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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the second quarter 2013 First Data financial results conference call. My name is Brandon 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 Corporation - SVP of Communications & IR*

Thank you, operator, and good morning, everyone. Thank you for joining us for this financial results conference call. Our Chief Financial Officer, Ray Winborne, will lead the discussion of the second-quarter 2013 financial results.

Please turn to slide two for some important information about this 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 also will 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 in the Investor Relations section of our website at firstdata.com.

With that, I will hand the call over to Ray Winborne.

Ray Winborne - *First Data Corporation - EVP, CFO*

Good morning, everyone, and thanks for joining us today. We reported 2% year-over-year growth in adjusted EBITDA this quarter, a marked improvement relative to the decline in the first quarter. Given the overall strength in the first half of last year, we anticipated a tough comparison on the top-line again, but we see a moderately improving trajectory in the back half of this year on easier comps.

In terms of profitability, we delivered on our commitment, managing through near-term revenue pressures with targeted cost reductions, particularly in the issuing business.

The US economy continues its slow but steady recovery. Economic indicators have been largely positive of late, albeit with lingering uncertainty and related volatility. Retail sales reports continue to improve, with June reflecting our strongest same-store sales this year. June retail sales, excluding gasoline, automobiles and building materials, a closer gauge of consumer behavior, were up 4.1% year-over-year. U.S. housing and employment march onward, driving expanding consumer credit, which is good for our business.

In the near-term, our expectations are for similar economic trends, with much of the benefit to our business coming from the continued secular shift to electronic payments.

Now let's turn to the numbers, starting with the consolidated results on slide four. For the second quarter, consolidated GAAP revenue rose to $2.7 billion, up 1% or $24 million over last year. Growth was driven primarily by a $29 million increase in reimbursable debit network fees, postage and other, the majority of which are margin-neutral pass-through fees.

For the second quarter, the net loss attributable to First Data was $189 million, up from a year ago, due to an $86 million unfavorable change in the provision for income taxes. As a result of a change in our U.S. net deferred tax position earlier this year, we are no longer able to recognize a tax benefit on the current operating losses. The income tax provision does not affect cash taxes, and given our sizable net operating loss carryforwards, we don't expect to pay federal tax in the near future.

We manage the business using adjusted revenue, which excludes certain items, including debit network fees, and conforms to 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 second quarter was $1.7 billion. That is flat with last year, as growth in our acquiring businesses was offset by continued headwinds in our issuing businesses. Adjusted EBITDA was $633 million, up 2% compared to last year on lower operating expenses, which benefited from $8 million in lower incentive compensation accruals. Margins were unchanged in the quarter at 37%.

Now let's move into the segment performance, starting with Retail and Alliance Services on slide five. Revenue was $928 million. That is growth of 2% compared to last year. This translated into EBITDA of $429 million for the quarter, which was up 3%, benefiting from revenue growth and flat expenses. Margins improved to 46% for the quarter. That is up from 45% a year ago.

Looking at the revenue trend graph at the bottom of slide five, the growth over the first three quarters of 2012 reflected tailwinds from the implementation of lower debit interchange rates and additional BAMS processing revenue in late 2011. The growth over that period otherwise averaged closer to 3.5%.

Let's go to slide six for a closer look at the revenue drivers in this segment. In Merchant Services, which accounts for more than 70% of the RAS business, revenue was up 3% against a strong comparable period in the prior year. Same-store sales volumes grew 5%, a slight improvement over last quarter, after normalizing for the effects of leap year. Some of the sequential lift is seasonal travel-related spend, but discretionary purchases also ticked up. We saw volume improvement across both small and large merchants this quarter.

Transactions were up 6% in the quarter, the highest volume growth since 2011. Note that we've revised the transaction growth chart to adjust for duplicate counts on one of our platforms. The impact on growth rates varied from 30 to 170 basis points, but did not have any effect on previously reported revenue.

Revenue compression on a per-transaction basis was a little under 3% versus a year ago. Normalizing for the loss of some low-yield transactions, revenue per transaction was down 4%, in line with the recent trends that we have been seeing.

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, annual pricing actions and contract renewals. In the quarter, the net impact of these was partially offset by the benefit of network routing incentives.

Credit and signature debit mix remained relatively stable at 72%. As this chart shows, growth in PIN debit transactions continues to outpace credit and signature debit. This is occurring primarily in the large merchant space, and as a result, has a minimal impact to revenue given the modest rate differential.

