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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Welcome to the first quarter 2015 First Data financial results conference call. My name is Vanessa 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. Glenn Fodor, Senior Vice President of Investor Relations of First Data. You may begin, sir.

Glenn Fodor - *First Data Corporation - SVP of IR*

Thank you, Vanessa, and good afternoon, everyone. I'd like to welcome you to our first quarter earnings call. Our Executive Vice President of Strategy, Planning and Business Development Himanshu Patel and Executive Vice President and Director of Finance Michael Neborak will lead the discussion of the first quarter 2015 financial results. Himanshu and Michael will be referencing a slide presentation during their prepared remarks. A copy of the slide presentation, as well as our earnings release and supplemental analyst's schedules, are available on our website, at 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 in today's presentation 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 Himanshu Patel.

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Thank you, Glenn. Good afternoon, everyone. I'd like to give a summary of our financials, then provide an update on the business, and lastly, cover some details on our just announced strategic expense management initiative. I'll then turn it over to Mike to go through the details of the numbers.

First, let me cover Q1 at a high level. Adjusted revenue was $1.7 billion. This is up 2% on a reported basis, but the underlying top line story is stronger, with adjusted revenue up 5% excluding the impact of foreign exchange. Q1 was also negatively impacted by the loss of $13 million, or 1 percentage point, related to the divestiture of EFS in the year ago period.

As you can see from slide 4, constant currency quarterly revenue growth rates have improved, of late. Fourth quarter 2014 and first quarter 2015 marked the strongest period of consecutive two quarter constant currency growth since First Data's LBO.

Adjusted net income was $40 million, an improvement of $49 million versus year ago, aided by a reduction in interest expense. Adjusted net income is a new measure we are introducing this quarter, and is intended to approximate recurring cash earnings. It excludes such items as acquisition-related amortization expense, mark-to-market P&L impacts of derivatives in euro-denominated debt, stock-based compensation expense, and restructuring and other such costs.

Adjusted EBIDTA for the quarter was $563 million, down 6% excluding the impact of foreign exchange. The Q1 EBITDA decline was characterized by an expense growth that outpaced what was healthy revenue growth in the quarter, a relationship that was in line with our internal expectations for the quarter. Expenses rose $88 million on a reported basis in Q1, or $129 million on a constant currency basis.

Three broad points I would make on expenses. First, a significant amount of the Q1 year-over-year growth in expenses was driven by growth-related investments, such as expansion of our sales force, particularly in Merchant Solutions and International; the build out of our greenfield acquiring business in Brazil, new product investments, such as two new variants of Clover that just launched; and substantially enhancing the capabilities of the STAR network. These investment costs are at or near their peak today, and will face more favorable year-over-year comparisons in the coming quarters.

Second, while it's still early days for these investments, we are starting to see revenue growth associated with these items and fully expect this contribution to grow over the medium term. Additionally, we believe that these investments will uniquely position this Company for the future.

And lastly, year-over-year expense growth in Q1 was also inflated by the non-recurrence of $17 million of expense credits in the year ago period.

Next, I want to talk a little bit about the business. On the senior management front, we made two key hires recently to the management committee. Dan Charron joins First Data to run Global Business Solutions. Dan most recently was President of Chase Paymentech, where he spent 14 years building that business. He is a highly respected veteran of the acquiring industry and will be based in Atlanta.

We also hired Gustavo Marin to run First Data's Latin America business. Gustavo joins First Data from Citibank, where he most recently led the bank's Latin American region. Having started at Citi over 30 years ago in Latin America, Gustavo brings to First Data a deep business experience and senior relationships across that region. Gustavo will be based in Brazil.

We feel good about the pace of business momentum, both from a sales and product innovation perspective. Our long cycle sales pipeline is building across both the issuing and acquiring business. On the merchant product front, today we officially launched Clover Mobile and Clover Mini, significantly expanding the reach of our Clover lineup. Both Mini and Mobile are smaller than the original Clover Station, they are fully EMV compliant, and read the same app store as the original Clover Station. These products round out what we believe will become, if not already, the industry's largest truly open platform for third-party small and medium-sized business applications.

