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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the first-quarter 2014 First Data financial results conference call. My name is Vivian, 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 - IR*

Thank you, Vivian, and good morning, everyone. I would like to welcome you to our first-quarter earnings call. Our Chairman and Chief Executive Officer, Frank Bisignano, and Chief Financial Officer, Ray Winborne, will lead the discussion of the first-quarter 2014 financial results and answer your questions. Frank and Ray will be referencing a slide presentation during their prepared remarks. A copy of the slide presentation, as well as our earnings release and supplemental analysis schedules, are available on our website at, www.investor. FirstData.com.

I would like to remind you that any forward-looking statements made during today's call are subject to risk and uncertainty. Factors that could materially change our current forward-looking assumptions are described on slide 2 of today's presentation, in our press release, and in our Form 10-K and subsequent reports on file with the SEC.

We also will discuss items that do not conform to Generally Accepted Accounting Principles. We reconcile those measures to GAAP measures in the appendix in this presentation and as part of our quarterly results press release.

With that, I will hand the call over to Frank Bisignano.

Frank Bisignano - *First Data Corporation - Chairman and CEO*

Thanks, Rich, and good morning, everyone. The Company delivered a very solid quarter, generating 18% EBITDA growth and solid topline growth in both international and steadily improving our financial services division.

For me, it is a very interesting day to be on the call with you. It marks one year and one day that I have been at the Company. And I thought it would be important to talk to you about the reflections over that year and how those reflections have manifested themselves in this quarter.

I start off first by recognizing that First Data is a better property than I understood when I first took this opportunity. It has a fabulous debit network, 750 million plus cardholders that we process for issuers, and 6.1 million merchants. So when you think about waterfront property in this space, I think you have to think about First Data.

I think it is important to recognize that over the past year we have been working on the transformation of this Company. And a company that sits in the payment space and the technology space serving the best largest brands and also millions of small and medium-size businesses has the opportunity to do many things to help their clients grow their revenue. And with 4,000 financial institutions and as I've traveled the globe and traveled the US, I have learned that the real mission of this Company is to help its clients grow its business.

In order to do that, it is a transformation of the Company. And that transformation, as you see in the first quarter, the beginning of it with improving results, starts with a large change in the human capital that we've put into this.

First, I'd like to recognize the addition of Joe Plumeri. Joe, as you all know, ran Willis Company and has been a fabulous leader of clients-facing businesses and has begun the transformation of the client side of this business. He is a Board member. He is an advisor to myself, but most importantly, he is in the trenches day to day teaching the client-facing force and leading the client-facing force and the marketing force. And as we invest in our products and innovate, and I will talk about the innovation that we've done over the past year and most importantly what we've rolled out this quarter, Joe has been very instrumental in teaching everyone how to win in the client's office. And we have been winning in the clients' office.

You have seen the addition of Heidi Miller as a Board member, and with her deep payment expertise and her knowledge of running large global institutions, she will be a tremendous addition. So you see two adds to the Board, one of which is working inside the Company, Joe Plumeri.

We also announced in the past quarter that we have added Cindy Armine, who had chief compliance roles at two of the largest financial institutions in the world and in fact comes here to be the Chief Control Officer. I think that's hugely important because our clients rely on our control and security, and we are an extension of our institutions. And having the pristine control environment is most important to this Company.

And we have added Sanjiv Das this quarter also, who ran CitiMortgage, but grew up at AmEx and in the card business and also was an equity capital markets executive for Morgan Stanley. I think Sanjiv brings tremendous global expertise and will help John Elkins in our international focus. And you've heard previously the additions of Himanshu Patel, Guy Chiarello and Christine Larson.

We have added talent to the client side. We have just announced Tim Tynan to come in and run Bank of America merchant services. Lastly, he was running Japan for Citi's global transaction services business and grew up at IBM covering clients, and a great coverage officer. As is Chris Foskett, who was at Goldman, JPMorgan and Citi also and will lead our large institutional accounts.

I say all this and inform you all this because the transformation of a company has to have a transformation of human capital and investment tremendously in people who can help drive the outcomes.

And we are very pleased in what we have done on the product side. We have announced and launched Clover, which is much more than a merchant station, but it's really a platform and a solution. It is a solution which we believe will help our clients manage and grow their business. We think it is a one-of-a-kind solution. We have begun a controlled rollout. But this is another example of the collaborative nature of Silicon Valley companies and ourselves and our ability to integrate these companies.

Along with Clover, we also acquired Perka and launched Perka. And Perka has already been a big, big success on its own, with more than 200,000 consumers using it, more than 1,000 clients. We will roll that out to our client base. And underpinning all of that we will have a merchant solutions set which also has an analytics product being rolled out.