The chart on the bottom-right quadrant of the slide reflects total average ticket, a broad indicator of consumer spend, and regional average ticket, a key indicator for revenue from spread-based transactions. While the regional average ticket increased 5% year-over-year to $76 and change, overall volumes for spread-based transactions were down, offsetting this rate lift.

The industry has continued the steady shift towards interchange- plus pricing plans, with roughly 85% of our transaction volume now priced on this method. So changes in average ticket are not as impactful on an overall merchant per revenue growth as they once were.

Turning to product, revenue in the prepaid business was up 9% on growth across all product lines. Our Money Network payroll card continues to grow from both increased activity and usage as well as the addition of new employer programs. Closed-Loop revenue increased, driven by double-digit transaction growth associated with increased usage and loyalty programs.

Revenue in the point of sale equipment business was down 2%. Growth in interest income from terminal leases was offset by lower equipment sales in our own distribution channels and a decline in bulk sales to external parties.

And finally, while we still process nearly $40 billion in check value annually, volumes declined year-over-year on the shift to electronic payments. We continue to manage expense in this line of business, supporting margins in the face of declining revenues.

Now turning to the results of the Financial Services segment on slide seven. While revenue remained under pressure, from a profitability perspective, this quarter's results clearly reflect the positive steps taken to streamline and simplify the organization.

Revenue was down 3% compared to a year ago, with two points of the decline driven by the divestiture of two small, nonstrategic businesses last year, and the remaining 1% relating to lost business and pricing that offset the benefits of new business brought on board, as well as organic volume growth.

EBITDA in the second quarter was $151 million. That is flat versus prior year. Despite the revenue headwind, EBITDA margin improved 160 basis points to 45%, driven by targeted cost reductions.

Let's take a closer look at Financial Services on slide eight. Processing revenue, which represents debit and credit card processing, plus network services, was down 3% in the quarter. Lost business, including the lingering impact of Wells debit processing, and pricing pressure more than offset growth from new business and higher volumes. Going forward, the Wells loss on both revenue and volume is behind us.

Within Bank and Retail Credit, active card accounts on file were 142 million this quarter. That's up 6% for the second quarter in a row. We continue to see opportunity for future growth in this business. Organic growth in the card portfolios we service is up 5%. And private-label card portfolios, where First Data is the industry-leading provider, are generating strong interest among issuers and consumer credit continues to grow.

Turning to debit volumes on the chart in the bottom-right quadrant, the decline after the second quarter of 2012 is driven by the loss of Wells debit processing business. Gateway activity, which represents volumes we switch on behalf of other networks, has ebbed and flowed post-Durbin as merchants adjust routing to different networks. The average rate on these transactions is significantly lower than the overall average, and therefore has less of an impact to revenue growth.

Absent the noise of these two items, transactions increased 3% as organic growth from the secular trend from cash to debit and credit offset the negative impacts of lost business and merchant-driven routing decisions. The lower growth rate relative to the trend on the chart is driven by lapping the new STAR network business we signed in connection with the implementation of Durbin non-exclusivity rules last year.

Competition for priority and transaction routing tables has been intense, and we expect that to continue. To maintain competitiveness in the network business, we will continue to make volume and rate trade-offs as we move forward.

Moving to the other product areas in this business, Output Services revenue was up 5% in the quarter on higher print and plastics volumes, while other revenue was down 10% to 12%, resulting from the divestitures I mentioned earlier.

Now to slide nine for a review of International. Revenue in our International business was $425 million, flat on a reported basis, as currency was an $8 million headwind, and the prior year benefited from a one-time $7 million software license fee. Absent these two items, revenue from underlying business was up 4% versus last year.

Merchant acquiring revenues were up 8% on a constant currency basis, as volume growth has proven resilient despite the difficult macroeconomic backdrop in Europe. Issuing revenue was down 3%, but as we move into the second half of the year, we will lap the majority of the issuing customer losses that have muted growth year to date.

EBITDA in this segment was $115 million, down $2 million or 2% versus a year ago, dampened by foreign currency impacts. EBITDA was up 1% on a constant currency basis, and margin came in at 27%. Expense growth of 2% on a constant currency basis was driven by higher acquiring volumes and inflationary pressures in Argentina.

Given the strength of the U.S. dollar, we anticipate currency translation will negatively impact year-over-year revenue and EBITDA growth for the second half of the year by roughly 2 and 4 percentage points, respectively.