While we are enthusiastic about Clover, it's important to realize that we are actively pushing the innovation envelope in other parts of our business, as well. During the quarter we made a small acquisition in the e-commerce space by purchasing Spree, a company that provides small merchants webstore in a box solution. In the quarter, we also inked venture investments and simultaneous commercial deals with Booker, a cloud-based scheduling app for small merchants, and MineralTree, a startup focused on the B-to-B bill pay and online banking space.

Lastly, today we also announced a strategic expense management initiative. We anticipate the initiative to provide annualized savings of $200 million by mid-2016 and we expect to incur restructuring costs of $75 million starting in Q2. We expect this initiative to fundamentally improve the ongoing operating cost base of First Data. The initiative is multi-faceted and aimed at improving our roughly $4 billion adjusted annual expense base, covering both compensation and non-compensation expense elements.

The initiative will lead to a net reduction of a few thousand headcount, as we rationalize roughly a dozen facilities globally and will also include significant offshoring efforts. We also anticipate enhanced savings from procurement spend. To be clear, we plan to implement this expense initiative while continuing to aggressively fund our strategic growth initiatives.

With that, let me turn it over to Mike to cover the financials in greater detail.

Michael Neborak - *First Data Corporation - EVP and Director of Finance*

Thanks, Himanshu, and good afternoon, everyone. I'm going to cover the quarterly results with specific focus on segment performance and how we used our cash this quarter.

Segment performance starts with Merchant Solutions on slide 5. Revenues were $888 million, up 4% compared to the prior year period, while EBITDA was roughly flat, at $368 million. Q1 2015 revenue growth was also negatively impacted by the divestiture of EFS, which reduced revenue by $13 million, or 1%. We are especially pleased with those results, given the backdrop of 1% revenue growth in 2014.

Margin was 41% for the quarter, down 2 percentage points versus the prior year period, as expenses increased by $34 million, or 7%. A large amount of that increase was due to investments in our Merchant suite of products and expansion of our sales force.

Let's talk about the details of our 4% revenue growth in Merchant Solutions. In core merchant acquiring, which accounts for the largest majority of the segment, revenues were up 6%, due to transaction growth, as well as increased revenue from our merchant suite of products. The remaining components of the segment, which we call product revenue, and which includes prepaid, equipment and check services, were down 3%. That decline, however, was distorted by the sale of EFS last year, which had a negative impact of 6 percentage points on product growth.

So let me put product growth, excluding EFS, in context. The prepaid business grew mid-single digits, as our Money Network payroll cards benefited from increased activity and usage. Equipment revenues were up high single digits, due to increase in hardware sales. And finally, revenues from check processing were down low double digits, as check volumes declined again due to the secular shift to electronic payments.

Now, turning to the results of the Financial Services segment on slide 6. Financial Services continued to show solid performance, as revenue increased 7%. New business, higher gross active accounts, as well as increases in network transactions are driving that revenue growth. Expenses were up $16 million, or 9%, on investments, including a new print contract, STAR network functionality and other new products and technology to support future revenue growth. And EBITDA margins came in at 48%, down 2 percentage points compared to last year, due to our investments. EBITDA for the first quarter was $180 million, up 4%.

Now, drilling into the Financial Services revenue components in detail. Processing revenues were up high single digits versus the prior year period on a continued increase in active credit and retail card accounts on file, new business wins, and an increased debit issuer transactions. Output services revenues were also up high single digits, with print up on increased volume and new business, and plastic showing growth, primarily on new business and increased EMV volumes. Our EMV card production pipeline is strong, and we expect to see that continue throughout 2015 and into 2016.

Now to slide 7 for a review of International. Reported revenues for the quarter were down 5%, significantly impacted by currency, particularly in Europe. Absent these currency headwinds, revenues were up 7%, continuing to show solid growth year over year.

Within the major businesses on a constant currency basis, merchant acquiring revenues were up 11% on volume growth and higher terminal sales and issuing revenues grew 3%. EBITDA was $97 million, down 24% compared to the prior year period and down 16% in constant currency. The EBITDA decline for the quarter was also negatively impacted by expense credits in the prior year period totaling $17 million and by further investments in Brazil and in our international sales force.

