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PRESENTATION

Operator

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

(Operator Instructions)

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

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

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

Now 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 will also discuss items that do not conform to Generally Accepted Accounting Principles, and we reconcile those measures to GAAP measures in the appendix in this presentation and as part of our quarterly results press release which can be found on our website at firstdata.com.

With that, I will now hand the call over to First Data's Chief Financial Officer, Ray Winborne.

Ray Winborne - *First Data Corp - CFO*

Thanks, Chip. Good morning, and thanks for joining us. Today we released financial results posting another quarter of strong growth and adjusted EBITDA despite a challenging macro backdrop both here in the U.S. and in Europe. For the third quarter, revenue was up 2% or 4% on a constant currency basis. We continue to focus on cost discipline, prioritizing our spend, and de-emphasizing lower margin business, delivering nearly 2 points of margin expansion versus last year. Year-to-date, adjusted EBITDA is up 12%. That's a pretty good outcome in this environment.

The third quarter GDP reading of 2% last week was better than most expected. Inside of that, housing and consumer spending were both stronger, a good sign for our business here in the U.S. Despite the uncertainty and volatility that we're seeing, volumes continue to grow at a healthy pace on the back of consumer spending. Same-store sales volumes from our SpendTrend data, which captures monthly electronic payment transaction trends across our merchant portfolio in the U.S., showed year-over-year growth of 6.3% on par with what we saw in the second quarter. In the short-term, our expectations are for more of the same, but a lot rides on the outcome of the election and how the issue of the fiscal cliff is ultimately dealt with in the next few months.

On the liquidity front, we ended the quarter with $1.7 billion in available cash and capacity on the revolver, and we generated more than $2.7 billion in operating cash flow before interest payments over the last twelve months. The high yield market have been strong, leading us to tap the new issue market during the quarter, raising long-term money at rates of less than 7%. We have now whittled our 2014 debt maturities to less than $300 million from over $12 billion just two years ago. And the fundamentals continue to improve, lowering our leverage ratio.

Let's take a look at First Data's consolidated results starting on slide 4. Consolidated GAAP revenue for the third quarter was $2.7 billion. That's down $58 million or 2% compared to a year ago. Like the last couple of quarters, the decline is being driven by lower debit network fees. The vast majority of debit network fees relate to interchange, so the reduction in rates mandated by Durbin last year is the driving factor. Because of the pass-through nature of these fees, expense declined by that same amount, so it's really no impact to our operating income.

The third quarter net loss attributable to First Data was $212 million, [$158 million] (corrected by company after the call) higher than the loss we reported a year ago driven by two non-operating items. First, the other income and expense line went from a $95 million gain last year to a $52 million loss this year due primarily to normal mark to market activity on interest rate swaps. In addition, last year included a $32 million after-tax benefit related to a purchase accounting adjustment, creating a year-over-year drag on earnings. We managed the business using adjusted revenue which excludes certain items including debit network fees and conforms the presentation for other items. We believe this presentation is more meaningful in terms of understanding our performance, margins, and related operating metrics.

Adjusted revenue for the third quarter was $1.7 billion. That's up 2% versus last year or 4% on a constant currency basis. Adjusted EBITDA was $608 million in the quarter. That's up $44 million or 8% compared to a year ago on revenue growth and good flow-through as our adjusted expenses were down 1% compared to a prior year. Overall EBITDA margin improved to 36% in the quarter.

Now let's move into the segment performance starting with Retail and Alliance Services on slide 5. Revenue was up 7% driven by growth in both merchant acquiring services and associated product revenue. EBITDA grew $55 million or 16%, benefiting from top line growth while expenses were only up 1% in the quarter. Margins improved to 45%, that's a 300 basis point expansion from a year ago.

Let's go to slide 6 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 $57 million or 9%. Roughly 80% of the growth was being driven by lower debit interchange and additional processing revenue from our merchant acquiring alliance with Bank of America. Revenue from processed volume growth was partially offset by pressure we experienced on yields. We estimate lower debit interchange generated approximately $24 million of the year-over-year growth in the quarter. As a reminder, on October 1, we fully lapped the year one benefits in terms of growth from this item. And while market pricing has been relatively stable, actually better than we expected, we do anticipate that the reduced debit interchange benefits will be impacted by natural price competition and typical customer life cycles over the next one to three years.