Turning to slide 10, looking at the revenue growth on a constant currency basis in each of the four regions in our International business, revenue in EMEA, our largest region, was up $7 million or 3%, including a 290 basis point headwind from a one-time software license fee in the prior-year period. We will see a similar impact next quarter from license revenue recognized in the third quarter of last year.

Merchant acquiring related revenue was up 5% on growth in volumes, while issuing revenue was flat, as business lost in prior periods offset growth in volumes and new business.

The addition of two new customer portfolios was the primary growth driver in accounts on file this quarter. But because the conversions occurred late in the quarter, the revenue impact will not be felt until the third quarter.

Asia Pac revenue was down $7 million or 7% on lower volumes, primarily due to an unfavorable regulatory change affecting ATM placement and the loss of a large wholesale switching relationship in the fourth quarter of last year, when the customer decided to take the volume back in-house. The acquiring business, albeit a small piece of the overall region, is growing nicely.

Latin America revenue was up $10 million or 17% on growth in transaction volumes and terminal sales, as well as higher pricing associated with inflationary pressures in Argentina.

Lastly, revenue in Canada was down $1 million or 5%, primarily due to a decision to deemphasize lower-margin bulk terminal sales.

Slide 11 provides a roll-forward of cash. We ended the quarter with $363 million in cash and cash equivalents. We had $1.6 billion in available liquidity and no borrowings outstanding on the revolver at the end of the quarter.

Second-quarter cash flow from operations was $240 million, or $681 million before cash interest payments. Cash burn in the quarter included roughly $80 million of unusual items. The $144 million debt paydown includes $53 million in refinancing costs associated with the redemption of

$750 million of the 11.25% Senior Subordinated Notes back in May. The quarter also includes a $24 million final installment payment related to last year's acquisition of OmniPay.

You can find projections of 2013 quarterly interest payments in the financial attachments to the press release.

Capital expenditures for the quarter totaled $84 million, reflecting customer-related investments and further development of infrastructure, application and information security assets. We will continue to invest in the business. Our capital plan in 2013 is targeted at approximately 6% of adjusted revenue.

Now, I'd like to take a few minutes on First Data's capital structure on slide 12. As you heard me note earlier, we generate significant cash flow, we have no covenant issues and have plenty of headroom in our only financial covenant, which is the ratio of consolidated senior secured debt to consolidated EBITDA. The current ratio is 4.2 times, which is comfortably under the covenant limit of 6.25 times. We have ample liquidity sources with cash on hand, our revolving credit facility and cash generated from operations. We have no significant debt maturities until March 2016.

As you can see on the slide, we have dramatically improved our maturity ladder and liquidity profile. We've refinanced over $21 billion in debt maturities since August of 2010, including $2.5 billion year to date. In addition, we extended $1 billion of the revolver capacity out to September 2016.

Approximately $500 million of the revolver capacity is set to expire in September of this year. While no final decision has been made regarding replacing this borrowing capacity, we believe the remaining $1 billion is sufficient to meet our business needs. If we decide to let it expire and later change our minds, nothing prevents us from replacing the $500 million at a later date with a revolver or additional first-lien debt.

Due to the current capital structure and forward curves, we are projecting cash interest payments of $1.8 billion in both 2013 and 2014. We have a weighted average interest rate of 8% across the debt structure and 83% of our debt is fixed-rate or swapped to fixed rate, providing a measure of certainty as interest rates begin to rise.

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

Looking ahead, we do not foresee any major shift away from the modest improvements in U.S. housing fundamentals and employment levels, which are supporting expansion of credit and increased personal consumption rates. Internationally, the acquiring business continues to perform well amid tough economic conditions. While we cannot control the global economic environment, we will continue to execute our strategy.

Ultimately, success is going to be determined based on our ability to grow the top-line. While 2013 will be challenging from that perspective, we have a clear strategy and plans to accelerate future revenue growth.

The recent changes to our management team have not changed our strategic priorities, but they have enhanced our ability to drive execution. In addition, we have more closely aligned our employees' compensation with the financial performance of the Company. Frank felt strongly about giving all employees an opportunity to share in the success of the Company, and recently announced an extension of equity ownership to our entire employee base.

I am confident that the changes we are making today are transformational and will position this Company well to take advantage of the ongoing evolution in the payments industry that we are experiencing.

With that, I will turn it back to Chip and we will be happy to take your questions.

