? Because you've never come anywhere close to needing the amount of revolver capacity that you have. And is there a potentially a way that you could recycle that lean and debt incurrence capacity to term it out and use some of that cash to address some of your near-term maturities?

Ray Winborne - *First Data Corp - CFO*

Yes, no, absolutely. I'm pretty comfortable with the $1 billion that we've got extended out to September '16. We will look at options there. There are certain parties that like to jump into that revolver. So we haven't really made a final decision on whether we cap that up. But we would be able to use some of that capacity, to your point, if we let that expire later this year.

Ana Goshko - *BofA Merrill Lynch - Analyst*

Got it. And then also, Jon, I just wanted to wish you the best in the future.

Jon Judge - *First Data Corp - CEO*

Thanks, Ana, I appreciate that.

Operator

Franklin Jarman from Goldman Sachs.

Franklin Jarman - *Goldman Sachs - Analyst*

Great, thanks for taking my questions. I guess the first question I wanted to ask is, with regards to the RAS segment. You indicated that the revenue per transaction declined about 5.3% in the quarter. And that's after a 5% decline that we saw in the third quarter as well. And as I recall, this is slightly above the range that you guys have given us typically, in this 3% to 5% range. So I was just hoping you could provide a little more granularity behind this. I know you mentioned some of the shifts to interchange plus as well as ISO and national merchants played a factor here. But those themes have been present for some time. So was just curious, are we seeing something new weighing on RAS revenue per transaction? And if so, can you just provide a little more granularity behind it?

Ray Winborne - *First Data Corp - CFO*

Sure. Good morning, Frank.

Franklin Jarman - *Goldman Sachs - Analyst*

Good morning, guys.

Ray Winborne - *First Data Corp - CFO*

Your question is something we actually look at every month as we close out the results. And there isn't anything new there. As I've outlined, it is a combination of factors that affect that yield. So we haven't seen anything new in particular. But I would tell you, based off my comments, that small merchants did get hurt in the fourth quarter. So that merchant mix was a little heavier impact. But, again, not a completely new phenomenon if you look back at the last couple of years. Stepping back, as I look at the RPT, for the full year 2012, it is about $0.067 a transaction. If you compare that to 2011 full year $0.067 per transaction, roughly. So for the full year compression in '12, if you take the digits out, is 2.8%. If you compare that to the compression we saw in 2011, it was 5.5%. So it is actually improved for the full year as we move forward. But as you go forward, we continue to project and model that historical band of 3% to 5%. But all those components will affect that, and they can affect it positively and negatively. So that merchant mix being one of the big drivers.

Franklin Jarman - *Goldman Sachs - Analyst*

Got it, that's very helpful, thank you. And then as a follow-up, I was taking a look at the forecasted cash interest payments that you have in the press release, and having a tough time reconciling those with my bottoms-up model. So just curious. I know you have in the notes there that that contemplates the impact of further debt modifications or issuance of new debt. Is there anything in those forecasts that may not be included in your current capital structure? And if so, can you provide us with a few more details behind that?

Ray Winborne - *First Data Corp - CFO*

Yes, Frank, I can't answer off the top of my head. But I can tell you the calculation is based off of the current capital structure. So there is nothing else contemplated in those projections. The one fact I think may be tripping you up would be -- which forward curve? But I tell you what, we can take that one offline and show you what we've done to calculate that.

Franklin Jarman - *Goldman Sachs - Analyst*

Sounds great, thanks very much, guys.

Operator

Jeff Harlib from Barclays.

Jeff Harlib - *Barclays Capital - Analyst*

Just in Financial Services, can you just talk about some of the headwinds? I mean you've talked about decent transaction growth, but also price pressure. And can you talk about some of the headwinds there, and also how the renewals look like in 2013?

Ray Winborne - *First Data Corp - CFO*

Jeff, the renewals in '13 are pretty light. I think we've got 40% plus of that business locked up under contract through 2015. So nothing out of the ordinary popping up in '13. From a pricing compression standpoint, we've seen that in this business historically, and I think we will continue to see that going forward. What we've got to do and what we have been doing, is manage that with our sales force. It is a great product that we've got. It certainly had the right functionality in the market. And we've been pretty successful in bending that curve over the last 18 months and reducing that compression that we were seeing through the financial downturn.