All of these have been created and developed to help our clients manage and grow their business. Sitting underneath those will of course be our ability to run gift and prepaid and really transform our merchant solutions suite. I think you could look forward to more innovation coming forward, but all part of the transformation of being much bigger than a payment processor, but really being a solutions and information company for our clients.

And of course, all of you know how important security is. And it was us who early on began with the TransArmor solution and came along with a security suite that we have introduced in the market. While doing that and how security has become first and foremost, we conducted a symposium, an industry-leading symposium this quarter, bringing together over 200 of the best names and talking about what we all need to do to secure data, one, at the point-of-sale and then through the whole system.

I think this talks about the new First Data and the type of collaboration the new First Data wants to and aspires to be. This Company does aspire to be a grand collaborator.

And you see that grand collaboration occurring in the partnerships that we struck with MasterCard and Visa around STAR and the fact that issuers, acquirers and merchants all will have a standard EMV chip technology to operate. And I think that announcements starting with Visa and moving to MasterCard shows the collaborative nature.

Another grand collaboration which we did was with Oberthur on the card. And what we did was build what we believe is the best EMV card solution, taking the best chipmaker and taking the largest processor, ourselves, putting them together in a way to go to market for our clients. And when you put all this together, and you look at the acceleration of EMV, you see the preparedness through collaboration of the new First Data, where we will be prepared to reterminalize every terminal out there, and we will be prepared to issue a card and with a chip to every card out there.

I think it is important to recognize that this is the transformation of the Company. And that transformation is driven by our ability with this waterfront property to operate and navigate and help our clients grow their business, partner with networks, and partner with all the elements in the payment cycle.

I think it is also important to recognize that we see global expansion as a great opportunity. And you saw us announce a transaction where we will enter the Brazil market. We see that growth opportunity in Brazil, and we think that with our capabilities and our acquiring skill set that our cooperation and our ability to expand there is great.

So when I reflect back on the year that we've had here, it is a year that we believe we are in business to help our clients grow their revenue, that we sit on waterfront property and we are expanding our ability through collaboration, and that we will continue to build and innovate products in the payment area to expand our reach and help our clients.

We are in a client-facing business, and we believe in our clients and helping them in the payment space. That is the role of First Data. It is a much stronger and better property than I ever imagined when I came here, and I feel fortunate to have spent this year and look forward to our future opportunities.

With that, I'll turn it over to Ray, who has been a great partner to myself. You may have seen that we announced Ray will be transitioning out of the CFO role. But I count on him helping me for a long time here, and I thank him for everything he has done. And he'll walk you through the numbers, and we're happy to answer questions at the end of it.

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

Great. Thanks, Frank, and good morning, everyone. As Frank mentioned, we delivered a very good quarter, with EBITDA growth exceeding our own expectations. I'm going to start on slide 4 and work through the first-quarter results.

Consolidated GAAP revenues were $2.6 billion. That's up 2% or $49 million over last year on higher revenue and card services and an increase in reimbursable debit network fees posted in other, the majority of which are margin-neutral pass-through fees.

The net loss attributable to First Data was $201 million compared to a loss of $337 million last year. That's a 41% improvement, driven by a healthy $93 million increase in operating profit. 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 for the quarter was $1.6 billion, up 2% year over year on growth in the financial services and international businesses. Unfavorable movement in foreign currencies relative to the dollar shaved 1 point of growth off the top line in the quarter.

Adjusted EBITDA was $614 million, up 18% compared to last year on flow-through of revenue growth and a $65 million reduction in expenses. Changes to compensation philosophy made late last year, including replacing the Company cash match to the 401(k) and long-term cash incentive awards with equity, accounted for roughly $15 million of the year-over-year savings. The quarter also benefited from a couple of expense credits totaling $16 million on a reported-currency basis, $21 million on a constant-currency basis. Margins were 37%, up 5 points year over year.

As mentioned in the press release, Retail and Alliance Services has been renamed Merchant Solutions to reflect the ongoing transformation of First Data from a processor to a solutions provider. The underlying businesses and financials constituting the segment have not changed.

Slide 5 provides the highlights for the quarter. Revenues were $856 million, down 1% compared to last year, while EBITDA was up 4% to $370 million on lower expenses. I will go deeper into the revenue performance on the next slide.

As for expenses, we continue to focus on operational efficiency and have been able to reduce cost and improve margins while at the same time continuing to invest in the business, primarily in our Small Merchant solutions. We have completed the re-hosting effort to bring the former Bank of America processing platform in-house, further reducing our operating cost in this business.

One other item of note: during the quarter, we took a $4 million reserve related to a merchant business failure. This did not impact the year-over-year comparisons as last year was similarly impacted by a $5 million reserves.

