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CORPORATE PARTICIPANTS

Rich Wilhelm *First Data Corporation - Director of IR*

Ray Winborne *First Data Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

Arun Seshadri *Credit Suisse - Analyst*

Frank Jarman *Goldman Sachs - Analyst*

Jeff Harlib *Barclays Capital - Analyst*

Sundar Varadarajan *BNP Parabas - Analyst*

Guy Baron *RBC Capital Markets - Analyst*

Thomas Egan *JPMorgan - Analyst*

Jake Kemeny *Morgan Stanley - Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the fourth-quarter 2013 First Data Financial results conference call. My name is Christine and I will be your operator for today's call. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the presentation over to Mr. Rich Wilhelm, Director Investor Relations of First Data. You may begin.

Rich Wilhelm - *First Data Corporation - Director of IR*

Thanks, Christine, 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 fourth-quarter 2013 financial results.

Please turn to slide 2 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 on our website at www.investor.FirstData.com.

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

Ray Winborne - *First Data Corporation - CFO*

Good morning, everyone, and thanks for joining us. It is a new First Data, we are in the midst of a transformation. Building blocks are being put into place to return the Company to profitability. We are rolling out new product solutions, revitalizing the salesforce and targeting new large client relationships.

We are also setting a higher expectation of managers and expanding our collaboration with strategic partners in order to capture market opportunities and exploit our many competitive strengths. And significantly, we are creating a culture of ownership by extending equity to all employees.

We are busy preparing for the full commercial launch of Clover Station. This is more than a tablet, it is a flexible open cloud-based platform. It enables us to deliver business solutions for merchants from loyalty to analytics, to productivity tools all integrated at the point of sale. With opportunities to attract third-party developers to this platform, we are confident Clover could be to the point of sale business what smartphones were for the mobile consumer.

We will be rolling out Perka, a mobile marketing and consumer loyalty platform designed for small and medium businesses to both our existing merchant base as well as to new Clover merchants. And we are expanding into new geographies. With the recent announcement of an acquiring alliance in Brazil, we are entering one of the fastest-growing payments markets in the world. Our partnership with local banking cooperative, Bancoob, will provide ready access to an existing base of merchants and sponsorship to expand into other states within Brazil.

Beyond setting the stage for growth, 2013 marked the completion of the significant refinancing effort started nearly 3.5 years ago. With the refinancing of over $4 billion in debt last year including unsecured and subordinated bonds, we have now extended maturities on all of the debt that originated in the LBO in 2007 validating access to capital and our ability to roll the debt.

Now moving to the operating results on slide 4. For the full year consolidated revenue was $10.8 billion, up 1% on growth in debit network fees. The full-year net loss attributable to First Data was $869 million, up from roughly a $700 million loss reported a year ago. Inside of that an overall improvement in results was more than offset by a $300 million plus unfavorable change in the provision for income taxes.

As a result of a change in our US net deferred tax position, we are no longer able to recognize a tax benefit on the current operating losses leading to the change in the tax provision from a benefit to an expense on our P&L. The income tax provision does not affect cash taxes and given our sizable net operating loss carry-forwards, 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 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 and adjusted EBITDA for the full year were $6.8 billion and $2.45 billion respectively largely flat to prior year as organic volume growth was offset by rate pressure and attrition.

Turning to slide 5, for the fourth quarter, consolidated GAAP revenue was $2.8 billion, up 1% or $40 million over last year driven by an increase in reimbursable debit network fees, postage and other, the majority of which are margin neutral pass-through fees. For the fourth quarter, the net loss attributable to First Data was $123 million compared to a loss of $179 million last year driven by a $44 million favorable change in the provision for income taxes.

Adjusted revenue for the fourth quarter was $1.8 billion, flat year-over-year. Adjusted EBITDA was $669 million, up 2% compared to last year. Our core acquiring business globally continued to be the primary driver of revenue growth while EBITDA benefited additionally from expense reductions taken in the US issuing business. Margins were 38%, up 1 point year-over-year and sequentially versus the third quarter.

Now let's move into the segment performance starting with Retail and Alliance Services on slide 6. Revenue was $933 million, flat compared to last year while EBITDA was up 4% to $436 million on lower expenses. Margins were 47% for the quarter, a 2 point improvement over last year.