Margin for the fourth quarter was 24%, down 6 percentage points versus the prior year. The absence of the nonrecurring prior year expense credits unfavorably impacted the margin change by 4 percentage points year over year.

Now, let's look at revenue growth on a constant currency basis in each of the three regions of our International business. Revenue in EMEA, our largest region, was up 5%, on solid transaction growth in acquiring and the continued year-on-year benefits of new card portfolios in the issuing business. APAC revenues were up 6%, as growth in acquiring was partially offset by continued declines in our Australian ATM business. And revenues in Latin America and Canada were up 16% on transaction growth in terminal sales, as well as several hundred basis points benefit from inflation. In summary, there was good revenue growth across all three international regions.

Slide 8 provides a roll forward of cash. We ended the quarter with $340 million in cash and cash equivalents and available liquidity of $687 million. We had $381 million in borrowings outstanding on the revolver, which was consistent with Q1 last year and primarily related to seasonality of the business.

Q1 free cash flow was down approximately $100 million compared to Q1 last year. That decline came from two principal drivers. First, $51 million of lower EBITDA driven by growth investments impacting operating cash flow, and $46 million of higher working capital usage due to timing of receivable collections. We also had two items that are offsetting, lower cash interest expense and higher capital expenditures from planned investments in data centers and customer contract renewals.

Now I'd like to take a few minutes to discuss First Data's capital structure on slide 9. At March 31, we had $21 billion of debt outstanding. That debt had a weighted average interest rate of 7.4% across the portfolio, and approximately 80% was fixed or swapped to fixed rate, providing a measure of protection if interest rates begin to rise. We continue to look at our debt portfolio opportunistically, with the goal to strengthen our capital structure and liquidity position paving the way for us to continue to invest in the business.

Let me wrap up by reiterating a few points. We are pleased with our progress towards accelerating revenue growth, and you can expect our focus on revenue growth to be pared equally with diligent expense management. And with that, I'm going to turn the call back to Glenn and we'll be happy to take your questions.

Glenn Fodor - *First Data Corporation - SVP of IR*

Thank you, Mike. 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 afternoon, I will let you know when we have time for one final question. We'll now go to Vanessa for our first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ana Goshko, Bank of America.

Ana Goshko - *BofA Merrill Lynch - Analyst*

With EBITDA down 6% year-over-year constant currency, usually that's not taken to be a positive performance. But Himanshu, you made comments at the beginning of the call saying this was in line with your expectations. So I did want to understand if the cost performance this quarter was very much intentional and didn't come as a surprise or negative news to either Management or the Board. Secondly, when you talk about the cost plan to reduce $200 million, the quintessential question for any company going through that kind of restructuring is, can we expect those cost cuts to stick, or will part of those be reinvested into new initiatives?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Good question, Ana. First question, was the level of cost we saw in the business in line with our plan? Yes, as I mentioned earlier, our internal plans largely called for this level of revenue growth and this level of expense growth in the quarter. I think it is important to note one of my comments earlier, the business is seeing significant levels of investment right now. But most of that level of investment, we believe, is at or near a peak right now. And when you go back over the cadence of 2014, there was very little of that going through the financials at the EBITDA level in Q1 and there was progressively more through the back half of the year. So you do have a favorable comparability on that.

Your second question around the $200 million, absolutely, our intention is these are fundamental, sustainable cost cuts. None of this is really meant to be shortcuts. A lot of this is, these are hard decisions. None of them are quick and easy. They involve people, they involve sites, they involve strategically sourcing labor capacity in different countries. And so these are all things that we would think would have sustainable medium-term returns.

Ana Goshko - *BofA Merrill Lynch - Analyst*

Okay. And then not to be reinvested into new growth initiatives, but we should expect the cost structure to actually come down by that full amount?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

If you look at our business, we are a company where investment costs show up very vividly, not just in CapEx, but also through OpEx. So it's not a big mystery if you go look at our CapEx. It went up pretty sharply from 2013 through 2014. That was an indication that we started putting a lot of money back into the business on things like infrastructure, cyber, new product investments, et cetera. And most of where we are right now in terms of investment levels, whether it's at the OpEx level or at the CapEx level, we do not really envision us spending significantly more from today's starting point, and some of those investments over time will actually fade down.