Let's go to slide 6 for a closer look at the revenue drivers in this segment. In core merchant acquiring, which accounts for more than 70% of the merchant solutions business, revenues were flat, where volume growth was offset by lower yield. From a macro point of view, same-store sales volumes grew 2.3%, a slight decline relative to the fourth quarter as severe weather took its toll early in the quarter.

It was also a more difficult year-over-year comparison due to the later Easter this year versus last year. As you can see on the chart in the bottom right quadrant, restaurants, bars, hotels and services such as utilities, cable and phone services, were the bright spots this quarter, while petro volumes declined 3.5% on lower gas prices. This has been a tough winter for retailers as weather not only impacted consumers' ability to get out and spend, but also hampered employment growth and hours worked, reducing income gains.

First Data's actual reported transactions were up 4.6% versus last year, flat relative to the growth posted in the fourth quarter. In addition to bank cards, transaction counts now include transactions related to American Express and Discover. We have updated prior periods to provide an apples-to-apples comparison of growth rates. Transaction growth in the first quarter was relatively balanced across small and large merchants, with the former growing slightly slower than the overall average.

Yield compression on a per-transaction basis was 4% versus a year ago, in line with our historical range of 3% to 5%. As I've 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 addition, annual pricing actions that we take, as well as contract renewals with clients.

Pricing plan type has been a significant contributor to yield compression over the past few years. Overall volumes for spread-based transactions continue to decline as the industry is generally shifting towards interchange plus pricing types. Roughly 86% of our volume is now priced on this method, flat to the fourth quarter, but up 3 percentage points compared to the first quarter of 2003.

Credit and signature debit mix was 71%, a 50 basis point decline from the fourth quarter and 1 point below the comparable period last year. As the chart shows, growth in PIN debit transactions continues to outpace credit 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 we see there.

Looking ahead, we expect Walmart's decision to adopt a dual processor strategy to impact our transaction volumes and revenue beginning in the second quarter. Given the relative size of this client, transaction growth rates in future periods could be distorted by this move. We'll provide insight into the impacts and underlying trends on the business on upcoming earnings calls.

Turning to product, revenue in the prepaid business was down 1% on lower card production revenue, which fluctuates quarter to quarter based on merchant demand, and a $3 million true-up to unbilled receivables on card shipments.

Transactions in our closed loop product or traditional store branded gift card grew 13% in the quarter, driving 10% topline growth.

And our Money Network Payroll card continues to deliver strong growth from increased activity and usage, as well as the addition of new employer programs. We are leveraging these product capabilities in new market segments and continue to see significant opportunity for growth, given the population of un-banked and under-banked consumers in the US.

Revenue in the point-of-sale business was up 2% on growth in interest income and fees on terminal leases, offset by a reduction in bulk sales to external parties as we continue to pull back on that business.

And finally, when we still processed nearly $40 billion in total check value annually, volumes in the check processing business declined year over year on the secular shift to electronic payments. A large portion of the cost in this business is directly variable with revenue, helping to mitigate the decline in EBITDA.

Now turning to the results of the Financial Services segment on slide 7, Financial Services posted a very solid 5% increase in revenue versus last year, the best topline growth in this business in 5-plus years. We are seeing the benefits of new business brought on board and solid organic growth in volumes. Outside of that, one point of the growth is due to the grow-over effect of a prior-year price concession to resolve a customer dispute. Expenses were down $22 million or 11% on a relatively easy comparison to the prior year. As you'll recall, we took actions early in the second quarter of last year to simplify and streamline the organization to reduce costs. You can see the benefit of these reductions in the steady improvement in EBITDA reflected in the chart on the bottom right of this slide.

EBITDA in the first quarter was $173 million, up 30% or $40 million due to the combination of the revenue growth and expense reductions. EBITDA margin improved to 50% in the first quarter.

Slide 8 provides more detail of the products and volumes for the Financial Services business. Processing revenue, which represents debit and credit processing plus network services, was up 6% in the quarter. Within credit card and retail processing, active card accounts on file were 160 million this quarter, up 15%, reflecting the benefit of boarding a couple of new card portfolios in the back half of last year and another in the first quarter of this year. Organic growth continues, topping 6% in the quarter, on higher card issuance and credit usage. At the end of the quarter, we had 757 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 up 1% year over year. Growth from the secular shift from cash and check to debit was offset by attrition in the debit processing business and lower network volumes on merchant-driven routing decisions. To enhance competitiveness, we began rolling out a new PIN-less debit product in the first quarter. We are excited about the prospects based on the early returns.