As for expenses, while some improvement is attributable to lower variable revenue related declines, there is a more positive story here. Through disciplined resource allocation, we took our costs in the core operations and used those savings to fund our product investment strategy including tablet, loyalty and analytics. You can't invest in growth without increasing expenses.

Looking at the revenue trend graph at the bottom of slide 6, the growth over the first three quarters of 2012 reflect the tailwinds from the implementation of lower debit interchange rates and the additional BAMS processing revenue we took on in late 2011. The growth over that period otherwise averaged closer to 3.5%.

Let's go to slide 7 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 2% on volume growth offset by lower yield. From a macro point of view, same-store sales volumes grew 5%, a roughly 1 percentage point decline relative to the third-quarter growth on generally weaker growth across most merchant categories. Volume growth was relatively balanced across small and large merchants with the former growing slightly slower than the overall average.

First Data's reported transactions were up 4% in the quarter, a roughly 100 basis point decline relative to the third quarter. Yield compression on a per transaction basis was down 2.5% versus a year ago. Normalizing for the loss of some low yield transactions, compression was at the low end of the historical range of 3% to 5%.

As I have said before, 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 we received as an acquirer.

Credit and signature debit mix held relatively steady in the quarter at 71%. As the chart shows, growth and 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 has increased 3% year-over-year to nearly $77, overall volumes for spread based transactions were down year-over-year offsetting this rate lift. The industry is generally shifting toward interchange plus pricing plans with roughly 85% of our volume priced on this method. As a result, changes in average ticket are not as impactful on overall merchant revenue growth as they once were.

Turning to product, revenue on the prepaid business was up 2% on continued strength and open loop processing offset by a decline in gift card shipments due primarily to timing. Our money network payroll card continues to deliver double-digit growth from increased activity in usage as well as the addition of new programs. We are leveraging the product capabilities and new market segments and continue to see significant opportunity for growth given the population of unbanked and underbanked consumers.

Revenue in the point of sale business was down 1%. Growth and interest income and fees on terminal leases was offset by lower terminal sales in our own distribution channels and a reduction in bulk sales to external parties.

And finally while we still process nearly $40 billion in total check value annually, volumes in the check processing business declined year-over-year on the shift to electronic payments. A large portion of the costs in this business are directly variable to revenue helping to mitigate the decline in EBITDA.

Now turning to the results of the Financial Services segment on slide eight. A nice story here is revenue increased 2% versus last year. Absent the impact of the divestiture of two small nonstrategic businesses in the back half of last year, revenue was actually up 3% this quarter. This is the best growth we have seen in this business since the end of the recession as benefits of new business brought on board and organic growth and volumes have outpaced lost business and pricing impacts.

Expenses in this segment were down 10% or $20 million of which nearly half are structural reductions in costs achieved by changing the way we do business without impacting customer delivery. You can see the benefit of these cost reductions and the steady improvement in EBITDA reflected on the chart. EBITDA in the fourth quarter was $171 million, up 17% or $25 million and EBITDA margin improved to 48% in the quarter.

Slide 9 provides more detail of the products and volumes of the financial services business. Processing revenue which represents debit and credit card processing plus network services, was up 2% in the quarter with strong growth in credit and retail processing mostly offset by a decline in debit processing revenue.

Within credit card and retail processing, active card accounts on file were 160 million this quarter. That is up 14% reflecting the benefit of boarding a couple of new portfolios in the third quarter. Organic growth remained solid at 6% on higher card issuance and credit usage. At the end of the quarter, we had 665 million cards on file representing portfolios for some of the largest issuers in the US.

Turning to debit volumes on the chart in the bottom right quadrant, transactions were flat year-over-year as growth from the secular shift from cash and check to debit was offset by attrition in the debit processing business and merchant driven network routing decisions. From a revenue perspective, debit was down year-over-year due to price compression and a changing mix of transactions between signature debit and network transactions.

Moving to the other product areas in this business, output services revenue was up 5% on a better mix of business as volumes were flat to down. And other revenue was down 2% resulting from the divestitures I mentioned earlier.

While I am on the topic of the plastics business, during the quarter, we signed a long-term strategic partnership with Oberthur Technologies to manage and promote EMV chip and PIN cards in the United States. Oberthur is one of the world's largest providers of security and identification solutions based on smartcard technologies. This partnership will help us deliver a comprehensive EMV solution that bolsters our existing EMV offering.