Jeff Harlib - *Barclays Capital - Analyst*

Okay. And on the cash flow side, I noticed the net outflow for distribution of the noncontrolling interest net of equity income was less of a headwind in 2012. But can you talk about how we should look at that in 2013? The puts and takes on that line item? And also, any other unusual working capital items, plus or minus, you expect?

Ray Winborne - *First Data Corp - CFO*

Yes, when you look at 2011, 2012, and that distribution of minority interest, that is also affected by some of the working capital initiatives that we've put in place. So those distributions have been higher, but it is for a good reason. It is not just the income and cash earnings of those alliances. It is also some of the working capital benefit that is being distributed to both the minority partner as well as First Data. So that money is flowing then into the corporate coffers. Looking forward, I think you could probably take that average from the first couple of quarters of '12 on that minority distribution, and then that is going to grow with earnings in those alliances, that would be a decent way to look at the modeling there. And I think we're -- I will never say we're at end-of-job on working capital initiatives because we will continue to press there. But we've lined out some pretty significant benefits in the last two to three years there. So that will start to tick down as we move '13, '14.

Jeff Harlib - *Barclays Capital - Analyst*

Okay, thank you. And good luck to you, Jon.

Jon Judge - *First Data Corp - CEO*

Thank you.

Operator

Guy Baron from Deutsche Bank.

Guy Baron - *Deutsche Bank - Analyst*

Just a couple of questions. In looking at International, Ray, could you talk to the drivers? Which I guess broadly are really volumes, issuing and cost extraction. How much did each of those contribute to margin expansion year-over-year this quarter? And how much more growth and expansion do you think you can still get out of those categories independent of what might be going on at the macro level in those geographies?

Ray Winborne - *First Data Corp - CFO*

Let me answer your second part of your question first. As far as expanding the margin, we have had a target of 30% on that business for the last, I don't know, 2 to 2.5 years. If you will recall, those margins were sub-20% in 2010. So we've done a really good job of managing that business and growing those margins. As I've mentioned on past calls, getting north of 30% begins to be a challenge from a scale standpoint. It is just a different business. I mean, we're operating in 33, 34 countries. And you don't have those same economies of scale that you get here in the states, to get the 40% plus margins we're generating here. But I do believe we will continue to grow that margin. And jump to that 30% full year kind of level.

Looking at what generated the EBITDA growth year-over-year, you have to look at those software license fees separately. That is high-margin business, but that's not a predictable recurring stream. If you look up underneath, the margins grew at above 4%. They were 30% in the quarter. That 30%, we generally, in the fourth quarter have higher margins because we've got higher volumes there, and we're getting that scale. Those dip back in the first quarter with volumes and then grow through the year. But as far as the year-over-year growth on that 4%, obviously it does have the impact of the revenue growth and the scale you're getting there. Some of the cost saves that we have continue to monitor that business have been offset with investments. Almost dollar for dollar. We are continuing to invest in several areas in the business, including in Brazil and China -- I mean Brazil and India.

Guy Baron - *Deutsche Bank - Analyst*

Okay. And then if I could follow up on the growth question. In looking out, as EBITDA growth here starts to flatten out, and sounds like maybe goes negative in Q1. What are you currently thinking relative to the $2.8 billion to $3 billion EBITDA target by '14 that you laid out in the past? I know it is a little dated now, but does that target still stand? I know you touched on this, Ray, but really how do you really effectively grow, you know, 10% year-over-year from here? I mean, how much of that is really a function of macro and how much of it can you drive independently?

Ray Winborne - *First Data Corp - CFO*

Guy, I think it gets back to my answer to Ana's question. If you look at it business by business, and clearly, the biggest business we've got in here is the merchant acquiring business in the US, and it is closely tied to economic growth. So that -- we need that tailwind in order to get that $1 billion of incremental EBITDA. At the same time, we've made great progress on it the last couple of years. So you will see us continue to pull the levers, manage the business to the extent that we control it and influence it. And we will have to play by ear how the economy comes back and how consumer retail spending mix occurs.