We also introduced a new transaction routing incentive program that benefited the quarter by slightly less than $3 million. From a revenue perspective, we were up 1% across debit and network. After a year of declines, we seem to have found the bottom. The volumes associated with these revenue streams have pretty much stabilized since early last year, resulting in easier year-over-year comps.

Output Services revenues were up 8% versus last year, a couple of points higher than the full year 2013 growth rate of 6%. Current revenue growth was up double digits on volume growth in new business, while plastics revenue was flat as lower volumes were offset by a better business mix and revenue tied to re-issuances of cards due to retailer breaches, which generally carried higher fees for premium services. Other revenues were down 1% as a result of two small divestitures we made during the last year.

And finally, we renewed 250 contracts with financial institutions this quarter, so we're off to a good start there.

Now to slide 9 for a review of our international business. As you can see in the middle chart, revenue has shown steady improvement, reaching 7% year-over-year growth on a constant currency basis. Good volume growth, new card portfolios and a significant improvement in revenue attrition have contributed to the improving trend line. Currency headwinds brought the reported growth rate down to 3% versus a year ago.

Within the major businesses, merchant-acquired revenues were up 5% on strong volume growth and terminal sales, while the issuing revenue grew 9% on new card portfolios and organic growth in the existing base.

EBITDA was $128 million, up $28 million on nearly 30% compared to a year ago. Foreign currency translation was an $11 million headwind. On a constant-currency basis EBITDA grew $39 million.

The quarter benefited from two expense credits: $11 million for an operating tax credit related to prior periods, and an additional $10 million due to the gain on the revaluation of US dollar-based settlement assets. Conversely, expenses were pressured as dilution related to the investment in new geographies and products increased $6 million relative to last year. Margin for the first quarter was 30%, up 500 basis points compared to the first quarter of 2013.

Turning to slide 10, and looking at revenue growth on a constant-currency basis, in each of the four regions constituting our international business, revenue in EMEA, our largest region, was up $15 million or 6%. Merchant-acquired related revenues were up 3% on good growth and volumes, partially offset by a prior-year one-time benefit related to interchange pass-through fees. Issuing revenue grew 10% driven by new card portfolios and growth in organic volumes.

Asia-Pac revenues were flat as organic growth in acquiring was offset by a decline in our Australian ATM business due to lower transaction volumes. Revenue from transaction growth of 8% in the acquiring business was tempered by yield compression due to a higher premium card mix impacting our net margins there.

Revenue in Latin America was up $14 million or 24%. About half of that growth is due to transaction volumes and terminal sales as we expand our business, while price inflation accounted for the remainder.

And lastly, revenue in Canada was down 1% as organic growth was offset by a client loss in the second quarter of last year in our acquiring business.

Slide 11 provides a roll forward of cash. We ended the quarter with $409 million in cash and cash equivalents, approximately $63 million of which is held in Argentina, where at this time government-imposed restrictions prevent any material repatriations.

Available liquidity at the end of March stood at $758 million after accounting for offshore cash and $326 million in outstanding borrowings on our revolver. Borrowings net of $217 million on the waterfall includes payments of $11 million for debt refinancing costs and $55 million for accrued interest funded as a result of refinancing activity in December.

Cash interest payments were $603 million, approximately $130 million higher 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.

We continue to invest in infrastructure and product, improving our service capabilities and strengthening our security. Our capital expenditures for the quarter totaled $117 million, reflecting customer-related investments, infrastructure, application development and security. And we will continue to invest in the business. Our capital plan in 2014 is targeted at approximately 6% of adjusted revenues.

Now I would like to take a few minutes on First Data's capital structure, as shown on slide 12. We have ample liquidity sources from cash on hand, our revolving credit facility, and cash generated from operations. We have no covenant issues and have plenty of headroom on our only financial covenant, which is a 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 times.

Using the current capital structure and forward curves, we are projecting cash interest payments of $1.76 billion in 2014, a slight decline relative to 2013, due to the timing of coupon payments associated with the refinancing activity that took place.

We have a weighted average interest rate of 8% across the debt structure and 82% of our debt is fixed rate or swapped 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 our liquidity profile. We have no significant debt maturities until 2017. As I mentioned last quarter, in January, we extended and repriced $2.7 billion of the 2017 term loans. Interest rates on $1.5 billion of the loans were lower by 50 basis points, while $1.2 billion of the 17 maturities were extended 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 business partners.

With that, I'm going to turn it back to Rich, and we'll be happy to take your questions.

Rich Wilhelm - *First Data Corporation - 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. I will now go to the operator for our first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Frank Jarman, Goldman Sachs.

