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PRESENTATION

Operator

Good day, everyone, and welcome to the Vantiv fourth-quarter and year-end earnings call. Today's conference is being recorded. At this time, it's my pleasure to turn the call over to Nate Rozof, Head of Investor Relations. Please go ahead.

Nate Rozof - *Vantiv Incorporated - Head of IR*

Thanks, Lisa. Good morning, everyone, and thank you for joining us today. By now, everyone should have access to our fourth-quarter 2015 earnings release, which can be found at vantiv.com under the Investor Relations section.

During today's call, Charles Drucker will review our fourth-quarter operating performance and discuss our positioning for future growth. Mark Heimbouch will then review our financial results and describe the assumptions underpinning our guidance for 2016.

Throughout this call, we will be presenting non-GAAP and pro forma financial information, including net revenue, adjusted EBITDA, pro forma adjusted net income, and pro forma adjusted net income per share. These are important performance measures for the Company, but are not financial measures as defined by GAAP. Reconciliations of our non-GAAP pro forma financial information to the GAAP financial information appear in today's press release.

Finally, before we begin our formal remarks, I need to remind everyone that our discussion today will include forward-looking statements. These forward-looking statements are not guarantees of future performance, and therefore, you should not put undue reliance upon them.

These statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from what we expect. Please refer to the Forward-Looking Statements disclosure in today's earnings release and in our periodic filings with the SEC.

Additional details concerning our business risks and the factors that could cause actual results to materially deviate from our forward-looking statements can found in our annual report on Form 10-K under the headings, Risk Factors and MD&A. And in our other filings with the Securities and Exchange Commission, which are available at sec.gov.

Now, I'll turn the call over to Charles Drucker, our CEO. Charles?

Charles Drucker - *Vantiv Incorporated - CEO*

Thank you, Nate, and thanks to everyone for joining us this morning. I'm happy to announce another great quarter for Vantiv. As business continues to perform well, as the skillful execution of our team is generating significant growth across the businesses.

During the fourth quarter, net revenue grew 13% to $453 million, and pro forma adjusted net income per share grew 23% to $0.65. All net revenue growth was organic, making it the second quarter in a row of low teens organic growth.

The superior growth was across the entire business. Merchant grew 14% as our high growth channels continued to achieve 20% plus growth in the quarter. And our Financial Institution business achieved 7% growth on solid new sales execution, and the ongoing ramp of EMV card reissueance.

Our team pushed hard to close this year strong and position Vantiv for sustainable growth through 2016, and into the future. In addition, our EBITDA adjusted EBITDA margin expanded by 100 basis points for this quarter as compared to the prior year.

Our results for the full year are much the same. Net revenue grew 20% to $1.68 billion, and pro forma adjusted net income per share reached $2.24. As success in 2015 is a direct result of our strategy, and demonstrates the strength of our positioning for the future.

Since our IPO, we have expanded into groups of high-growth channels like integrated payments, merchant bank, and e commerce. We've invested in technology to deliver true omni channel capabilities, as well as robust sweep of security services. And we have strategically deployed capital to enhance our shareholder's returns.

As a result of these actions, organic growth has expanded within our Merchant segment. And we have consistently generated strong EPS growth. Pro forma adjusted net income per share grew 20% in 2015, and our three-year compounded annual growth rate since going public is 22.5%.

Looking forward, we continue to capitalize on the strengths, and our execution of our strategy. But it's not just business as usual. There are several catalysts that we will pursue in 2016 to continue to win share and achieve above market rates of growth.

Within Merchant, these include conversions of our recent new wins like the United States Postal Service and Capital One. As well as strong new sales momentum, and a healthy pipeline of new clients.

We continued to cross sell our suite of security services and our omni channel capabilities into the base, and we are expanding into high growth verticals like healthcare within our integrated payment channel. We also have new product opportunities, such as our ability to deploy OptBlue into the Mercury portfolio. In addition, EMV continues to be a catalyst to engage our clients, and to have the [berda] conversation with them about security and new technology.

It takes more than EMV to protect a merchant. They need several security technologies, including point-to-point encryption and tokenization, as well as EMV to protect cardholder data across the payment value chain.