And finally, we renewed over 450 contracts with financial institutions this quarter, our strongest quarter of the year.

Now to slide 10 for a review of international. Revenue in our international business was $454 million, down 2% or $8 million versus a year ago but the headline doesn't tell the story. Absent currency headwinds and software license fees recognized in the fourth quarter of 2012, revenue from the underlying business was up 4% continuing the recent trends. Merchant acquiring revenues were up 7% on a constant currency basis as strong volume growth continues despite the difficult macroeconomic backdrop in Europe. Absent the grow-over impact of the prior-year software license fees, issuing revenue grew for the second straight quarter after experiencing more than two years of year-over-year declines.

EBITDA was $134 million, down 12% or $18 million compared to a year ago. $15 million of the $18 million decline is attributable to the software license fees in the prior period while foreign currency was an additional $4 million headwind.

Finally, dilution from investments in new geographies, products and services plus the impact of one-time expense benefits in the prior year also put pressure on year-over-year growth in EBITDA. Margin for the fourth quarter was 29%, down 340 basis points primarily for the reasons I highlighted.

Turning to slide 11, looking at revenue growth on a constant currency basis in each of the four regions of our international business, revenue in EMEA, our largest region, was up $10 million or 4%, strong growth considering a 400 basis point headwind from the software license fee in the prior period.

Merchant acquiring related revenue was up 9% on growth in volumes. Issuing revenue was down 2% but adjusting for the one-time license revenue from last year, revenue grew 6% on organic volume growth and new business. Asia Pac revenue was down $11 million or 10% on lower ATM volumes, a reduction in switching fees and the loss of a large wholesale switching relationship in the fourth quarter of last year.

While volume growth has accelerated, revenue in the acquiring business declined 2% due to favorable adjustments in the prior year and the effect of lower net pricing over the last 12 months.

Revenue in Latin America was up $4 million or 6% on growth and transaction volumes and terminal sales as well as higher pricing associated with inflationary pressures in Argentina, home to our largest business in the region. Adjusting for the prior-year software license fee, revenue was up 15% in this segment, more in line with the recent trends we've seen.

You have seen recent news of a decline in the value of the local currency in Argentina. To provide some context our Argentine operation generates less than 3% and 4% of adjusted revenue and adjusted EBITDA respectively. During January, the official rate for the peso depreciated by approximately 20%. This will result in lower revenue, expenses and earnings when translated back into the US dollar.

The ultimate impact will depend on adjustments in the local market including potentially higher prices for our products and services. As of December 31, we held approximately $60 million US equivalent in country due to the currency restrictions imposed by the local government.

Lastly, revenue in Canada was down $1 million or 2% driven by client loss as well as a de-emphasis of low margin bulk terminals sales.

Slide 12 provides a roll forward of cash. We ended the quarter with $425 million in cash and cash equivalents and $1.1 billion in available liquidity. We had no outstanding borrowings on the revolver at the end of the year. For the year, cash flow from operations was $673 million or $2.45 billion before interest payments.

Improving our cash efficiency remains a focus and we had another good year generating over $50 million in incremental cash from specific working capital initiatives. Fourth-quarter cash flow from operations was $341 million or $642 million before cash interest payments. Cash interest payments were $301 million in the quarter, approximately $67 million lower than last year primarily due to the timing of coupon payments. You can find our projections of 2014 quarterly interest payments in the financial attachments to the press release.

The $81 million fourth-quarter net debt paydown shown on the slide includes $55 million in proceeds from accrued interest funded in connection with our recent refinancings. This amount will be repaid to noteholders in the first quarter 2014 coupon payments. We continue to invest in infrastructure and product, improving our service capabilities and strengthening our security. Our capital expenditures for 2013, consisting primarily of equipment, capitalized software development and customer conversion cost totaled $379 million. And we will continue to invest in the business. Our capital plan for 2014 is targeted at approximately 6% of adjusted revenue.

Now I would like to take a few moments on First Data's capital structure on slide 13. We have ample liquidity sources with cash on hand, our revolving credit facility, and cash generated from operations. We have no covenant issues and have plenty of room in our only financial covenant which is the ratio of consolidated senior secured debt to consolidated EBITDA.