Guy Baron - *Deutsche Bank - Analyst*

Okay. But any way to comfortably quantify order of magnitude, how much you can really do if you don't get that big pick-up in macro? I guess that's what I'm getting at. I know it is a tough question. But wondering how many levers you really have that are independent.

Ray Winborne - *First Data Corp - CFO*

We've got significant levers in sales and attrition and price compression and contract renewals. But I would be purely guessing, Guy, if I gave you a number as far as what the macro impact is. But I will tell you, it is a significant percentage, certainly in the acquiring businesses. Not so much in the issuing businesses. Those are more -- not as closely tied to consumer spending, but more around employment and credit issuance. But those are not -- don't quite fluctuate as much with the economy and the mix in spend.

Guy Baron - *Deutsche Bank - Analyst*

Okay, got it, thank you very much.

Operator

Manish Somaiya from Citi.

Manish Somaiya - *Citigroup - Analyst*

Good morning. It is Manish Somaiya from Citi. Good morning, Ray.

Ray Winborne - *First Data Corp - CFO*

Hi, Manish, how are you?

Manish Somaiya - *Citigroup - Analyst*

A couple of questions. One is, Ray, based on the macro outline that you gave us. Can you talk about the shift that would play out between credit, PIN debit and signature debit? And specifically, I guess, with new routing rules, can you talk about how Star is positioned? And is that something that you see as a long-term core portfolio business? Or is it something that you're probably better off divesting and using the proceeds for investments and growing the overall business? So I guess a couple of parts there.

Ray Winborne - *First Data Corp - CFO*

Manish, I've got Ed in the room with me. I'm going to throw that one over to him to get his thoughts on that.

Ed Labry - *First Data Corp - President, First Data - North America*

Yes, Manish. I think that we know when the announcement of Durbin came out -- which really, that was the mandate for multiple brands to come on the cards, we looked at that as a great opportunity to expand the Star Network. But it also put a very heightened competitiveness in the space. So I think that as it relates to Star, First Data is in a very unique position, because we are a large acquirer of merchant transactions. And so therefore, we have the ability to route those transactions to ourselves. We were very aggressive in the pursuit of new brands and new banks and relationships that were not in the Star Network, as some banks had to choose an alternative network. And we did very well. And I think that even though we don't report numbers for Star, independently, I can say we grew from 12 to 11, and our plan is to grow from 13 to 12. And so I think there is some other things that are taking place in the routing tables and other products that will continue to merge with the Star Network. So we continue to see it as a big business for First Data. And even though it is highly competitive in the marketplace, we continue to move forward.

Manish Somaiya - *Citigroup - Analyst*

And then, the original question on the shift between credit, PIN debit and sig debit, what are you seeing right now with the macro comments?

Ray Winborne - *First Data Corp - CFO*

Yes, I will tell you, on that, Manish, it is a blend of three factors. And it is really almost impossible to discretely discern the weightings. But if you look at the big drivers in that PIN versus sig and credit shifts. Banks are pulling back on the signature award programs. That's a pretty general statement. Some are going one way, some the other. Merchants are incenting PIN for both the security and a slight cost advantage. And then surveys have just shown that consumers actually prefer PIN, whether it be for security or speed.

Ed Labry - *First Data Corp - President, First Data - North America*

I think the only other thing that I'd say is, that as you watch the industry unfold, the floor limits continue to change from the associations, where they will allow PINless type transactions to occur, to data. Those are really mostly set in the $25, where the liability is set to the issuer. That is moving to $50. So I think you are going to see probably some movement again toward signature, that people will try to do before the associations will try to move transactions to signature. But I think this will give retailers a broader choice of what to do with those transactions at the point of sale.

Manish Somaiya - *Citigroup - Analyst*

And Ray, on the balance sheet, clearly you guys have done a good job in being proactive. Can you touch on the Holdco piece in particular? How should we think about the $1.75 billion that is currently outstanding at the Holdco level?

Ray Winborne - *First Data Corp - CFO*

That's a long way away, Manish. I'm focused on 2013. I'm just kidding you a little bit. That's a 2016 maturity. We're looking at your '15 unsecureds and then the '16 subs, dealing with those first, in order, before we will get to the Holdco PIK. There is a myriad of ways that we can deal with that Holdco PIK, but that is still far out on the horizon at this point.