Our normalized transaction growth was 7.2% in the quarter. That's about 60 basis points better sequentially on continued growth in consumer spending via electronic payments. Revenue per transaction is an all-in revenue yield, it's the way we look at revenue here in the Company. It can be affected by a combination of factors including merchant mix, pricing plans, merchant attrition, and contract renewals. This quarter, revenue per transaction was up 4% year-over-year, benefiting from lower debit interchange, additional BAMS processing revenue, and the loss of some relatively low yield transactions in prior periods. Absent the benefit of these items, revenue per transaction was down a little less than 5% this quarter, slightly worse than what we've seen in the last few quarters, but not outside of the historical trends.

Credit/signature debit mix remained stable at 72%. And as the chart shows, pin debit transactions continue to out-pace credit and signature debit. This is occurring primarily in the large merchant space and resulting in slight negative impact to our revenue given the rate differential. As I've mentioned before, 80% to 85% of our transactions are interchange plus fees and the rest are spread-based or a percentage of ticket. A key measure of spread-based transactions is regional average ticket. As you can see in the bottom right quadrant of the slide, it declined a little under 1 percentage point to $68. This is due to a combination of an overall decline in the size of average purchases and a slightly higher mix of lower average ticket verticals like quick service restaurants.

Turning to product, revenue in our prepaid business was up 17% this quarter on increased usage in our open loop product and accelerated timing of card shipments for the holiday season. Cardholders, transactions, and related revenue from our Money Network payroll card continued to grow at a healthy clip as we penetrate the fast growing segment of underbanked and unbanked consumers. As general purpose reloadable cards gained more and more interest in the marketplace we like our payroll-based distribution model. It's proven to be sticky as normal employee turnover takes place, making it very efficient from a customer acquisition perspective.

Revenue in the point-of-sale business grew 1% driven by double-digit growth in leasing income from new lease originations and renewals of the base. These gains were partially offset by a decline in terminal revenues on lower bulk sales relative to a year ago, lower service related revenue, and lower average price points on the terminals we sell. And finally, check processing revenue declined 8% year-over-year. That's on 6% lower check volumes, driven by the secular shift to electronic payments. We continue to benefit from a large base of credit rating data in this space, which is helping us lower our warranty exposure across the portfolio and maintain our margins in this product.

Now turning to results in the Financial Services segment on slide 7. Revenue grew 1% compared to a year ago as new business and improved volumes more than offset the effects of lost business and price compression. EBITDA decreased $6 million or 4% in the third quarter, but this decline reflects the benefit of a $9 million sales tax recovery recorded in 2011. Adjusting for the impact of this item, EBITDA would have been up 1% year-over-year. EBITDA margin was 43%, in line with what we saw in the second quarter.

Let's take a closer look at Financial Services on slide 8. Processing revenue, which represents debit and credit card processing plus network services, was up 2% or $5 million as the benefits of new business and volume growth more than offset lost business and price compression. The growth in active card accounts on file reflects the March edition of the Kohl's portfolio. Absent the Kohl's business, active accounts were up 4%, reflecting improved consumer credit environment relative to last year. And activity continues to grow with credit and retail transactions up 14% over the prior year. Organic growth in the card portfolios we service was up 7% and private label card portfolios continue to generate interest among issuers. We continue to see opportunity for future growth in these services based off of these fundamentals.

Normalizing for Wells activity in all periods, total debit issuer transactions increased 12%, roughly 80% of which is attributable to net volume increase from the implementation of the Durbin routing and exclusivity rules. Of the remaining increase, organic growth in the ongoing shift from cash and checks to debit was partially offset by lower volumes from competitive losses. With respect to Durbin impacts, through focused efforts, we've had some degree of success winning back volumes with key merchants, albeit at a lower rate. As a result, we have seen reasonable routing volumes stabilization since July as I referenced in last quarter's earnings call. We'll continue to make volume and rate tradeoffs in this area and closely monitor competitive activity in the market. Output services revenue was up 1%, as growth in plastic shipments was offset by lower print volumes. And other revenue was down 4% in the quarter, driven by the sale of a small data analytics business in this segment.