The current ratio is 4.1 times which is comfortably under the covenant limit of 6.0 times. Using the current capital structure and forward curves, we are projecting a slight decline in cash interest payments to $1.77 billion in 2014 due primarily to the timing of coupon payments associated with our refinancing activity in 2013. We have a weighted average interest rate of 8% across the debt structure and 83% of our debt is fixed rate or swap to fix rate providing a measure of certainty as interest rates begin to rise.

As you can see on the slide, we have dramatically improved our maturity ladder and liquidity profile over the past three years. Investors have supported the Company providing access to capital as we have refinanced $24.5 billion in debt maturities since August of 2010. The momentum and support has continued into 2014 with the recent successful secondary offering of $1.4 billion of HoldCo PIK notes and the extension and repricing of $2.7 billion of 2017 term loans. Interest rates on $1.5 billion of the loans were lowered by 50 basis points while $1.2 billion of the 2017 maturities were extended out to 2021.

Continuing to strengthen the Company's capital structure and liquidity position paves the way for us to efficiently grow this business by serving our clients, employees and our business partners.

Looking ahead, economists are projecting continued improvement in labor markets and a meaningful increase in GDP growth relative to what we have been experiencing both of which should bode well for this business.

Volume growth and good operating leverage are fundamental strength of our business model.

We are focused on the future. Beyond the tailwinds of secular growth and electronic payments, there are great opportunities to grow this business through further penetration of our existing base of 6 million merchant locations and thousands of financial institutions around the world. The pieces are in place for the next leg of growth.

You have heard our plans for a truly innovative solution set for small and medium businesses, geographic expansion into new markets, and continued investments in products and technology to enable topline growth. The transformation of First Data is well underway. It is down to execution.

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

Rich Wilhelm - *First Data Corporation - Director of IR*

Thank you, Ray. 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.

We will now go to the operator for our first question for Ray.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Arun Seshadri, Credit Suisse.

Arun Seshadri - *Credit Suisse - Analyst*

Hello, gentlemen. Thanks for taking my questions. First, I just wanted to ask broadly looking out into 2014, any color you can give in terms of your overall outlook for the year broken out by segment. Obviously cost saves have helped in Q4 but broadly if you could talk about even directional comments for 2014, that would be helpful. Thanks.

Ray Winborne - *First Data Corporation - CFO*

Good morning Arun. Obviously I don't provide specific forward-looking guidance and I don't intend to start that on this call. But if you heard my comments during the scripted piece of the call, we do anticipate some tailwinds that could develop certainly in the US and even in other markets from an improvement in the macro indicators. And as you know looking at this business, employment in PCE as well as growth in credit are all key drivers within this business so if you monitor those indicators, you can kind of get a feel for what we expect to see in our base business.

Obviously there are management levers that we pull beyond those but given the breadth and broad coverage, our linkage to the economy, those are good indicators of each of the businesses.

Arun Seshadri - *Credit Suisse - Analyst*

Okay. Fair enough. Worth a shot. I wanted to ask you in terms of Brazil, any color you could give in terms of quantifying that opportunity? Obviously 300,000 merchants, any sense you could give us in terms of ownership, stake and anything that you can help understand the magnitude of the opportunity?

Ray Winborne - *First Data Corporation - CFO*

Yes. I think this is a great opportunity for us. We are really excited about getting there. This has been an effort that has been ongoing. We will be greenfield obviously there. We are not buying into an alliance. It is building our platforms with our surrounds and partnering with Bancoob as our sponsorship bank in country.

If you look at that market, look at the demographics around it, how the middle class is coming of maturity, how the payments market in particular is working there both from a volume expansion as well as pricing, it is an incredibly exciting opportunity. If you look at even assumptions in the single-digit market share which is what we are targeting initially, it is a pretty meaningful number as you look two to three years out.

Operator

Frank Jarman, Goldman Sachs.

Ray Winborne - *First Data Corporation - CFO*

Good Morning Frank.

Frank Jarman - *Goldman Sachs - Analyst*

Hey Ray, thanks for taking my questions. So I guess I would like to also start out with a high-level question because as I recall in your second quarter call in July, you had noted that you saw I think it was a moderately improving trajectory in the back half of the year on easier comps. And now with 4Q results reported as I look at the numbers, think we can conclude that the growth trajectory really didn't improve and actually on a year-over-year basis decelerated a little bit more.

So I guess my first question is how do you reconcile that lack of second half growth with those 2Q comments about easier comps and then how would I overlay this against the trajectory into 2014? Thanks.