Frank Jarman - *Goldman Sachs - Analyst*

Great. Thanks for taking my questions, guys. Congrats on the results. So the first question I had was in addition to the $21 million of one-time gains that you talked about in international and the $20 million stock comp accrual that benefited you in the quarter, were there any other one-time benefits that may not play a factor in 2Q and beyond?

And the reason I'm asking this is we're just all trying to understand, I think, the sustainability of your first-quarter EBITDA margins. We saw pretty big contribution margin of 350% on your incremental revenues, and that's obviously a lot lower than your typical 80%. So if you could just comment on the sustainability of the margins, that would be great. Thank you.

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

Nothing else other than the couple items I pointed out from a one-time or unusual-type basis. What you're seeing is the benefits of the transformation taking place. A lot of the reductions you are seeing are around compensation, as well as procurement savings. So those are sustainable as we move forward. And as I mentioned in the call comments, that is despite a lot of investment taking place. If you look within the merchant solutions business, we've got incremental dilution year over year of $15 million-$20 million in that number related to the merchant suite. So I would tell you this run rate is something you should look at. I don't know if I would take the exact growth rates year over year, but if you're looking at absolute dollars in these businesses on a five-quarter trend, that is something you could take and start to model.

Frank Jarman - *Goldman Sachs - Analyst*

Okay, thank you. And then I guess if I could just ask a follow-up, then, to the Merchant Solutions performance, you talked about Walmart having announced their dual processor strategy and the potential impact in 2Q. I know you guys are fairly well diversified across your customer base, but Walmart is a fairly large retailer. Is there any sort of early read into what the impact on 2Q will be, given the fact we are already in 2Q?

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

Yes, Frank, I think you hit it on the head. We are incredibly well diversified. None of our customers, despite the size of a lot of these guys, especially the financial institution side of the business, exceed 1% of our revenues.

I'm not going to comment on specific economics of an individual client based off of respect for them.

The reason I brought it up on the call is when you look at the relative size of Walmart and the transactions that we process for them, any movement there is going to have an impact on that transaction trend.

Now, as I have highlighted to you guys before and you're well aware of, if you look at the spectrum of clients that we serve and the rate per transaction on those, obviously, the more volume you bring to the table, the lower your rate is going to be. So the Walmart transactions will be at the lower end of the scale relative to our average transaction rate.

Frank Jarman - *Goldman Sachs - Analyst*

That's great. Thanks. If I could just fit one last question in for Frank since he's joining us on the call, Frank, can you just talk a little bit about the milestones that you'd like to achieve before you consider taking steps to raise equity capital? Maybe you could talk a little about revenue growth or EBITDA targets from a longer-term standpoint and what you need to see internally before you think about going to the capital markets. Thank you.

Frank Bisignano - *First Data Corporation - Chairman and CEO*

You know, it's interesting. The question always about what we're doing here and our timing comes up a lot of times. But what I've found here inside this Company is that the assets are much greater and the fact that we have merchants, financial institutions, a debit network, 70 countries, our opportunity to grow is tremendous.

When I took this opportunity and I talked to KKR about it, we always talked about we will know when the time is right. We are going to grow the top line of this Company. We are going to grow the EBITDA of the Company, and then we'll look at what the timing is.

More importantly, I'd like everybody to know, we are focused on growing a great company. And that means it's a great company where we sit with our clients and help our clients grow their revenue. And those are the dialogues we are having today. It will be clear to everyone when the time is right. Revenue growth is important, and that will be the main thing this company works on. That's why we have a guy like Joe Plumeri driving the client side. He has changed what we call the client-facing people from account executives to business consultants. We really are going to consult with our clients about their business and how to grow their business. So topline growth is the game we are in, and I think we'll watch that trajectory and we will know when the time is right.

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Frank Jarman - *Goldman Sachs - Analyst*

Great, thanks so much.

Operator

Ana Goshko, Bank of America

Ana Goshko - *BofA Merrill Lynch - Analyst*

Wanted to ask you, with all the recent press on the security breaches among many retailers on the card side, wondering how that's changed your dialogue with customers generally on both Financial Services and merchants. And to what degree do you feel that being a big incumbent with a strong reputation on the securities side, that that could actually give you some pricing leverage?

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

Frank, do you want to take that one? You've been pretty close to the major clients on both sides of the house.

Frank Bisignano - *First Data Corporation - Chairman and CEO*

Yes, I think when you look at what has happened with security and then look at the emphasis on EMV, when people question the 2015 EMV date at some point, but everybody knows October 15 is real now. And I believe the fact this Company had a fabulous solution in its TransArmor solution, which had been used by many, many players that we are in business with, coupled with the fact that we came up with a fabulous product with Oberthur and ourselves on the card, I think it solidifies our position as an industry leader across many pieces.