Ana Goshko - *BofA Merrill Lynch - Analyst*

Okay. Thank you.

Operator

Frank Jarman, Goldman Sachs.

Frank Jarman - *Goldman Sachs - Analyst*

Himanshu, you walked through those four key areas of investment. I think it was sales force expansion, the Brazil build out, Clover Station and STAR. Since this increased level of investment was according to your plan, can you share how much you plan to spend on each initiative in total? And then how much -- how long you plan for this increased level investment to continue, and then how much growth we should really think about this investment driving? I know historically, you've been in the 2% top line growth range. Is there a target that you guys want to get to with regards to feeling comfortable that these investments have been a success?

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Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Frank, I think we want to stay away from giving guidance of any sort. We have historically not done that and I don't think we're going to start that on this call. I can help you little bit with the texture on timing of some of these things. So let's take each one of these one by one.

Brazil, I think you know was, a greenfield operation with virtually no revenues in 2014. But a significant amount of investment began into that business, both in terms of IT and sales force build-out in the back half of last year. And it's not so much that those costs are necessarily going to step down, but now they will, over the course of the next few quarters, we would hope they get accompanied with revenue growth. As you think about the STAR network, there are some discrete functionality build-outs that we've been working on. I would say we're probably about two-thirds of the way done through what is a two-year project.

As you think about Clover, as of now, we think we have a full line-up on Clover. Remember, we launched Clover Station early last year as kind of a full tablet point-of-sale. And now we have two much more smaller footprint variants. We think that covers the waterfront for most of the markets that we want Clover to touch. And so I would anticipate that investment in Clover is probably also at a level where we would not anticipate it sequentially rising much more from current levels and probably does start drifting downwards over the course of the next few quarters.

And lastly on sales force, we don't talk enough about that, but First Data's biggest advantage is its distribution. We have a lot of connectivity with enterprise customers and small customers. But we do think we need to invest in expanding our sales force, training our sales force, given the new set of product tools we have. And I would say that investment has probably also been largely a halfway done, there's probably a little bit more to go on that. But sequentially, from today's starting point, I would not anticipate a huge amount of increase.

Frank Jarman - *Goldman Sachs - Analyst*

Great. That's very helpful. And just as a follow-up on Financial Services, I think you indicated that EMV Adoption is progressing. Can you share with us how much that contributed to revenue growth in the quarter? And can you help us quantify what the total magnitude of opportunity might be for First Data?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

I'll give you some rough guard rails around this. We don't want to give out any numbers, specifically, for the quarter. But there is generally -- and I think we've discloses in the past -- generally speaking, when you personalize a mag stripe card, just personalizing an EMV card, there is a revenue pick up and a cost pick up for us. It's not $1 per card, but it's not zero, either. I would say it's towards the lower end of that.

And when you think about the other data we publicly disclosed, we disclosed about 800 million cards that First Data processes. And obviously, all of those are not going to move towards EMV personalization, because we have a large retail private label business. But the portion that is not retail private label would be the addressable market, where you'd see that revenue uplift. We would anticipate that the reissuance cycle for general purpose credit and debit cards is not one year, it's probably going to last over two to three years. And 2015 is probably the first material year of that. Got it. Thanks very much.

Operator

Arun Seshadri, Credit Suisse.

Arun Seshadri - *Credit Suisse - Analyst*

First, I wanted to try to see, on the Merchant side, is there any way you could quantify the revenue from some of your recent initiatives, especially in the merchant suite solutions?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

I think many of you noticed, we did changes to our disclosure several quarters ago. We do have a complex multi-faceted business. There are many things moving around. I don't think we want to get into specific numbers. I think you saw inside our publicly reported Merchant Solutions segment, we disclosed Merchant acquiring revenue is up 6%. We would attribute that to two main factors. Transaction growth, as well as contribution from some of the new merchant suite products. I will just leave it at that.