Let's move to slide 9 for review of International. On a reported basis, revenue for third quarter was $427 million, down 6%, while EBITDA of $119 million was up 7%. Margin improved to 28%, that's up 300 basis points versus last year. Currency was a headwind in the quarter, as the dollar strengthened relative to the prior year against the basket of currencies affecting us. Currency negatively affected revenue by $29 million and EBITDA by $7 million. On a constant currency basis, revenue grew 1% and EBITDA grew 13% year-over-year. The 13% growth rate includes the benefit of a $12 million purchase accounting adjustment recorded in the prior year. Excluding the year-over-year impact of this item, constant currency EBITDA growth was 2%, a slight deceleration from the growth we saw in the second quarter.

Turning to slide 10, as you can see, currency negatively impacted the reporting growth rates in each of the four regions of International business. So looking at revenue growth on a constant currency basis, total revenue in EMEA was relatively flat as growth in merchant acquiring was offset by a decline in the issuing business. Despite the macro headwinds in Europe, we saw good transaction growth in merchant acquiring. The 6%

revenue growth was tempered by lower terminal revenues as we dialed back on lower margin equipment sales and also the loss of some Chase processing business as they move volumes back to their own platform. We're growing through both of these and should start to see a decline in the impact in future quarters.

A 7% decline in issuing revenue was due to a combination of lost business from prior periods and exiting low-margin businesses, which was partially offset by a $7 million in one-time software license fees in the quarter. Asia Pacific revenue was down $4 million or 4%, primarily due to the impact of unfavorable legislation affecting our ATM business in Australia and the loss of a card processing customer in December of last year. Revenue in Latin America grew $7 million or 13% on good growth in transaction volumes, terminal sales, and higher pricing. Sequentially the rate of growth is slowing due to economic challenges being experienced in Argentina. And lastly, growth in Canada is attributable to both new issuing business and higher acquiring volumes, partially offset by a conscious decision to reduce terminal sales.

Slide 11 provides a roll forward of cash. We ended September with $470 million of cash and cash equivalents on the balance sheet and $1.7 billion in available liquidity including capacity on the revolver. We had no borrowings outstanding on the revolver at the end of the quarter. Cash interest payments were $500 million, about $235 million lower than last year, primarily due to the timing of coupon payments. You can find our quarterly projections for cash interest in the financial attachments to the press release.

We continue to invest in infrastructure and product, improving our service capabilities and strengthening security. Our capital expenditures, consisting primarily of equipment, capitalized software development, and customer conversion costs, totaled $87 million in the quarter. And we'll continue to invest for growth. Our capital plan in 2012 is targeted at 6% to 7% of adjusted revenue.

Now I'd like to take a few minutes on First Data's capital structure on slide 12. As you heard me note earlier, we generated significant cash flow. We have no covenant issues, and we have plenty of headroom on our only financial covenant which is the ratio of consolidated senior secured debt to consolidated EBITDA. Our current ratio is 4.2 times which is comfortably under the covenant limit of 6.5 times. We have ample liquidity sources with cash on hand, a $1.5 billion revolver, and cash generated from operations. We have no significant debt maturities until September 2015.

As you can see on the slide, our maturity ladder and liquidity profile has improved dramatically over the last two years. Since June of 2010, we've extended the maturity dates on $18 billion of debt. In addition, we extended $1 billion of revolver capacity out to September 2016. Cash interest payments are projected at $1.8 billion in 2012. That's up versus last year, largely due to the timing of coupon payments. We have a weighted average interest rate of 8.1% across the debt structure, and roughly 83% of our debt is fixed rate or swapped to fixed rate, providing a measure of certainty for when rates eventually do begin to rise.

Using the current capital structure and forward curve, we're projecting 2013 cash interest payments to be relatively flat to this year. In short, lower cash interest cost associated with the recent expiration of interest rate swaps put in place at the time of the LBO covered the incremental cost of 2012 refinancing activity. Growth in EBITDA over the next two years will provide improved cash coverage as we look to address upcoming maturities. Finally, despite long runways before maturity dates, we have proactively managed the balance sheet to reduce risk and provide time to execute against our business plan. We've been opportunistic in when and how we've approached the market, and given past success, you can expect us to continue on that path.

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

Jon Judge - *First Data Corp - CEO*

Thanks, Ray, and good morning everyone. And thank you for joining us today. I'll make a few comments on our quarter's results and business activity, and close with some observations about the economy. And then Ray and I would be happy to take your questions or comments.