Our Omni-Shield security products differentiate us in the market, opening up the door to new sales and client wins. They also enable us to help our existing clients, which will drive additional growth through 2016 and into the future.

Although the EMV liability shift occurred October 1, penetration rates remain low and a lot of opportunity remains. As of the end of 2015, more than two-thirds of our terminals within our Merchant portfolio still need to be upgraded for EMV, and more than half of our debit cards within our

Financial Institution business still need to be reissued as chip cards. Therefore, we expect tailwinds from the EMV to continue through at least 2016 in both of our segments.

So touching back on our strategy, we continue to benefit from our expansion into the high-growth channels. These channels have expanded from approximately 30% of the total Company's net revenue when we acquired Mercury, to more than 35% in 2015. And they are on pace to contribute approximately 40% of the total Company's revenue by the end of 2016.

We have a diverse set of distribution channels. Each is an important source of growth with unique advantages.

In addition to our high-growth channel, we have a broad distribution channel both in traditional, direct, and indirect channels. We believe that our breath of distribution makes Vantiv unique, and we remain one of the few payment processors that can service the full spectrum of merchants and financial institution from the largest to the smallest.

So turning to margins and earnings growth. Here again, we have several catalysts that gives us confidence in our outlook for 2016. The first of these catalysts is the Mercury integration.

We achieved our targets in 2015, and expect to generate another $7 million to $10 million in synergies in 2016. Primarily due to the migration of Mercury's transaction processing to our platform. Our team is working diligent to complete this transition during the first half of this year.

We have successfully integrated Mercury's front office as well. Matt Taylor along with our marketing and our front line business development and sales teams have done a great job defining our go-to-market strategy, and will be bringing the power of the combined asset to the market under one unified name, Vantiv Integrated Payments, which demonstrates that we are operating as one company. I am proud of the way that these teams are working together, driving change, and maximizing efficiency and effectiveness, all while keeping client's needs in front and center.

In addition to these synergies, another core competency of ours and a key benefit of the business model is our ability to strategically deploy capital, which will provide another important catalyst to drive shareholder returns. While our guidance does not assume future capital allocations, we have consistently deployed capital, even as we continue to delever. During 2015, we deployed approximately $700 million in capital and our net leverage ratio fell to 3.6 times.

Our M&A strategy is unique, and we have been highly successful. We see companies with differentiated technology or distribution that are growing at above market rates, and that will augment our future growth profile.

In addition, our scale and capabilities to serve large national merchants differentiate us. So we have also focused on acquisitions that will help us penetrate small to mid-sized business. Consistent with the strategy, we have successfully identified several strategic acquisition and proven our ability to integrate them.

Beyond M&A, we have also generated substantial shareholder value by deploying excess capital to fund highly accretive transactions, including in 2015's TRA termination, share buybacks, and warrant cancellations. The ability to terminate TRAs is unique to Vantiv.

These transactions are highly creative, typically 3 to 5 times more accretive than buying back shares, as they reduce our effective tax rate. We have substantial opportunity remaining to terminate additional TRAs and further lower our tax rate.

In addition, as Fifth Third exits its position in Vantiv, this creates continued opportunity to grow. Therefore, for 2016, our capital allocation priorities are unchanged.

First, we are going to continue to focus on investing for growth, by pursuing best in breed assets that will enable us to continue to grow faster than the market. We are good stewards of investor's capital, and we will buy assets in a highly disciplined manner as we've done in the past. Next, we will return excess capital to shareholders primarily through highly-accretive TRA termination and opportunistic share buybacks.

In conclusion, 2015 was a great year for Vantiv, thanks in part to the focus and execution of our team. In addition to delivering strong results this year, our people also put the pieces in place that will enable us to continue to win share and outpace the market.

We will pursue several opportunities in 2016 to enhance net revenue growth and earnings accretion. These will include converting recent wins, as well as taking advantage of disruption within the payment space to convert our pipeline. In addition, OptBlue, EMV, and the Mercury integration and strategic capital deployments all will create opportunity.