QUESTIONS AND ANSWERS

Chip Swearngan - *First Data Corporation - SVP of Communications & IR*

Thank you, Brandon. 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.

Now, Brandon, we can open up for our first question for Ray.

Operator

Thank you. (Operator Instructions). Frank Jarman, Goldman Sachs.

Frank Jarman - *Goldman Sachs - Analyst*

Great, thanks for taking my questions, guys. The first one is for Ray, and I would like to focus on the Financial Services segment, given the 45% EBITDA margin that you posted in the quarter, especially with the revenue still down.

Can you help us quantify the cost reduction actions that you took in the quarter maybe versus the impact of the divestiture on the EBITDA line? I guess the way I'm looking at it is revenues were down about $10 million year-over-year, but EBITDA was up $1 million. So I just want to better understand how we should think about that going forward.

Ray Winborne - *First Data Corporation - EVP, CFO*

Frank, we are really proud of the work that FS management team undertook in the last 120 days. As we mentioned on our last call, we were facing pressure down the top-line, which required some actions to be taken immediately. So they took a hard look at all the costs, as well as the structure, and thinned out layers, they combined functions and consolidated real estate. So these are real, sustainable changes in the cost structure.

And if you look at the overall change, about $2.5 million to $3 million of that expense reduction relates to those divestitures. So obviously, as we roll through that in the third quarter, you won't see any impact to EBITDA, because the revenue will also grow through that. So you will see less pressure on revenue and less benefit on expense, but no EBITDA impact, or very little.

Frank Jarman - *Goldman Sachs - Analyst*

Got it. And so are there additional expenses that you can take out of Financial Services going forward, or are the majority of the actions have already been taken?

Ray Winborne - *First Data Corporation - EVP, CFO*

I will tell you that a lot of the heavy lifting got done in the last 120 days. But with a lot of the reengineering effort that is being undertaken now with the new management team, as well as some of the supplier initiatives that we have underway, I'd tell you there's still always room to take out cost. There's always room to get better, and we will continue to strive to do that.

Frank Jarman - *Goldman Sachs - Analyst*

Okay, great. And then my second question is for Frank, and it's specifically related to the recent announcement you made to pay all of your employees bonuses and stock versus cash. And I guess my question is I'd just like to better understand how you are communicating the value of those shares and what your view is of their implied price, given you guys are still currently private and fairly levered.

Ray Winborne - *First Data Corporation - EVP, CFO*

Frank, I'm actually taking all the Q&A starting this quarter, the senior management is going to be focused on the business. When Frank came in, one of the first things he wanted to do is make sure all of their efforts and time were focused on customers and employees and making this a better place. So I will take the questions on the calls here going forward.

If you look at our compensation changes in policy, they are really centered around alignment of objectives, from the CEO all the way down to the front-line employees. And first, we are going to grant equity to all levels. That was a privilege that was previously reserved for the top 1% in this Company.

Second, for the management team, we are going to replace the cash component and the long-term incentive awards with equity. And we are going to pay a small percentage of the short-term cash incentives in stock going forward. And because of that new role equity is going to play in the total compensation, we have suspended the Company's match to the 401(k) for the year 2014.

So while this is dilutive to the existing shareholder base, we do believe this investment in our people is not only the right thing to do, but it's going to pay off for all the shareholders. When you talk about the valuation of it, obviously this is one of KKR's private equity investments, so it carries a mark on the investment each quarter. Obviously, not as volatile as a publicly-traded company that hits the board every day, but we do have a mark on the stock each quarter. So employees will be aware of what that's worth to them.

Frank Jarman - *Goldman Sachs - Analyst*

Got it. So you guys will be using the KKR share values that they include in their filings?

Ray Winborne - *First Data Corporation - EVP, CFO*

Yes, when you look at the underlying valuation components behind their valuation, it's using the same plan. So they obviously have access to our long-term plans that factor into that valuation.

Frank Jarman - *Goldman Sachs - Analyst*

Okay, great. Thanks so much.

Operator

Jeff Harlib, Barclays.

Jeff Harlib - *Barclays - Analyst*

Good morning. Just more broadly on cost savings, I see the 12-month add-back increased again from $178 million to $212 million. Aside from the shift from cash to stock compensation, under the new CEO's direction, are there more significant actions in other areas that are being implemented? And if you can talk a little bit about those and also if you can quantify the realized cost savings in the current quarter.