Arun Seshadri - *Credit Suisse - Analyst*

Okay. Thanks. As far as your expense base churn, on the FS side, could you give us some color in terms of how much -- what were the various initiatives on the FS side where you've made investments? And then also, if you'd give us some color in terms of how to think about the corporate and other expense line for the rest of the year? Thanks.

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Remember, the FS segments includes our STAR business. That business is receiving a healthy amount of investment. We think it's a very strategic asset. It's not just a debit network, but it's a debit network owned by a large acquirer and we think we have unique capabilities there. So that's definitely one part of the investment increase you're seeing through the FS segment. There's also other things that are probably of a smaller, but material order, commercial card online banking, and also, quite honestly, EMV capacity. Those are all things that are going to move the numbers.

Arun Seshadri - *Credit Suisse - Analyst*

OK. And then as far as the expenses in corporate and other, any color in terms of how we should think about that line item for the rest of the year? Thanks.

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Again, we want to stay away from guidance. You guys did see the corporate segment grow year-over-year. A lot of that reflects our investments in cyber controls and infrastructure. But corporate is like any one of our other segments, it's also going to be subject to expense discipline. And so I'd rather stay away from a specific number. But my broad comments around the cost optimization program you should apply to our thoughts around the corporate segment, as well.

Arun Seshadri - *Credit Suisse - Analyst*

Great. Thank you.

Operator

Guy Baron, RBC Capital Markets.

Guy Baron - *RBC Capital Markets - Analyst*

First off, you talked to all the growth that you've been seeing, and obviously you've seen that in FS and International until this quarter. What do you expect the growth profile of the business to look like on the other side of these investments?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Guy, good question. But again, we are going to stay away from that. We are very happy with the change in the rate of constant currency growth the business has seen over the last few years. And I would just say that we have a lot of investments that we don't think are really fully realized today. So I want to stay away from a number, but that's all we can say at this stage.

Guy Baron - *RBC Capital Markets - Analyst*

Okay. Let me try a follow-up to that. FX is clearly a headwind, specifically within International. To what degree does it hurt or help any of your larger initiatives?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

First of all, let me thank you for the question. I just want to clarify foreign exchange exposure at First Data. It's a little bit different than a lot of companies. In some ways, similar. At its core, we are naturally hedged at the EBIT level, meaning where we generate revenues is largely in the same geographies where we have expenses. So as you see currency rates move up or down, the proportionate increase in our revenue or our expenses is roughly the same.

So we are a company that has adverse currency translation during a period of dollar strengthening, but we do not have adverse currency transaction exposure. When you have that, that's when you see your percent margin affected. We don't really see that. We just see the absolute dollars of EBIT or EBITDA translated down to a lower level of US dollars. So there's nothing we can really do at the EBITDA level to really hedge that, aside from a few tactical actions. But at its core, the business is naturally hedged at an operating level.

As it pertains to your question about what does foreign exchange do to the cost of some of our investments, it's a good question. I think we'd probably want to come back and think about that. The big buckets that I had mentioned, sales, Brazil, STAR, Clover, I would say STAR is obviously a US domiciled investment today. Maybe that will change in the future, but today, it's not. Clover investments largely are in the US, and today, the revenues from Clover are occurring in the US; over time, it will have more international contribution, but the investments flow through the US.

And Brazil and sales are obviously a mix. Brazil is obviously pure non-US, so the extent the dollar strengthens and we have a lot of investments in Brazil, that gets translated down into fewer US dollars. And on sales force, it's global. We have investments happening in the US and non-US there.

Guy Baron - *RBC Capital Markets - Analyst*

Okay. Great. That's very helpful. Just a final question, if I could, on the balance sheet. I'm wondering to what degree does refinancing large parts of the capital structure necessary to help you accelerate some of these growth initiatives at this stage? And I guess what I'm really asking is would you proactively address the cap structure near-term, or do you sort of think there's a lot more execution work to do before that starts to make sense?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Look, we understand the question. I think if you look at First Data's history, we have been very opportunistic with our capital structure when it made sense for us. I think you can expect us to do that going forward. I don't think we're prepared to comment any further at this stage.