And before the security dialog, when we wanted to have it, might've been down in the procurement area, at most in the CIO's office, and now it's in the CEO's office, and I think that strengthens our capability in the C-suite, where we like to operate, where Joe and myself and Guy Chiarello have spent their time.

So I would say it's not an issue of pricing, it's an issue of our capabilities and our constant solutions discussion with our client. We like to have solutions discussions, not product discussions. And I think the fact it's been highlighted to the level of importance it is, which Guy Chiarello and myself have spent our career on security, I think shows the value of this Company and the solutions it brings to its clients. We find the discussion happening multiple times a week. So it's not an issue of pricing, but it is an issue of solutions and an issue of enriching the relationships and providing value to our clients.

Ana Goshko - *BofA Merrill Lynch - Analyst*

Okay, thanks for that. And then secondly, Ray, I think I speak for many, many people who are very sad to hear that you were transitioning from the Company because you've generated a lot of goodwill, I believe, among the investor and analyst community and also should take a lot of credit for addressing the maturity profile. But wondering if, Ray and Frank, if you could just update us on the transition plan, timing and what we should expect for a successor.

Frank Bisignano - *First Data Corporation - Chairman and CEO*

Well, I'll take that. This is not a shotgun wedding here. We are very deliberate. Ray is going to be around for a long time, not a short time. And you should expect us to bring in a CFO that you will be very, very pleased with. But this -- Ray has done a fabulous job inside this Company and will work a fair amount of the year with me on transitioning this job.

Ana Goshko - *BofA Merrill Lynch - Analyst*

Okay, so we should potentially think about this as sort of a kind of by year-end; is that a fair timeframe?

Frank Bisignano - *First Data Corporation - Chairman and CEO*

Yes, I think that's fair.

Ana Goshko - *BofA Merrill Lynch - Analyst*

Okay, thank you very much.

Operator

Arun Seshadri, Credit Suisse.

Arun Seshadri - *Credit Suisse - Analyst*

Thanks for taking my questions. Good morning. I just wanted to echo Ana's comments on Ray. You will be missed, Ray, but we're glad to have you around.

Just wanted to ask a question about the small business solutions rollout. I don't know if you could talk, Frank, about what the differentiators are that you believe that sort of differentiate your small business solutions relative to the competitive offerings out there.

Frank Bisignano - *First Data Corporation - Chairman and CEO*

Yes. I think you first start with a cloud-based solution, which allows us to certify an app store. And so this is an open app store that obviously, because of the control elements and who we deal with as our partners or financial institutions, we won't let any applications in there that aren't approved. But it's an open app store.

I think it really is a solution, and when you add loyalty -- and our loyalty product, Perka, can be sold within the solution or to a current client who has not adopted Clover. So I think that's important. And you can expect us to unroll our analytics product in Insightics also.

So Clover is the point-of-sale solution. It's a tablet-based solution. I think the differentiator is the app store. We have started very, very slow, as you know. Myself and Guy and Joe have all been enterprise systems and organization people. We have had tremendous response from it. We feel very good about the contained rollout, and it will further get rolled out during the course of this year. I think the key differentiator is a cloud-based architecture.

Arun Seshadri - *Credit Suisse - Analyst*

Okay, I appreciate that. And then as far as EMV itself, the overall impact of EMV, maybe you could talk a little bit about what the overall impact is or is likely to be. There's been some speculation that the rollout, the focus on the rollout maybe benefits folks that are sort of larger processors, the larger merchants moving down toward the smaller merchant side. And then on the FS side, are you likely to have some benefit with assuming most of the cards get reissued? Thank you.

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

Yes, I think that's fair to point it out that way, Arun. We will have benefits on both sides of the business. The reterminalization will be helpful for our equipment business and merchant acquiring, and eventually the whole card base will turn over on the issuing side of the business, which we have a very large output services business there that will benefit.

Arun Seshadri - *Credit Suisse - Analyst*

Okay. Can I squeeze one last one in? Just wanted to understand, in terms of the contribution to EBITDA of the EFS business, which has been talked about as -- I think you all own a 30% stake in that business -- if you could talk a little bit about what, assuming you get some proceeds from that, is there any debt on that asset right now? And assuming you get proceeds from that, what you expect to do with those proceeds? Thank you so much.

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

Yes, we are very pleased with the results of that JV we formed a few years ago. We do own a 30% equity stake in the venture. The partners just determined that this was the right time for a sale. It was in the best option of all of our interest to generate shareholder value. We expect gross proceeds there in the call it $250 million, $300 million range, and haven't determined at this point what we will utilize those proceeds for. It is not material in the context of the capital structure.

Arun Seshadri - *Credit Suisse - Analyst*

Thanks.

Operator

Jeff Harlib, Barclays.