Ray Winborne - *First Data Corporation - EVP, CFO*

Yes, Jeff, taking a look at that calculation, let me just give you the components with the numbers around it. That might be helpful in your question.

If you look at the $212 million of projected near-term savings, about $60 million of that are these compensation model changes that I just discussed. About $50 million annual run rate is the restructuring that we did in the second quarter. So a lot of that focused around the FS business in the U.S., but that was truly across the board reengineering and restructuring.

We've still got about $35 million in procurement savings. Those are achieved, and then new initiatives go on the board nearly every month. About $35 million in operating efficiencies. And yes, those apply across the board, anything from product development, productivity, moves to low-cost locations, service, delivery, optimizing call centers, all those normal operating efficiencies that we squeeze out of the business.

And then the last big bucket is BAMS, both revenue and expense synergies that we continue to get out of that alliance, or about $25 million. So that's the vast majority of the $200 million.

When you look at the change quarter to quarter, new initiatives were about $100 million, the biggest being that compensation model change. Achieved savings, we are in the $50 million range, the vast majority coming out of operating efficiencies and procurement savings. But each of those major categories obviously contributed.

And then the last component within there was about $18 million in normal changes in estimate. Because these are forward-looking 12-month estimates of future cost savings, we look at that on a quarterly basis and true up estimates where we need to.

Jeff Harlib - *Barclays - Analyst*

Okay, that's very helpful. Can you talk a little bit about the EU legislative proposal to regulate interchange fees also requiring the unbundling of pricing and any potential impact on your European business?

Ray Winborne - *First Data Corporation - EVP, CFO*

Yes, obviously, when we look at our European business, it's a $1 billion-plus revenue stream. But only about half of that business is acquiring. The other half is the issuing business. And when you dig into acquiring, it's not all spread-based revenue-driven. There are terminals and fees and other minimums. So that gives you a little bit of context on that business and the impact.

Looking back at the proposals that are out there, obviously, they are worthy goals of enhancing competition and reducing the cost of payments and increasing commerce across borders. Based on the quick read, this is incredibly complicated and it's a broad measure that is going to take a lot of time, probably measured in years, before they are going to arrive at answers, because there are varying impacts of the different industry players and payments.

I would tell you, at least based off an initial proposal, I'd say we are on the lesser end of those impacts. But there's still a lot of work to be done to gauge the impacts on our business at this point.

Jeff Harlib - *Barclays - Analyst*

Great, thank you.

Operator

Manish Samira, Citi.

Manish Somaiya - *Citi - Analyst*

Good morning, Ray. Congratulations on a good quarter.

Ray Winborne - *First Data Corporation - EVP, CFO*

Thank you.

Manish Somaiya - *Citi - Analyst*

A couple of things. I guess from a high-level perspective, just kind of going back to Chase Merchant Services, do you think if that venture is successful that that would potentially mean that large issuers may want to have their own acquiring arms?

Ray Winborne - *First Data Corporation - EVP, CFO*

I think there's been a lot of speculation since that announcement was made. Again, there hasn't been a lot of details. There is little details here and there being leaked into the market, but still not a lot to go on, other than it's effective in 2014 and we suspect there was a nice monetary incentive for Chase in there.

But there are some appealing things around that agreement, I think, for other issuers. It does open up a big opportunity for loyalty at the point-of-sale. It makes that a little easier to do. Not that that functionality is not available today. In fact, that's one thing that First Data can provide to its partners.

Whether they feel like this is an opportunity or a strategic direction to start acquiring, or M&A on the acquiring side, I haven't heard that kind of noise at this point. Obviously, we feel good about our position, given the relative investments we got in those entities and our partnerships going forward. And what we are working on now is just to continue to help them have this same functionality in the market.

Manish Somaiya - *Citi - Analyst*

And then just to kind of follow up on that, when we talk to acquirers and merchant processors like yourselves, everyone's focused on providing value-add services around data and analytics, loyalty programs, as you mentioned. And again, I mean, I know you guys have talked a bit about this, but maybe if you can refresh us as to how you would differentiate yourselves in the market and what are sort of the core advantages that you have that others may not.

Ray Winborne - *First Data Corporation - EVP, CFO*

I think it boils down to one important thing with our competitive advantage, which is distribution. When you look at our financial partners and the bank referrals that we have, it is second to none, not only in the U.S., but in the world. So bringing that technology, which obviously we want to have a differentiated product as well, but having the distribution we have got and the size of the base that we have got is what makes us believe we are going to be successful in that market.