On the quarter, we're obviously very pleased with our performance both on the strong RAS revenue and continued growth in adjusted EBITDA. As a good management practice, we're continuing to grow revenue faster than expenses as we continue to benefit from the secular trends in the electronic payments that are promoting growth of our merchant acquiring business in the U.S. and around the world. First Data continues to deliver on product innovations, particularly those supporting Universal Commerce, the anywhere, anytime commercial experience characterized by the convergence of consumer spending habits in offline, online, and the mobile channels. We took a significant step along these lines when we recently launched our Rapid Connect solution, which is a technology layer that enables simplified integration to First Data. Rapid Connect provides software developers and direct connect merchants with a streamlined way to create, test, certify, and deliver payment rich applications through a single interface to enable Universal Commerce solutions. We introduced Rapid Connect to the developer community at the Innovation Summit two weeks ago. Using Rapid Connect, developers can quickly and easily integrate a wide variety of payment services into any partner or merchant application.

As I'm sure you know, change is impacting the payments industry at a fairly rapid pace. Innovative new apps are good for the industry and will help accelerate the secular trend of electronic payments, floating all boats in the process. Mobile payments are here as evidenced by frequent press releases, and the impact on the industry will be game changing. We see the introduction of smart devices and tablets at the point-of-sale as an opportunity to drive greater value in products incorporating coupons, discounts, and loyalty programs.

As you know, our engagement with mobile payments includes our collaboration and development with Google on the Google Wallet, which incorporates First Data's Trusted Service Manager, or TSM. Our TSM which can be deployed into any mobile wallet is the provisioning moment that allows us to drive security and over-the-air provisioning of card data to the mobile handset to securely put the card in mobile wallet and to facilitate the transaction at the point-of-sale. In addition, TSM allows us to deliver coupons, offers, redemptions, and loyalty points to the mobile wallet. OfferWise is the product we introduced earlier this year to help merchants drive sales through mobile devices by targeting advertising and promotions to their customers. OfferWise connects coupon publishers with merchants and cardholders to make electronic redemption of an offer an automatic component of the POS transaction.

We've also introduced to our financial institution and RAS partners, a smartphone POS device aimed at emerging merchant marketplace. We call the product Pogo, and you'll be hearing a lot more about it over the coming months. Finally, under the umbrella of Universal Commerce, we're also driving information and analytics such as our current SpendTrend products as well as enhanced analytic products to deliver more relevant information to the merchants. The bottom line is that we believe consumers will have more and more influence on when, where, and how electronic payments take place. We believe merchants are also looking to transform the customer purchase experience at the point-of-sale or the point of service. Based on First Data's market leading distribution, broad base of merchants, and unmatched operational scale, we're excited about the innovation that's captivating our industry and the Universal Commerce evolution that's underway.

Now some observations on the economy. First Data's macroeconomic SpendTrend preliminary data for October show that card spending grew and gained momentum during the month when compared to September. A considerable drop in gasoline prices and a pullback on savings supported that spending, particularly in the retail segment. Several discretionary spending categories performed well in October driven by promotional activity and cooler weather that may have supported fall and winter merchandise sales in clothing and accessories. Also building material, garden equipment, and supply dealers as well as furniture and furnishings stores also posted strong dollar volume growth in October.

Several retail categories experienced improved average tickets from September due to a slight rise in prices. However, perhaps as a check on managing their spending before the holidays, consumers opted to use pin debit more frequently in October. As a result, pin debit dollar volume and transaction growth exceeded all other payment types. That said, credit dollar volume was also strong as consumers continued to spend modestly in discretionary categories where credit cards are the primary payment method. Dollar volume growth in the hotel and travel segments also performed well in October, which may have benefited from both rising travel costs and a slight uptick in business travel. Based on the October data, consumers appear to be in a favorable spending mood headed into the holiday season, supported by improvement in housing prices, slight gains in jobs, and modest income growth. No doubt merchants will continue to watch the consumer sentiment as we head into the holiday spending season.

Now with that, I'll turn it back to Chip, and Ray and I will be glad to take your questions.

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

Thank you, Jon. We have two quick ground rules for the Q&A portion of this call. Please limit your questions to one question and one additional follow-up in order to be fair to all participants. As we approach the end of our time this morning, I'll let you know when we have time for one final question. Participating in the Q&A are Jon Judge, Ray Winborne, and members of our management team. So we'll now go to the operator for our first question.