Jeff Harlib - *Barclays Capital - Analyst*

So for Frank and Ray, I just want to talk about revenue growth prospects across your three key businesses. Just a few things specifically with RAS, you continue to have the shift to interchange and some of the pressures there. I guess I'm interested in how materially you see the benefit from the rollout of Clover and small business solutions.

In FS, clearly you've seen a ramp in your organic growth rate there from new portfolios. How does your pipeline look there?

And then in international, notably also a significant improvement in your organic growth rate, particularly in card issuing. Maybe you can address some of the momentum there and some of the puts and takes.

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

Yes, let's start with the Merchant Solutions business. A lot of that business is driven by macro. And while the GDP reading this morning was a kaput, I think it's not really reflective of some of the underlying momentum or strength we are seeing in the economy. Within April, we saw a nice tick up in transaction volumes there. So that bodes well for that business because as the economy improves, PCE improves, employment improves, we will see growth in that business as we move forward.

We talked a lot about the merchant suite and the new product solutions that we are rolling out there. On that base of revenue, $3.5 billion, $3.6 billion, it takes a while for that to show up, but that is the strategy we are executing against now. So you will see us really putting more product in order to generate more revenue across that existing base. We've really got a distribution system that is unmatched. That is why we see that as being such a great opportunity to increase our revenue in that business beyond just the core acquiring and core acceptance products.

In FS, you see a nice trend forming there if you look back to the last five, six quarters. And I highlighted a couple of the card portfolios that we have added, but it's more than just the new business. I think we will continue to see more business coming on. Joe and his team have been building a pipeline since he's come on board. So we do see some healthy outlooks there. But again, it's beyond just new business. You have to look at the organic growth in that business as well.

You can see on the chart that we presented in the presentation, that has continued to tick up, and it was above 6% in the quarter. So that is driving a lot of the revenue growth you see in that business. And we've also seen stabilization on the debit side. So that's helpful as well.

When you look at the international business, very good trending in that business. And it's not only organic growth in new business, but it's also geographic expansion, will be another opportunity for growth in international.

Jeff Harlib - *Barclays Capital - Analyst*

Okay, that's helpful. My follow-up, just a comment on, you've taken a good amount of costs in the business. How should we look at further cost savings versus reinvestment and growth of new product, security, etc., as we look out to this year?

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

Yes, cost discipline is a way of life. You can expect us to manage it every day. We will continue to review our operations group, our tech groups, our back-office groups to identify better way to serve the client and do that more effectively and efficiently. So that is going to be something you will see us do. We will reduce cost and we'll take those savings and pull them back into investment in both new product innovation as well as geographic expansion.

Jeff Harlib - *Barclays Capital - Analyst*

Great. Thank you.

Operator

Manish Somaiya, Citi.

Manish Somaiya - *Citigroup - Analyst*

Thank you and congratulations on a strong quarter. A couple things.

One, I just wanted to follow up on the EFS sale. I know, Ray, you said that the proceeds aren't meaningful, but I don't think they are carved out of the credit agreement. So my assumption is that we would probably see part of the bank debt get prepaid from the proceeds. I don't know if I'm thinking about that correctly.

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

Well, I didn't say not meaningful. I said nonmaterial in the context of the whole capital structure. And they are included in the credit facility, these assets are all part of that. So they could be used either in debt paydown or in investments back into the business, under the baskets.

Manish Somaiya - *Citigroup - Analyst*

Right. And I would imagine you have sort of some time to make that decision.

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

Yes, I think we've got a 12-month period under the credit facilities.

Manish Somaiya - *Citigroup - Analyst*

The other question I had was just on the equity capital raise discussion that we were sort of having earlier. I think in the past, it has been mentioned that the right run rate for EBITDA would be sort of that $2.7 billion to $2.8 billion to contemplate an equity market entry. Is that something that we should still think about in the back of our minds?

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

I think Frank highlighted it well. The focus of this management team right now is just growing the business. We are pouring a lot of energy, a lot of talent into new products, new services, expanding our business and really growing the top line. You can see it's starting to pay off in all of the trends.

We've got a lot of runway. There is no maturities of the debt until 2017. So the real focus of the management team is driving topline growth. I don't know that there is a magic number out there, you guys can probably tell us as well as we know, what the numbers are that makes sense from an equity holder. We are going to stay heads down and continue to grow the topline.

Manish Somaiya - *Citigroup - Analyst*

And then just one question for Frank. Just kind of coming back to the Chase and Visa closed loop partnership that we had talked about last year, I was wondering if there are other large bank issuers that have expressed in teaming up in a similar closed loop type structure.