Manish Somaiya - *Citigroup - Analyst*

Great, thank you so much. Jon, good luck to you.

Jon Judge - *First Data Corp - CEO*

Thanks, Manish.

Operator

Andrew Thau from GMP Securities.

Andrew Thau - *GMP Securities - Analyst*

Hi, thanks for taking the question. I was wondering what you guys have heard in the market about the potential impact of retailers being able to charge surcharges up to 4% for payments with the credit cards?

Ed Labry - *First Data Corp - President, First Data - North America*

Yes, Andrew, it's Ed Labry. Thanks for the question. I think that the large retail community is -- it is a highly competitive space. I think you've seen most of the big brands be out there and say that they're not going to pass the surcharges on to the consumer. It would make them less competitive in the market. And there is still the -- I guess there is still the battle between the ecosystem and payments about the expense and cost at the point of sale. And that will continue to play out in the marketplace. But I have not seen a mad rush of people that do that. I think you will have it in some particular cases. I think in smaller independent merchants. You see that they have the potential floor limits, or you know, you can't charge over a certain amount, and surcharging on credit is actually against the association laws. And we actually have seen people do that in the past. So I think that you will see it, and I think you will see it more in the small merchant community.

Andrew Thau - *GMP Securities - Analyst*

Thank you very much. Best of luck to you, Jon. That's it for me.

Jon Judge - *First Data Corp - CEO*

Thank you.

Operator

Thomas Egan from JPMorgan.

Thomas Egan - *JPMorgan - Analyst*

Good morning, thank you for taking my question. Just to follow up on the proactive refinancing that were you talking about. Was wondering if, when you consider the 2013 and the 2016 notes, I know there's -- I think the call drops down to par in September. So I was wondering, given the fact that the market is at record-low interest rates, how you think about potentially refinancing now, given the higher call-price versus in the fall when the call-price drops down? And then as a follow-up to that, if you could -- I'm pretty sure you've still got the $500 million second-lien basket that you could use to help refinance that. But what other baskets do you have, if you could refresh us on your ability to refinance with senior debt? Thanks.

Ray Winborne - *First Data Corp - CFO*

Sure. I will hit the second one first, as far as the calculation of the baskets in second-lien. As I've told you guys on these calls before, it is incredibly complex when you start going through our credit facility and the different indentures. There are lots of puts and takes and decision trees in there. So it is a little dangerous to throw out a broad number. But the $500 million number that gets thrown around a lot is in the right ballpark. But that's not the end-all, be-all answer as you move through that. It depends on the particular deal and how we structure it.

Going back to your first question, I think we have been pretty prudent in derisking the balance sheet for the last couple of years. You've seen us be very opportunistic. We've hit the market windows as they open. And you're right, we've got some call premiums on those 2015s, both the 9.875 and the 10.55s that step down in September. But I don't know that we will necessarily let that weigh in. It will obviously weigh in on the decision; it won't drive the decision. We are looking longer-term and really looking at derisking the balance sheet. But all that being said, we've got no significant maturities for over 2.5 years, so there is not a lot of anxiousness here as far as doing that. But we will continue to be proactive, yes. In the short run, job one is just to continue to grow EBITDA, expand that interest coverage and bring down the leverage ratios.

Thomas Egan - *JPMorgan - Analyst*

Thanks, and best wishes, John.

Jon Judge - *First Data Corp - CEO*

Thank you, appreciate it, Tom.

Operator

Jake Kemeny from Morgan Stanley.

Jake Kemeny - *Morgan Stanley - Analyst*

Hi, good morning. A question for you on some of these new mobile payment technologies. I think a lot of people look at them as potentially disruptive, and potentially adding more competition to you guys. You guys sound more optimistic about the opportunities. So I wanted to get your take on these new opportunities and where First Data fits and, the potential medium- or longer-term impact on the business.

Ed Labry - *First Data Corp - President, First Data - North America*

Yes, I will take that. Ed Labry. I think that we are in a changing environment, that it's been determined over the last couple of years and you've seen several companies emerge that are in our space. I think one of the things that when we go to any type of industry events, I think that the things that people will say about First Data is it gives us great opportunity to partner with these companies. Because the two things that we have are A, a large base, especially in the merchant community. And then of course, if you look at our financial institution partners and the distribution that we have, it is really unprecedented in the US. And I think you can even look at that in International as well, look at the companies that -- the successful companies that we do business with as a B2B partner. So as these opportunities come and new revenues that historically have not been in our space, I think if you look at the 25-year history of this, the opportunities for revenues for third-party payment processors have been the same five or six categories over the last several years.