Guy Baron - *RBC Capital Markets - Analyst*

All right. Great. Thanks, guys.

Operator

Thomas Eagan, JPMorgan.

Thomas Eagan - *JPMorgan - Analyst*

I wanted to follow up on Frank's question about the expense initiatives that were up during the quarter. Could you provide us with a little bit more color around how much you spent during the quarter on some of those initiatives? It seems like, you've broadened the sales force, that's new. Brazil, that's new. The new Clover variance, that's new. The STAR network, that's been going on for a while. So I was just wondering incrementally, because it seems like if I took a look at gross margin as a percentage of adjusted revenue, it's been running around 59% and it's down to like maybe 51.7%. So just wondering how much incrementally you stepped it up for each of those items.

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Tom, remember, gross margin reflects a lot of things. It's not just investments, but it's also the cost of some of the more variable portions of our business, like plastics production and all that flows through there, as well. You can see from our disclosures, equipment sales were very healthy this quarter. So that was part of that.

I guess the way I would help you guys frame this, we saw expenses grow about $129 million on a constant currency basis. Obviously, there's many, many investments that the business is doing and the list is long. But the major discrete investments that we think about -- and they are not limited to just the four I mentioned, there's more than that -- we would say they account for somewhere between a little bit north of one-third of the total growth. And as I mentioned, that's a year-over-year reference. So that does not indicate, necessarily, the absolute dollars of investment, it's just the year-ago comparison, and for some of these investments, was off a much lower base or zero.

Thomas Eagan - *JPMorgan - Analyst*

Got it. My follow-up is, I think you mentioned that, you're bringing the sales force on, that's probably something that stays. Brazil, I think you said, will be a continuing investment. I suppose the new Clover variance would be something that would fall off at some point and maybe the STAR falls off at some point. So if we are at peak now, how much lower do we go? What is the drop that we would see, as some of these investments roll off, in terms of cost? I'm just trying to get a sense -- if I take today as a base camp, how much lower do I go from here as these things roll off and then I get the $200 million cost savings that you are putting in place, as well? Thanks.

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

I understand the question. Look, I don't think we're going to be able to give precise numbers without getting into a guidance conversation, which is what we are trying to avoid here. But I think directionally, the way you just bucketed it is the right way to think about it. We're not expanding our sales force to go back and reduce it later. We're expanding it because we think the opportunities out there are that much greater for us and we anticipate revenue to flow with that. Brazil is obviously a build out of a greenfield operation.

And when you think about things like STAR and Clover, I wouldn't call them episodic investments, but they are probably at an elevated level that would recede over time. I don't think we want to give any specific dates on or numbers around that. But that does give you some sense of some of these are in the run rate going forward, with revenue accompanying, others are episodic, to a certain extent, and will fade down over time.

Thomas Eagan - *JPMorgan - Analyst*

Got it. Thank you.

Operator

Jeff Harlib, Barclays.

Jeff Harlib - *Barclays Capital - Analyst*

I was wondering if in both FS and International, if you could talk about what's going to drive growth over the next 12 to 18 months? Is Brazil a very significant driver of International growth? Is it additional new merchant acquiring deals or issuing deals? And the same thing in the US. How's your pipeline there against the maturity of your deals with banks?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Again, Jeff, I think we're going to stay away from specific numbers. But let me help you think through key drivers of our business segment by segment. So let's start with Financial Services. The industry, let's put First Data to the side -- a lot of this is industry-wide stuff -- the industry should benefit from the issuance of new EMV cards. The industry should also benefit from consumer credit expanding. So remember, we are in the processing business, yes. But a decent chunk of our processing businesses is also credit and retail private label.

Those are businesses that benefit from card count growth, as opposed to just transaction growth. And the snap back affect on the level of card count change, as you go deeper into recovery, is probably more pronounced than things like you'd see on debit transaction growth. And most of those businesses are obviously very concentrated. And those are key kind of drivers of that business outside of anything specific First Data can do, which obviously, we have business wins of our own and we don't want to get into specific numbers around that, but that's sort of the context of FS.