Ray Winborne - *First Data Corporation - CFO*

That is an astute observation and it didn't escape me as we were putting together the forecast month by month. If you monitor this industry and First Data in particular, you can see that the transactions are relatively volatile and where the transaction shows up is critically important and as we move to the back half of the year, the transactions were continuing to skew toward the national versus the regional or smaller guys, the growth rate year-over-year was not as high as we had anticipated.

If I look back at the holiday season in particular, I would give it a B+, strong at times but volatile. But I think as you look forward and try to model this business, the macroeconomic indicators that portend the business do show some continued improvement and I think the projections are around those improving throughout 2014. We are encouraged by that and do believe that that could provide some tailwinds as we look to 2014 in that business.

Frank Jarman - *Goldman Sachs - Analyst*

Okay, thanks. Just as a follow-up, you had noted that point-of-sale revenues declined about 1% I think on lower terminal sales and I was hoping you could just provide a little bit more color there on performance and even though it is still a bit early, can you just comment on the ramp of the Clover platform?

And then just as a higher level perspective on Clover, can you provide us any more perspective on say when 10% of your merchants would be running on a Clover point-of-sale system, is it 2014, 2015, 2016 or beyond that? I'm just trying to understand how to think about the point-of-sale revenue growth especially as it relates to the Clover platform ramp?

Ray Winborne - *First Data Corporation - CFO*

The point-of-sale equipment, I wouldn't read too much into it. There are several factors going on. One, we had particularly strong growth in our leasing portfolio over the last two to three years as we really focused and ramped that business and spread it across channels. That is obviously starting to slow some. It is still growing nicely. It is just not growing at the really strong clip that it had been as we rolled that product out.

The other two factors affecting it I highlighted within our own channels, our direct channels, we have had shifting strategy with the salesforce as to whether we sell or lease those terminals. We have used rentals in some cases which affects that revenue number in that piece of the business.

And then lastly, we have deemphasized some of our bulk sales. It is just really relatively low margin business. It is not a place we want to be tying up working capital for the kind of margins that it generates.

On your question around tablet, I would give you a little more fulsome answer around that. But let me hit your first one which is when would we hit 10% of our base. If you are looking at our base call it 6 million or so merchant locations globally so that would be 600,000 tablets in place, it is hard for me given where we are to tell you when we hit that number because a lot of it will depend on market uptake, competitive responses, which pieces of the market are really interested in that. As you move up market, obviously getting more penetration will be easier because you've got multiple locations. I think hitting some of those larger merchants and I don't know at this point in time where that cutoff is on a processing volume basis but you are going to see some point where this solution isn't really fit for purpose in those largest merchants.

But as you know, our base from a merchant count and location count a lot of ours are in the sweet spot for this kind of offering. I'm not going to give you a date because it is too early in the process to go there.

We are currently actively selling it in two channels right now so we haven't even hit all of our channels. The feedback has been very positive from both the sales force and the merchant community. We've got plans being executed as we speak to expand to all channels in the US plus launches in Europe and then eventually globally.

The product roadmap is robust. We have gotten great feedback as we conducted our pilots as well as focus group testing. The pricing is relatively competitive but frankly there isn't much out there at the current time. So we are just going to continue to test that and adjust as we get more experience in rolling these out.

Looking at the products that we think 24/7 service, the simplicity of the software interface, the form factor of the tablet and then the ability to add specialized functionality via apps are going to be key differentiators of our solutions set when you look at the other competitors in the market.

Frank Jarman - *Goldman Sachs - Analyst*

Great. That is really helpful. Thanks so much.

Operator

Jeff Harlib, Barclays.

Jeff Harlib - *Barclays Capital - Analyst*

Good morning Ray. In the RAS business, you talked about a 2.5% net revenue compression adjusted which is toward the lower end or below the 3% to 5% and you talked about network routing incentives. I am just wondering if those incentives you expect to continue and how you feel about the 3% to 5% model or revenue per transaction compression in light of the continued shift of interchange plus?

Ray Winborne - *First Data Corporation - CFO*

Good question, Jeff. So I look at the 3% to 5% that is the historical range. It has bounced to the top end of that even slightly outside to where we were this quarter at the very bottom of that range. I do not anticipate that changing. It is difficult if not impossible for me to predict with any level of accuracy exactly where that goes in the future. But if you look back and see what it has done the one thing I can tell you is that it will continue.