QUESTIONS AND ANSWERS

Operator

Ana Goshko, Bank of America.

Ana Goshko - *BofA Merrill Lynch - Analyst*

I realize this is probably a little premature to ask, but I did want to get a general sense on what you think the impact of the storms and the aftermath and the natural disaster that's occurred in the northeast might have on spending patterns? And maybe if you just could touch back on what you've seen in the aftermath of other natural disasters? Because clearly, I think normal course consumer spending will be down, but there's a lot of recovery spending. And wondering if, in these types of situations, you actually see increases in credit card usage or anything like that?

Jon Judge - *First Data Corp - CEO*

Good morning, Ana. How are you today?

Ana Goshko - *BofA Merrill Lynch - Analyst*

Great, thank you.

Jon Judge - *First Data Corp - CEO*

Good. First, I want to say our thoughts and prayers are out with those who suffered through this pretty dramatic storm. That includes a significant number of our employees based in Staten Island and Long Island. So we're thinking about you guys and hope you can get through this. As far as the impact, the estimates keep climbing. I think the last thing I saw this morning before I walked in the room was $50 billion. I think we will continue to see a negative impact on consumer spending as long as the power is out. I think it's probably going to be the biggest determinant given the geographic spread that, that storm went over and the extended time that power is going to be out so these stores can't even open. So we will see a negative impact in the fourth quarter. And to your point though, I think we will see that turn quickly as insurance proceeds and other money starts to flow in and people go back and start to replace some of their goods that were lost in the storm. So net-net, I'd say it's probably still going to be negative overall, but the timing, just given where we are in the quarter, in late October, early November, I think you'll see a negative in the fourth quarter from a consumer spend standpoint. And that's kind of what we've seen in these situations in the past.

Ana Goshko - *BofA Merrill Lynch - Analyst*

Okay, that's helpful color, thank you. And then if I could just quickly for a second question, on your STAR Network, and I heard the puts and takes that you've been experiencing post the Durbin implementation in April, but prior to that I think you had quoted your market share at approximately 20%. Wondering if that's materially changed?

Ray Winborne - *First Data Corp - CFO*

No, Ana. In fact, it's probably up a point or two this quarter. It's in the low 20s. We have, as far as puts and takes, it's net puts. We have added volume year-over-year on the STAR Network. Some of the color I've been providing is that not all transactions are created equal. So some of the transactions net increase are at lower rates than some of the transactions that we lost were at higher. So we're not seeing as much bang for our buck on the revenue as we'd like to, but the net transactions net share are definitely up.

Operator

Franklin Jarman, Goldman Sachs.

Franklin Jarman - *Goldman Sachs - Analyst*

Just with regards to the RAS segment, now that the Durbin and BAMS processing tailwinds will be anniversarying in 4Q, how should we think about revenue per transaction growth going forward? Is it safe for me to model in more of a typical 5% RPT headwind going forward? Or do you guys think that we'll still be on a better than seasonal growth trajectory following the anniversary of those two benefits? Thanks.

Ray Winborne - *First Data Corp - CFO*

Good morning, Frank. As we've discussed in the past, RPT really is an all-in yield and there's a dozen factors that impact it, and the largest being mix. That's a little bit of what you saw in the third quarter relative to the first half of the year. We did see lesser impacts of pricing in the third quarter. We saw a little higher compression, but we did see a shift back towards the larger end retailers where our yield is the lowest, particularly in July and in September. So barring some kind of significant acceleration in the economic recovery, I do expect that yield year-over-year change to remain in our historical range of 3% to 5%. And that's just reflecting the natural compression from aggregated traffic and then the industry pricing trends. We do have an opportunity, though, to bend that curve. We will continue to try to increase our cross-sale into the existing base as well as new product introductions. You've heard us talk about U-Commerce. You heard some of Jon's comments. We do believe that given the existing base that we've got and the distribution that we have, that this is a nice opportunity for First Data to continue to grow that revenue stream on this base, which would then offset any of those other negative impacts that we're seeing on RPT.