Internationals really a tale of two stories. We have the mature markets, like the UK, where we anticipate introducing a lot of our value-added new products, such as Clover. And our objective of doing that is, obviously, to aid growth in those markets. And then we also have emerging markets exposure, such as Brazil and India, where some of those products may ultimately go there, as well. But a lot of the growth is simply going to come from either we are a small player and we think there is share to take, like in Brazil, or cash displacement, which is obviously a large force inside of a country like India.

And Merchant Solutions is a multi-faceted business in the US. We are extremely diverse. We have large customers, we have small customers. We have customers in every vertical. We have ISO customers, we have direct customers, we have alliance partners. So that business, I would think, is largely reflective of industry trends in US Merchant acquiring plus additional value-added things First Data can do. So cash displacement is still a favorable trend in the United States. On top of that, we are obviously leaning in very aggressively with value-added services, such as Clover and Insightics, and we also think some of our segments do have an opportunity to benefit from better selling.

So national merchants and ISOs is a great area where I think we probably do have a few new product opportunities. But the real opportunity in the segments isn't necessarily inventing something brand new, it's also just bundling more effectively what is already a very diverse set of products First Data can bring to those customers. Those are -- we have sufficient and attractive growth drivers, both industry and Company-specific, I would say, across all three segments.

Jeff Harlib - *Barclays Capital - Analyst*

Okay. That's very helpful. Just a quick follow-up on Merchant Solutions. Can you share a little bit on any positives or negatives on channel mix and on transactions versus rate compression, any general trends there?

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Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

I think we're going to stay away from that. One of the reasons we change our disclosures is, unlike many of our competitors, our business is extremely multi-faceted. We are not indexed to one set of customers, one set of verticals. And so you can see certain metrics going one way and infer something about revenue that is incorrect. And you can infer the other thing, which could be incorrect, as well. I would use the best proxy as the number that we provide for merchant acquiring revenue, which you notice was up 6%, inside of our broader Merchant Solutions segment of up 4%.

Jeff Harlib - *Barclays Capital - Analyst*

Great. Thank you.

Glenn Fodor - *First Data Corporation - SVP of IR*

Vanessa, we have time for one more question.

Operator

Thank you. Our final question comes from Manish Somaiya with Citi.

Manish Somaiya - *Citigroup - Analyst*

Good afternoon. Himanshu, can you remind us if there are any one-time items in the second quarter or any of the following quarters for this year that we should be aware of?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Manish, we don't really predict one-time items going forward.

Manish Somaiya - *Citigroup - Analyst*

Himanshu, I'm sorry, just to clarify, I just was referring more to the expense credit that you had in 1Q. Are there any similar type items, offsets to expenses, that we should be aware of?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

It's not really one-time, but I think it's pretty widely known we divested EFS. We will lap that in Q3, not in Q2. So there's still a year-over-year comparability effect related to that. As it pertains to other one-time items, I'm sure there's a few cats and dogs. We can take that off-line and walk you through it.

Manish Somaiya - *Citigroup - Analyst*

Okay. Do you want to give us an update on ApplePay? Obviously, the initial launch was pretty successful. Maybe if you can just update us on the activity that you're seeing?

Himanshu Patel - *First Data Corporation - EVP, Strategy, Planning & Business Development*

Look, I don't think we want to get into specifics on transaction count by payment type. But our broad statement that we have made for a while is we're in the business of providing merchant choice. We sell Visa, MasterCard, AmEx acceptance, Discover acceptance, and we are happy to support ApplePay acceptance. And to the extent it helps our clients, you can assume that we will continue to support new innovation at the point of sale.

Manish Somaiya - *Citigroup - Analyst*

Okay. Thanks.

Operator

Thank you. We have no further questions. I will now turn the call back over to Mr. Glenn Fodor for closing remarks.

Glenn Fodor - *First Data Corporation - SVP of IR*

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

Operator

Thank you, ladies and gentlemen. This concludes today's conference. We thank you for participating and you may now disconnect.