This is a mature product, it is something where you will see yield compression as you move on and you highlighted one of the main reasons which is the shift in pricing types.

Our job and one of the things that you see in the strategy that we are executing is to put more product on that existing base and so that you can really look at a revenue per merchant no matter what the product is. It could be core acquiring, it could be terminal, it could be check, it could be prepaid, it could be software as a service, it could be app revenue and that is where we are going with this. It is not looking at revenue per transaction so much as how much revenue per merchant are we getting for our full solution suite.

Jeff Harlib - *Barclays Capital - Analyst*

My follow-up on cost savings, the add back did increase from 184 to 217. I am just interested in the components of that and the 2014, I know historically you had looked at First Data performance improvement being more of a revenue growth story but with this increase in expected synergies, how should we look at how much of that will be reinvested into new products in the business?

Ray Winborne - *First Data Corporation - CFO*

Yes, as I have spoken to many times on this call, that disclosure around the near term savings is in particular to a EBITDA covenant calculation and that is an isolated number. There is a lot of moving parts on a business of $7 billion around the world in 34 countries. So there are pluses and minuses from a cost perspective that would either increase the amount of those savings or decrease the amount of those savings as we reinvest to your point.

I'm not going to provide any specific guidance on where we see expenses going in 2014 beyond saying we are going to continue to manage that with a significant amount of discipline. You heard some of my comments around the fourth quarter, that is the kind of discipline we will continue to put forth through the year.

But the components of those savings haven't really changed significantly from where they have been in the past.

Jeff Harlib - *Barclays Capital - Analyst*

Okay, thank you.

Operator

Sundar Varadarajan, BNP Paribas.

Sundar Varadarajan - *BNP Parabas - Analyst*

Thanks for taking my questions. I just wanted to go back to this growth profile for the business without looking at 2014 in specific. When you look at the total capital structure potentially $26 million of debt when all the holding company PIKs are accreted, what kind of revenue growth rates do you think you need to hit -- to start seeing some meaningful deleveraging? And to hit that type of revenue growth rate, what kind of volume growth do you expect you will have to generate and how much of that do you think will be macro versus market share? If you could provide some kind of color around that.

Ray Winborne - *First Data Corporation - CFO*

Let me start with saying that I don't think we will materially delever this Company off of purely earnings growth. Obviously job one right now is growing the topline. When you look at the operating leverage that we can generate in this business historically, it has run anywhere from $0.60 to $0.70 on the dollar. If you can generate on the top, it will drop to the bottom in a cash flow perspective. So it doesn't take midteens kind of topline growth to generate significant returns on EBITDA.

So our targets are more in that mid-single-digit to high single-digit depending on macroeconomic tailwinds to get the kind of growth we are looking for. But make no mistake, the most likely path to delevering is going to be offering equity in the public markets. That will generate significant cash flow depending on the size of that offering and then it will become kind of a self-fulfilling prophecy as you grow the EBITDA, grow the topline. You will also be able to grow cash flow and delever more and more as we go through.

But the last question around macro, as I have highlighted many times, this is a large recurring revenue stream that we operate with and so the macro is very important to growth in this business.

Sundar Varadarajan - *BNP Parabas - Analyst*

And what kind of trends do you think you need to have from an operating perspective to get ready for that IPO? What kind of a maybe three to four quarter's worth of operating performance do you think you need to demonstrate to get to that IPO level?

Ray Winborne - *First Data Corporation - CFO*

I think it all kind of depends on the markets right and how hot they are and they are about as hot as they get right now. So there is significant market receptiveness. The multiples are in a good spot. We've just got to get focused on growing the topline and that is where we are. That is where our plans are set and that is where the singular focus of the entire Company is on growing that topline.

Sundar Varadarajan - *BNP Parabas - Analyst*

Great, thanks. I just had one housekeeping question. As we look at Q1 2014 and beyond, what impact does your change in paying bonuses in the form of stock comp is going to have to the stock compensation add back to EBITDA, what would that number be just so that we can update our models?

Ray Winborne - *First Data Corporation - CFO*

That is a good question. For those of you that aren't aware of the question he is talking about or the change we are talking about, we have had a philosophical change in the way we compensate our managers. We have moved to a heavier mix of equity relative to cash and that is really with much more of an emphasis on variable versus base pay to make sure our incentives are aligned to grow that topline.