Franklin Jarman - *Goldman Sachs - Analyst*

Got it, that's helpful, thanks. And then just as a follow-up, looking at the International segment, I was pretty positively surprised by the performance there. Revenue growth holding at about 1% and down only 1% in the EMEA segment. So just as I think about the macro environment on the international side, do you think we've seen the worst out of Europe? Or should we still expect a lagged effect as I look at economic growth slowing in Europe as we think about 2013?

Ray Winborne - *First Data Corp - CFO*

Yes, we've been pleasantly surprised as well, especially when you look at our largest businesses in Europe. Whether the worst is behind us, I think is really difficult to say. Every time you think it's going silent, a new headline hits. But as far as our business, it's a it's a tale of two tales when you look at the acquiring business, we continue to take share. We're a smaller player in Europe than we are here in the U.S., so that's been helping. I think the secular trend is stronger there. So despite the macro weakness that you're seeing in those economies, the electronic payments is powering through some of that in growth. But I don't think we're out of the woods at this point. We'll just continue to be very disciplined as far as where we're putting our money, continue to manage that tightly until we can get it growing again.

Franklin Jarman - *Goldman Sachs - Analyst*

From a margin standpoint, is acquiring a higher mix?

Ray Winborne - *First Data Corp - CFO*

Yes, the margin on the acquiring business is a better mix. And it's also a better business from the perspective of capital. We're just not having to invest as much there to generate the same type of EBITDA.

Franklin Jarman - *Goldman Sachs - Analyst*

Got it, thanks. If I could just get one last question in too. As you guys highlighted in your comments, you've done a great job of addressing the 2014 maturity hurdle. As you guys are thinking about the 2016 sub notes, the HoldCo maturities, it's still a pretty sizable maturity of $4 billion but definitely way off. So was just curious, are you guys comfortable taking a wait-and-see approach here, which to me implies we probably won't see much out of you for at least the next year or so? Or is there some opportunity to do something sooner than that?

Ray Winborne - *First Data Corp - CFO*

Frank, you've seen us, we're not a wait-and-see kind of company. We said what we were going to do in early 2010 and started executing. So you can assume that we are still monitoring on a daily basis what's going on. If you look at the whole complex, it's all trading up close to par, a little above, other than maybe the subs. But we will not wait until the last minute on this. If we do have some call rights that will step down over the next 12 to 24 months, that will come into play, but that won't stop us from taking a look, and depending on market conditions, acting.

Operator

Jeff Harlib, Barclays.

Jeff Harlib - *Barclays Capital - Analyst*

Could you just update us on the cost savings? I think the LTM add back went from $158 million to $129 million. Just talk about the actions you're focused on and also the BAMS transition and how that's going, if you still expect the $125 million of benefit there?

Ray Winborne - *First Data Corp - CFO*

When you look at that covenant EBITDA calculation in the near-term savings, I'm actually looking at that as a good thing. When you look at the change from $158 million last quarter to $129 million this quarter, one of the largest components within that decline is actually achieved savings that we have gotten out of our OT operations, our headcount reductions, procurement saves, and to your point, out of BAMS. So we are producing those savings. In other words, you know how that calculation works. It's a 12 month forward looking calculation. So as you go through and execute, those savings are achieved and then they come out of the calculation. Offsetting that, we obviously are continuing to look at ways to be more productive. And we did have new initiatives being added in there. And then there's always changes in the estimate because you're talking about something that is 12 months plus in the future. So we have looks each quarter at the initiatives that we've got in place.

As far as BAMS, continue to be happy with the progress we're making there, both on moving the platform and transitioning into our environment as well as some of the conversions that are still taking place off of Chase, TSYS, and the multilink platform. As far as we can see now, we'll continue to run that program. The goal is to have that business as usual by the end of 2013. And based on the progress we're making now, we don't see any changes in the estimates to those ultimate annual benefits of the $100 million to $125 million range as we get this thing behind us.

Jeff Harlib - *Barclays Capital - Analyst*

Okay, good. And International, can you just talk about, with Europe, the merchant acquiring doing much better with the card issuing still coming down, do you see the card issuing business stabilizing if affected it's low margin business? And what's the visibility on the merchant acquiring business in Europe?

Ray Winborne - *First Data Corp - CFO*

Let me correct you a little on issuing, I didn't mean that it was low margin. It's just relative to the acquiring business is a little more attractive because, one, it's growing. And two, the capital requirements in the acquiring business are lower. They both have decent margins in that business though. The thing we run into in Europe is really a scale question. When you look at the big iron it takes to run the issuing business, you need scale. And we're still subscale. We've got a large portfolio that we process over there for a couple of the largest banks in the region, but we're still below the optimal number of cards on file that would make that a really attractive business from a margin standpoint. But there are significant opportunities.