Manish Somaiya - *Citi - Analyst*

And then just one last thing, Ray, on the margins. The RAS business had pretty strong margins at 46%. What do you think is the potential margins in that business once you kind of see spending and mix improve? I think on the International side, you have said about 30% is what you would expect. But on RAS, domestically, because you are so integrated, is there potential for higher margins once we see the mix and spending improve?

Ray Winborne - *First Data Corporation - EVP, CFO*

When I look at the level of margins that we are generating in that business right now, they are pretty attractive. As far as future expansion around that, this is an operating model that is very advantageous. If you can grow the top-line, the expenses are relatively fixed. Obviously, there are variables in there. But we can still continue to get some expansion there. But I don't expect that to be the kind of four or five percentage point expansion as we move forward, even with some lift in the revenue line item.

Because of your previous comment, for the most part, you are going to continue to see rate pressure on the core product of acquiring. We are going to be introducing new products that in some cases are going to have upfront investment around them, or they may be at a lower rate, that won't be able to take full advantage of the operating structure. So you could see some pressure offsetting the increase in revenue.

Manish Somaiya - *Citi - Analyst*

Okay. Well, thank you so much, guys.

Operator

Thomas Eagan, JPMorgan.

Thomas Eagan - *JPMorgan - Analyst*

Good morning, thanks for taking my question. I have two. First is, Ray, it seems like there's been some anecdotal information out there about the all-in cost plus pricing migration, and that it's actually accelerated a little bit over the last year, just because there's been New Age guys out there who aren't necessarily taking share, but they are raising awareness to smaller merchants of the kind of pricing plans that exist. And that because things have slowed down a little bit due to the economy that there's a little bit of a dogfight going on for some of that business, and that some of those merchants had migrated much more quickly than maybe they would have otherwise.

I know you said roughly 80% of your business doesn't rely on that any longer. But could you just maybe comment on that? And then I have a follow-up.

Ray Winborne - *First Data Corporation - EVP, CFO*

Yes, as one of my comments, I noted about 85% of our transactions are priced on interchange plus prices. When you look at that 15% that's remaining and spread-based, it's still a very valuable revenue stream. And you are right as far as the competitive impacts here. This has been a competitive business. I would tell you that nothing has really changed there.

Has it accelerated? I'd say we have seen some pressure on pricing transparency, but it's really not a new trend. If you go back and look at our rate compression for the last two years, even further maybe, this is not a new phenomenon.

Thomas Eagan - *JPMorgan - Analyst*

Okay, thank you, that's helpful. And then the question that I probably get the most from investors, so we bring it up to you from time to time, is your thoughts about how -- since you have done a pretty good job dealing with the capital structure so far and chipping away at it, and you always say that you are not going to sit on your laurels, how do you think about the Holdco PIKs in particular. You have done a little bit on the subordinated notes, but you haven't really done anything on the Holdco PIKs. Could you give us some thoughts about how you deal with those down the road.

Ray Winborne - *First Data Corporation - EVP, CFO*

Yes, start with the fact that we've still got plenty of runway there. Those are out in September 2016. And generally, I don't like to get into specifics on any particular tranche of debt. But I will suffice to say we got several paths. We have been in negotiations and discussions about addressing that debt well before the maturity date, and just given the runway we have got, I feel pretty confident in our options.

Thomas Eagan - *JPMorgan - Analyst*

Great, thank you very much.

Operator

Arun Seshadri, Credit Suisse.

Arun Seshadri - *Credit Suisse - Analyst*

Hi, thanks for taking my questions. I just wanted to ask you, on the RAS business, just want to make sure I understood it right. I see the flow-through to EBITDA is almost 100%. Should we exclude the incentive compensation accruals and so the flow-through is more like $6 million or $7 million on the $14 million revenue increase year-over-year?

Ray Winborne - *First Data Corporation - EVP, CFO*

No, within that segment, that compensation accrual was probably in the $2 million range.

Arun Seshadri - *Credit Suisse - Analyst*

Okay. So then you saw an extremely high flow-through to earnings. Is there anything else sort of one-time flowing through there, or is it $12 million on $14 million looks like sort of a very high flowthrough?

Ray Winborne - *First Data Corporation - EVP, CFO*

Yes, as you know, when you look back through the years, the flow-through in this business ebbs and flows. Sometimes it's a little on the lower end, sometimes it's on that higher end. But generally as we model going forward, we look at flow-through in the 60% to 70% range. But it's not unusual to see a 100% flow-through, depending on the revenue mix.