We have also made changes to the broader employee base really more so to address our cost and get back to profitability but the other side of that coin is we have also issued equity to all of our employees to offset the cash pain that they felt there.

The annual impact in 2014 of those actions is going to be in the $60 million to $70 million range as you look at adjusted EBITDA.

Sundar Varadarajan - *BNP Parabas - Analyst*

Perfect. Thank you.

Operator

Guy Baron, RBC.

Guy Baron - *RBC Capital Markets - Analyst*

hey Good morning Ray. First question, just in terms of the cost saves that were talked about, how much just to sort of clarify I guess Jeff's question, is there no way for you to be able to say how much of those projected amounts you think are really going to show up maybe even say one quarter out?

Ray Winborne - *First Data Corporation - CFO*

Again, Guy, I'm not going to get into specific guidance, financial guidance. That is not where our focus is right now. It is more focused on our clients and growing the topline.

I will repeat what I said a while ago on the other question. This is a specific definition within the covenant and so there are mostly cost efficiencies that you see in there but these are forward-looking 12 months out where you've got plans for initiatives and what are the annualized impact of these. So there is a lot of timing and estimate changes and achieved savings from prior periods that really muddy that water enough to where I wouldn't want to give specific guidance on a quarter-by-quarter basis there.

Guy Baron - *RBC Capital Markets - Analyst*

In terms of the IPO comments that you made, would you consider the possibility of doing a small public float initially versus a more typical kind of delevering transaction or does it really have to be the latter?

Ray Winborne - *First Data Corporation - CFO*

No, I think there are plenty of options for us and there are no specific or planned scenarios or structures. We will look at various ways we can achieve that kind of delevering that we are looking for. A lot of that ties to how the business is operating. We will see how our execution and our plans are working as we go along that will weigh into how we do that, when we do that, and what structure we use.

Guy Baron - *RBC Capital Markets - Analyst*

Then just in terms of a follow-up, you talked about the Brazil opportunity. Can you maybe give us your latest thinking on the international segment as a growth driver which is something that so far hasn't materialized in sort of a big way? And are you still thinking about it that way and how does that change if at all in light of some of the emerging market or BRIC pullbacks that we seem to be seeing?

Ray Winborne - *First Data Corporation - CFO*

I think that as you look at our international business and certainly for the last 18 to 24 months, it has not grown as we or others would have anticipated but you have to break that business apart. Obviously we operate in 30 plus countries and we operate in two different businesses there. It is acquiring business and the issuing business, similar to what we do in the US but they are combined in that segment.

The acquiring business has performed quite well at times low double-digit growth through that period. It has been the issuing side of the business which just like in the US as we experienced post recession, can be relatively lumpy. These are large portfolios and clients that you have and the loss of one can have a pretty dampening impact and headwind on the top line.

I don't know if it is fair to say that business hasn't grown. You have to look at the different components of it and as I highlighted earlier, the currency as well as that software fee absent those, that business has grown 4% and we anticipate it continuing to improve from there as we have grown through those headwinds in the issuing business.

Expanding into new geographies will also help that growth rate. Brazil won't be the last one that we will be expanding into.

Guy Baron - *RBC Capital Markets - Analyst*

All right. Thanks.

Operator

Thomas Egan, JPMorgan.

Thomas Egan - *JPMorgan - Analyst*

Good morning. Thank you. Another big picture question. Ray, I thought when you guys were doing the roadshow for the Goldman PIKs, one of the things that you talked about that you wanted to do to get to the growth in the revenue, the top line that you are focusing on was to be something other than a payments company. And one of the issues that has come up I think time and again with the investors that I have talked to is you have got such a big payments business, how do you grow into some of these other newer things like loyalty or security or analytics and make that big enough so that it moves the needle for you?

So you bought a company like Perka, you have worked on some other things. Maybe you could just talk to that a little bit and tell us how much you think that moves the needle with that portion of the strategy versus what you talked about earlier in terms of how important the macro is to help you get there?

Ray Winborne - *First Data Corporation - CFO*

You have to start somewhere, right? Unless you just go acquire a big business and that is not our strategy. When you look at the asset we have got which I would really highlight two as they pertain to this strategy, is the existing base. When you've got 6 million merchant locations around the world installed, that is a nice place to go sell new product and that is what the strategy is really focused around is further penetration of this product solution suite to that existing base.