Some of the lost businesses that you've seen is where banks have outsourced, gotten to scale, and brought it back in-house. That is more the natural tendency in Europe than it is in the U.S., but we do think, given some of the capital challenges that FIs have in Europe and the upcoming Basel III years down the road, there will be some opportunities. What they are and the scale and size of them are yet to be determined, but we trust and rest assured we're talking to a lot of those guys about how we can help them with their business. And I think that also springboards into another opportunity that we've got on the acquiring side of the business. I think we will continue to look out for new alliances and really leverage the model or expand the model that we've been so successful with here in the U.S. with FI's distribution.

Operator

Arun Seshadri, Credit Suisse.

Arun Seshadri - *Credit Suisse - Analyst*

Just wanted to first start off with International, last year we saw nice spike in EBITDA margins from 3Q into 4Q. Could you remind us where that spike came from and should we expect something similar this year even if revenue does not grow?

Ray Winborne - *First Data Corp - CFO*

Looking back to last year, obviously we were doing a significant amount of restructuring work around our costs there. So throughout the year, you saw continually improving margins as we took cost out. As far as the spike from third quarter to fourth quarter, trying to remember, Arun, whether there was anything of any significance. There may have been one item in the single digit million range that would have affected that, but nothing that comes to top of mind. So I don't know that, that would be a trend I would model into 2012.

Arun Seshadri - *Credit Suisse - Analyst*

Okay, appreciate that. And then in prepaid, we saw a fairly significant acceleration in the quarter growth-wise from I think 9% in Q2 to almost sort of high teens in Q3. How should we think about this going forward? Obviously, you've introduced new products there.

Ray Winborne - *First Data Corp - CFO*

There's two pieces of that business. The one I highlighted around our Money Network is that solid recurring business. And that one just continues to outgrow at that high teens growth rate both on the cards that we've got there as well as the activity on those cards. So that's really the heart of

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that business, and we continue to be really happy with that one. What you're going to see with that difference in growth rate from second quarter, third quarter, third quarter, fourth quarter is some timing. So on the closed-loops out of that business, we obviously shift form factors to a lot of large retailers, and the timing of those shipments is different at different periods. So we had a little bit of acceleration in the third quarter this year. So that's why you're seeing that change. So we'll take a little bite in the fourth quarter on the revenue perspective from that shift in timing. Now, on the other side of that coin, this is lower margin business on that closed loop because this is more about form factors. So you shouldn't expect to see a big variance in the absolute flow through.

Operator

Jake Kemeny, Morgan Stanley.

Jake Kemeny - *Morgan Stanley - Analyst*

Ray, just had a question for you. Can you give us what you think the cumulative benefit to your EBITDA has been since the lower interchange rates have been introduced?

Ray Winborne - *First Data Corp - CFO*

It's been running about $25 million a quarter. So it's $100 million for the year.

Jake Kemeny - *Morgan Stanley - Analyst*

Okay. And in your prepared comments about the cap structure, you alluded to continued EBITDA growth over the next couple of years. It implies to me that you think will you be able to lap lower interchange as that kind of slows down over time. So a, is that your expectation that you can grow despite the benefits of interchange going lower? And b, do you think you can continue to grow your EBITDA faster than you've been growing your revenue?

Ray Winborne - *First Data Corp - CFO*

We're in a great business. When you look, a, as Ed says a lot of times, we wake up in an industry that grows. The secular benefit of movement to electronic transactions is going to allow us to grow. And when you heard Jon's comments earlier about the significant change and the pace of change in this industry, there is a lot of opportunity being opened up here. Profit pools are starting to converge. There are new places that we will be able to go just given the strength of our existing merchant base. So yes, I'm confident we can continue to grow the top line here. Then just the way this model works, if you get the top line growing, it translates to bottom line growth. There's a huge fixed cost nature within this business that we can generate leverage off of.