As we move forward, I think you're going to see new revenue opportunities emerge. The money is being spent by companies. But they're being spent in other forms. And I think you're going to be able to see, as the consumer becomes more important to financial institutions and to businesses, there is going to be that opportunity of that is where these things are really connected more to individuals. And there will be that one-on-one exchange to banks to consumers, consumers to retailers. And I think that there is a great opportunity for First Data to participate. And literally every company that emerges in this space, we have dialogued to thinking and evaluating that to see if it fits in our strategic plan as we move forward.

Jake Kemeny - *Morgan Stanley - Analyst*

So from your perspective, you don't view these emerging technologies as necessarily a risk or replacing any of the transaction processing that you're doing? Is that correct?

Ed Labry - *First Data Corp - President, First Data - North America*

I'm not going to say that there is no risk. I think that we've got to look at this also as an opportunity. We've seen companies that have emerged in the payment space. Whether they're centered around offers and offers redemption. We've seen both merchants and consumers want to participate in that. And virtually, the shopping experience has changed pretty dramatically as people look for deals or coupons or discounts. That's not going to change, and will probably accelerate. So it probably doesn't look exactly like we thought it did four or five years ago, where the leather wallet would become the wallet inside the phone. But definitely the smartphone is being used in every shopping experience.

We've also seen the emergence of tablets or other types of dongles that are attached to the phone. I look at that as the evolution of what is happening in the ecosystem today. Just the evolution of terminals and payments. We've gone over the last 25 years to people that were looking in books and using telephones to authorizations, to terminals, to integrated solutions, and stand-beside terminals. And this tablet market really is just an evolution of the terminal market. Instead of it being a machine that simply did payments, you had to rent it, buy it, it was an expense every time you touched it. This new ecosystem and our next generation of point of sale can also be used to do other things. It's a combination of your inventory system, your time and attendance program, there's other programs and applications that will develop that creates opportunity for those companies that own the merchant contract, and own the merchant relationship. So we're pretty excited about the visibility of that, and not in the years to come, but really the short-term.

Jake Kemeny - *Morgan Stanley - Analyst*

Thanks. And then if I could just follow up on some of the EBITDA commentary. I just want to confirm, Ray, are you nudging us to a first-quarter 2013 EBITDA that will be down year-over-year, given some of those factors you mentioned, but growth in the back half of the year? So that year-over-year, the full-year EBITDA, you guys are budgeting to be higher than 2012? Is that how you guys are thinking about the business?

Ray Winborne - *First Data Corp - CFO*

You know, we don't provide the forward-looking guidance. I was just trying to point out that last year was a pretty strong start in the US, which is one of our bigger businesses. But you know, obviously we're looking to grow EBITDA in this business. That is the plan, and we will continue to do that.

Jake Kemeny - *Morgan Stanley - Analyst*

Okay. And then lastly, on the cap structure. If you guys needed to get more second-lien capacity, could you just go back to the first-lien credit holders and ask them to increase that $3.5 billion basket?

Ray Winborne - *First Data Corp - CFO*

Yes, but you can always go back to the well. It's just how hard is that, and what is it going to cost you.

Jake Kemeny - *Morgan Stanley - Analyst*

Understood.

Ray Winborne - *First Data Corp - CFO*

But that is one option. But there are some other options as well. There is some flexibility within the facility and the indentures to create some room in there.

Jake Kemeny - *Morgan Stanley - Analyst*

Great, thanks.

Chip Swearngan - *First Data Corp - SVP, Communications and IR*

This concludes our question-and-answer session. I would like to hand the call back to the speakers for any closing comments.

Ray Winborne - *First Data Corp - CFO*

Thank you, everyone, for joining us for today's fourth-quarter financial results call. We look forward to speaking with you in the future.

Operator

Thank you for your participation in today's call. This concludes the presentation. You may now disconnect.