So that could have meaningful impact to the topline despite the fact you are right, we are starting from a base of almost $7 billion. It is hard for anything to be material to that in a short period of time but we think with the technological adoption rates, the way mobile has worked and when you look at the value add to the merchant of this solution, we think we could see relatively significant uptake on this product suite. Because it is not just a cost to them.

If you look at acceptance in a terminal today, it is more and more perceived as just a cost of doing business. It is not newfangled anymore and you're not going to get value out of it growing your revenue as a merchant. So you are seeing it as a cost whereas the new solution set that we are putting out there with a tablet, with software as a service, with loyalty, with prepaid all tightly integrated and put an analytics package with it to help you grow your business, that is where they are going to see value and they are going to want that product set, not need it.

Thomas Egan - *JPMorgan - Analyst*

Got it. And then the follow-up question is I think everybody is probably pretty happy with the way you are generating cash these days. So a question that you never used to get in the old days but you will probably get more now is how should we think about your priorities for uses of cash? You probably have an acquisition pipeline that is developing but would you also think about buying back some of the high coupon debt that you might have out there?

Ray Winborne - *First Data Corporation - CFO*

Cash flow is still relatively tight. Obviously we generate significant cash flows before our interest payments but the interest payments are still in the $1.8 billion range. So until we delever in some substantial way, yes, free cash flow will increase but I don't think it is going to be in a point where we are going to be doing huge acquisitions around that. It is just not our strategy.

We have been really looking at technology and product fill-ins and we have been pretty successful in some creative structuring to limit the amount of upfront cash and be able to pay out cash on the backend based off of our success and the company we acquired success.

So that is kind of my thoughts around use of cash. We will continue to be judicious around that and fill in our strategy the way we have been.

Thomas Egan - *JPMorgan - Analyst*

And then on high coupon debt?

Ray Winborne - *First Data Corporation - CFO*

Obviously if you look at the work we've done over the last three years, extending the capital structure is a great thing, gives us runway to grow the business but it comes at a cost. We are in a period now where the call protection is pretty significant for a period of time here so the cost to take that out is relatively expensive. I wouldn't anticipate us doing a lot around that at least in the short term.

Thomas Egan - *JPMorgan - Analyst*

Okay. Thank you very much.

Operator

Jake Kemeny, Prudential.

Jake Kemeny - *Morgan Stanley - Analyst*

Thank you for squeezing me in. Two questions, Ray. First, a question about market share. I just wanted to get your latest thoughts about First Data's market share if you think you have lost any in the in the quarter given some of the volume declines that we saw or conversely if you think you have gained or maintained? And then I was wondering if you could talk to us about what you have seen so far in January in terms of transactions?

Ray Winborne - *First Data Corporation - CFO*

Your first question relative to share, that is a tough question at this point in time. We don't have all the stats together and even when you get the stats, there is some time lags in the data as well as some gaps in the data between other acquirers and how they report their transactional volumes.

But you can look at the same-store sales growth which represents a fairly large swath of the market versus our transaction growth rate and they were relatively similar this quarter. So you could imply that we held market share to a slight decline if you look at the small basis points differences between those two growth rates. That is about as accurate or as close as I can get to you around that question. I apologize, what was the second question?

Jake Kemeny - *Morgan Stanley - Analyst*

January.

Ray Winborne - *First Data Corporation - CFO*

January, we have continued to see some volatility there. The weather in particular always affects the volumes because people are stuck inside and they are not spending and that disproportionately impacts the smaller merchant in most cases. So January relatively down month when that is all factored in.

Jake Kemeny - *Morgan Stanley - Analyst*

Okay. So if you compare it to last January, is it down like significantly?

Ray Winborne - *First Data Corporation - CFO*

No, no, no. When I say down, I am sorry I mean dampened growth rate, not growing at a rate we saw over the last three, four months.

Jake Kemeny - *Morgan Stanley - Analyst*

Okay. So still growing just growing slightly slower?

Ray Winborne - *First Data Corporation - CFO*

That is right.

Jake Kemeny - *Morgan Stanley - Analyst*

Thank you.

Operator

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

Rich Wilhelm - *First Data Corporation - Director of IR*

Thank you everyone for joining us for today's fourth-quarter 2013 First Data financial results conference 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.