Jon Judge - *First Data Corp - CEO*

Let me just -- this is John. Let me just add one more comment there on your specific question about do we think we'll be able to grow EBITDA faster than top line. Our whole management philosophy will not allow expenses to grow at the same rate as revenue. We have a philosophy to try and grow expenses at about half the rate we grow revenue. So it's part of the discipline that we use in running the Company.

Operator

Guy Baron, Deutsche Bank.

Guy Baron - *Deutsche Bank - Analyst*

Just made it. I just had a couple quick ones here. Actually, more follow-ups. You sort of talked, Ray, about the impact of the Durbin related interchange benefit being I think $24 million this quarter year-over-year. Can you just provide what that impact was in Q3 of last year if any?

Ray Winborne - *First Data Corp - CFO*

Nothing in Q3 of last year. This started, if you remember the way the legislation rolled out, the interchange rates were effective October 1. So the fourth quarter was the first quarter.

Guy Baron - *Deutsche Bank - Analyst*

All right. And then I guess on the same vein, could you just maybe provide what Q4 impact was?

Ray Winborne - *First Data Corp - CFO*

Your growth, because we're lapping it now, your growth we have now grown through the absolute growth year-over-year. As you look back, Guy, it's been running $24 million, $25 million a quarter, and it will only go down from here. It's at the rate, at what rate will it go down? And it's just very difficult, if not impossible to break that out from normal impacts on revenue yield.

Guy Baron - *Deutsche Bank - Analyst*

Okay. But I guess at least relative to the quarter we're in, it sounds like it's going to be a relatively neutral impact on a year-over-year basis?

Ray Winborne - *First Data Corp - CFO*

It will likely be down in the fourth quarter. Now, again, how much I think is the real question. In our estimations, we're continuing to see this thing hold up a lot better than we expected when it started. And so I wouldn't expect to decline at a material rate for sure in the fourth quarter, but you're not going to see that absolute growth that we've seen the last four quarters.

Guy Baron - *Deutsche Bank - Analyst*

Okay. And then, sorry, just an extension of that, any ability to quantify the STAR related element or the PIN related element of Durbin?

Ray Winborne - *First Data Corp - CFO*

I made a few comments last quarter and reinforced it this quarter. The volumes are up nicely, ten plus percent increase in volumes. But given the competitive dynamic in the network space, rates have been put under pressure. So the ultimate revenue impact has been relatively small, single digit millions net-net on a quarterly basis.

Guy Baron - *Deutsche Bank - Analyst*

Got it. And then just a second question. As you look to next year, we talked about Durbin going, as you just noted, sideways, probably down on some compression, the fiscal cliff, I guess is anyone's guess at this point. Could you maybe talk about the major company or pipeline specific items that are puts and takes as you look to next year?

Ray Winborne - *First Data Corp - CFO*

Those are some of our competitors that have some pretty healthy pipelines from some deals announced recently. When you look at the FS business, that's where most of those are. I can tell you, there's no elephants that we have already signed and are ready to board in the near-term. We are continuing to sell though. We have a healthy pipeline. Our focus has been more on those community and smaller tier banks, and we continue to board those every day. But as far as an overall pipeline, I tell you, it's healthy both there in FS and in the International space. But these are long cycle sales, so there's nothing I could tell you that's going to pop up in the next quarter or two that we're boarding.

Guy Baron - *Deutsche Bank - Analyst*

Okay. So outside of macro situation, outside of Durbin which is now neutralized, there's sort of -- there's nothing you'd point to that drives growth materially or independently next year above what you've been seeing recently? Is that a fair representation?

Ray Winborne - *First Data Corp - CFO*

This business is very closely tied, at least a big piece of it, to the economic health of the economy. If we don't continue to see at least modest growth, if not accelerating growth, that obviously retards the growth. But there are other opportunities that we have. We continue to -- as I mentioned earlier and John mentioned in his comments, we see big opportunity with universal commerce. Mobile is here. It's not a dip. It's when is it going to be of scale. And we think we're sitting in just the right spot to be able to capitalize on that growth. You will see it happening. If you take a look at the press releases, it's a daily event. And so that's where we think we will continue to see growth, and we continue to optimize this business. Anything from sales channel to cost and productivity to gain growth out of it. If you look back at trailing 12 EBITDA just two years ago, we're a little over 2.4 at this point in trailing 12. Third quarter two years ago, we're up 22% since then. So we will continue to execute against that kind of trend.

Operator

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

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

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

Operator

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