Frank Bisignano - *First Data Corporation - Chairman and CEO*

I think we have a fabulous bunch of relationships inside this Company. I think the Chase/Visa deal is a deal that they feel very good about. I don't know that other financial institutions are looking at that and seeing that as their concern.

I do think that we have a great opportunity to serve our clients well, both on the acquiring and on the issuing side. And our job is to respond to our clients' needs and wants and that's a great thing that Plumeri has brought to the table.

But I think that deal was done a year ago and it looks like a one-of-a-kind transaction, which they feel very good about and should. But we haven't had any deep demand on the other side of it.

Manish Somaiya - *Citigroup - Analyst*

Okay, great. Thank you so much.

Rich Wilhelm - *First Data Corporation - IR*

We have time for one final question.

Operator

Thomas Egan, JPMorgan.

Thomas Egan - *JPMorgan Chase & Co. - Analyst*

Thanks for taking my question. Maybe we could just go back to the cost saves discussion that Frank Jarman was following. You guys had a pretty significant increase in gross margin for the quarter, and as I try to tie in where all of that came from, I usually go to look at the projected near-term cost savings and revenue enhancements line that you guys give us for add backs to EBITDA. And that number last quarter was $217 million. This quarter it's about $148 million, so it's about a $70 million change.

Is there a way that you can help us understand what some of those changes were? I assume one of them was the stock comp because that goes up in the add back line.

But maybe you could help us understand what some of the other pieces are, so that when we sit down and sort of think about what the margins are going to be going forward, we have some idea of where these cost saves are showing up when you guys are realizing them. Or am I looking at it the wrong way? If the $70 million drop is not a realization in those cost saves, what else would that be?

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

You know, Thomas, it's Ray. Good morning. I kind of have guided you guys for years now around that EBITDA cost savings number. That is not something that I really focus on from a modeling standpoint. That is a covenant calculation where you look at specific cost-saving initiatives on a gross basis and project those out, what they will be 12 months from now. So it's helpful in a directional kind of way to monitor it over time, but I think the better way to look at the modeling is look at this historical trend to go back for the last five quarters, take the information that we're providing in these calls, highlighting some of those one-time type items or unusual items, and use that in your modeling.

The change quarter to quarter from $217 million to $148 million was really the increased earnings you saw, $90+ million in EBITDA, offset by the lower future projected savings. It's really mainly because we have achieved some of those savings.

If you look at the $150 million or so, what's left there, compensation philosophy changes is about $45 million of that. Again, it's a forward-looking calculation. So we've told you guys that the estimated impact on that is call it $60 million to $70 million a year, $45 million is left to achieve on that because we now have been a quarter through and achieved.

That is a rolling calculation. So that one's really easy. It started January 1. The remainder of these, the $150 million, is about $35 million in operational efficiency initiatives. Those will continue to build over time as we achieve some. We will put more on. There's about $30 million in BAMS synergies. That has continued to decline over time as we've completed the integration there and achieve those savings. There's about $20 million in there for procurement savings programs. That is a continuous process with our procurement team working closely with our strategic partners in order to manage those costs down over time and get more and more value out of it. And then the last $20 million is restructuring and other initiatives, employee-related stuff.

I think as I look at the expense results in the quarter, they were fantastic. A lot of that has been driven off of a lot of hard work from leaders across this business. I pointed out a couple of one times, but beyond that, a lot of that is in headcount savings from productivity and efficiency initiatives as well as from vendor savings that we have been able to achieve.

Thomas Egan - *JPMorgan Chase & Co. - Analyst*

All right. So my sense then is maybe getting back to this sort of softened thought process that you left Frank Jarman with, that is if you feel like these margins are sustainable going forward.

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

Yes, I think you're always going to get good flow through off this business. It's a relatively fixed cost business. So if we can continue to grow the topline, you're going to see it drop through, maybe not at the same rates from quarter to quarter. You are seeing improvement right now in the cost base being driven from the transformation taking place. So that is not something you're going to see those kind of rates forever, but we will be managing those costs forever.

Thomas Egan - *JPMorgan Chase & Co. - Analyst*

Okay, great. And thanks for all your help over the last couple of years, Ray.

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

Certainly. Thanks, Thomas.

Operator

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

Frank Bisignano - *First Data Corporation - Chairman and CEO*

This is Frank, and I would just like to thank everybody for their time on the call. I think hopefully you could share my enthusiasm, not just off of the quarter, but off what we are building going forward in the transformation. I do believe that the Clover Station is transformative and we will watch that unfold. And I do believe that this is much better waterfront property than I actually understood when I took this opportunity. I look forward to talking to everybody during the course of this quarter. Thank you.

Rich Wilhelm - *First Data Corporation - IR*

Thank you for joining us today. 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.