Arun Seshadri - *Credit Suisse - Analyst*

Okay.

Ray Winborne - *First Data Corporation - EVP, CFO*

I wouldn't point out any other expense items that come to mind.

Arun Seshadri - *Credit Suisse - Analyst*

Okay, that's fair. I appreciate that. And then in terms of what you talked about regarding a broad outlook in Q1, any changes to your outlook that you disclosed in Q1 for all the different segments? I mean outside of the International, the disclosure around foreign-exchange impacts and International? Otherwise, broadly the same?

Ray Winborne - *First Data Corporation - EVP, CFO*

Yes, broadly the same guidance I gave then and in my earlier comments.

Arun Seshadri - *Credit Suisse - Analyst*

Okay, that's great. That's all I had. Thank you.

Operator

Guy Baron, RBC Capital Markets.

Guy Baron - *RBC Capital Markets - Analyst*

Good morning, Ray. Just had a quick question here, a couple of follow-ups too, since I'm the last one, I guess.

My first question is with Frank on board now, what's the latest thoughts on where to focus strategic growth? I mean, how important is it to have an ability to invest, to acquire in sort of some of these key growth areas or technologies that he talked about on the last call? Is that an area of concern? And then conversely, are there any sort of fresh looks or evaluations of parts of the business that you might consider monetizing?

Ray Winborne - *First Data Corporation - EVP, CFO*

As Frank came on board, I've obviously spent a lot of time with him. He really feels like we've picked up some first-round draft choices here, with him and some of the team he has brought with him. These are some senior leaders in one of the best-run banks in the world.

They've got the C-suite relationships with our largest customers and vendors. They've introduced a new operating cadence. And I will just tell you, the level of intensity has clicked up a few clicks north of where it was, and there's a real sense of urgency to grow this business.

So back to your question of have our strategies changed, no. What you are seeing is tighter execution of the basics of the business, while at the same time going after the top-line growth. So none of that has changed with this new team coming in. I think the only thing I would say has changed is the intensity and the focus on execution.

Guy Baron - *RBC Capital Markets - Analyst*

Okay. And then you've talked about second-half growth and you sort of alluded to it. And maybe I missed this, but what specifically is driving that growth? And I guess just along that, do you think you are going to generate cash from here through the rest of the year?

Ray Winborne - *First Data Corporation - EVP, CFO*

When you look at each of the businesses, it's a little different story. I'll start with the FS business. As I've highlighted, we divested a couple of businesses last year in the second and third quarter. So we are growing through those now as we enter the back half of the year, so you won't see that pressure. In addition, we have obviously taken those cost reduction items or actions that will help on the back end.

Within the International business, it's customer losses that we've been growing through, so we will lap those as we move into the back half. So you don't have the same level of pressures.

In addition, we've boarded new business; we have been winning in the market. So you will see some uplift from that.

And then lastly, in the RAS business, it was really about the comps. If you go back and look at the first half of 2012, it was out of the park from a volume perspective. So we were facing some pretty tough comps as we moved through the first half. Those obviously get a little easier as we move through the back half.

That, along with our expectations of continued recovery in the macro, are what's behind our guidance.

Guy Baron - *RBC Capital Markets - Analyst*

Okay. Do you have any ability to bracket the benefit from some of those new pieces of business coming in?

Ray Winborne - *First Data Corporation - EVP, CFO*

No, because I don't want to get into specific customers. But when you step back and look at the size of this business, no one piece is going to be material on almost $7 million in revenue.

Guy Baron - *RBC Capital Markets - Analyst*

Okay. And then just final quick question, just a follow-up on the cap structure. Do you necessarily have to deal with the Holdco before -- sorry -- other way around. Do you have to deal with the remaining subs before you deal with the Holdco?

Ray Winborne - *First Data Corporation - EVP, CFO*

No, we are looking at both opportunistically. But there's no sequencing that needs to take place with that.

Guy Baron - *RBC Capital Markets - Analyst*

Okay, all right. Thanks very much.

Ray Winborne - *First Data Corporation - EVP, CFO*

Certainly.

Operator

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

Chip Swearngan - *First Data Corporation - SVP of Communications & IR*

Thanks, operator, and thanks, everyone, for joining us for today's second-quarter 2013 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.