But more importantly, even beyond 2016, we have positioned Vantiv as a leader in the payment space, with long-term sustainable advantages. We are thriving as the payment ecosystem becomes more complex, and changes happen quicker in the space.

We have the tools, the technology, and have the team to take Vantiv to the next level. We have expanded into high-growth channels that will serve as a runway for growth over the next several years. Therefore, I hope you share my optimism for the future and my excitement to begin another great year in 2016.

Before I hand the call over to Mark, I wanted to briefly address some recent press you might have seen regarding Vantiv and Daily Fantasy Sports. We have decided that it is prudent to suspend processing for transactions involving Daily Fantasy Sports through the increasing uncertain regulatory and judicial environment around these operations. Importantly, revenue from Daily Fantasy Sports is not material to the overall business, and will have no impact on the outlook as we discuss today.

We may reenter the space in the future, should conditions change. In the meantime, we remain firmly committed to processing for online and land based gaming operators, including state lotteries and other regulating gaming activities where the regulatory and judicial framework are more clearly established.

With that, I will hand the call over to Mark. He will review our financial performance, and discuss our 2016 outlook for the first quarter and full year. Mark?

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Thanks, Charles, and good morning, everyone. We had an excellent fourth quarter, and expect this strong momentum will carry forward into 2016.

As Charles discussed, net revenue grew 13% to $453 million during the fourth quarter. Pro forma adjusted net income grew by 22% to $128 million, and pro forma adjusted net income per share increased 23% to $0.65.

Our Merchant segment generated net revenue growth of 14%, as transactions grew by 8% and net revenue per transaction increased by 5%. Net revenue per transaction continues to benefit from our expansion into high-growth channels and verticals as we penetrate small to mid-sized merchants.

Our Financial Institution segment also had an excellent quarter, with net revenue growth of 7%. Principally due to a 4% increase in transactions and a 3% increase in net revenue per transaction, which includes significant benefit from ongoing EMV card reissueance. EMV coupled with continued new sales execution and contributions from other value added services resulted in one of the best quarters our FI business has had recently.

Total operating expenses, including sales and marketing, other operating costs and G&A, increased by 11% in aggregate during the fourth quarter. Resulting in 100 basis points of adjusted EBITDA margin expansion over the prior-year period, and also includes the benefit of integration synergies from the Mercury acquisition.

Below the line, depreciation and amortization expense, excluding the impact to the amortization of intangibles related to acquisitions, was $23 million, growing $1 million sequentially, which is consistent with recent trends. Net interest expense was $27 million, again, consistent with recent trends. And our pro forma adjusted tax rate declined to 26%, primarily due to termination of TRAs, including impacts from our recently completed warrant cancellation transaction with Fifth Third Bank.

Turning to our 2016 expectations, we expect many of the key themes that shaped 2015 to continue in 2016, and our guidance approach is also consistent with last year. Based on the current level of transaction trends and new business activity, we expect to generate net revenue of $1.795 billion to $1.825 billion for the full year, representing net revenue growth of 7% to 9%.

In terms of earnings, we expect to generate pro forma adjusted net income per share of $2.55 to $2.61 for the full year, representing growth of 14% to 17%. The assumptions driving this guidance also remain fairly consistent with last year.

Our full-year guidance assumes Merchant net revenue growth in the high single digits at the low end of the range to low double digits at the high end of the range. And we continue to expect our high-growth channels to grow in the mid to high teens. As well, we continue to expect the Financial Institutions business to grow in the low single digits range.

As Charles mentioned earlier, with respect to the Mercury integration, we expect to achieve $7 million to $10 million in synergies during 2016, contributing to our expectation for adjusted EBITDA margin expansion for the full year. In terms of non-operating expenses, we expect depreciation and amortization expense, excluding the impact of the amortization of intangibles related to acquisitions, of approximately $75 million to $80 million.

Interest expense of approximately $115 million to $120 million, and for our pro forma tax rate to decline to approximately 25% to 26% for the full year. While our guidance does not assume any additional capital options, we could use capital allocation to offset any future risks or to potentially generate the possibility for upsight to our expectations.

Finally, we are providing guidance for the first quarter, including net revenue growth of 8% to 9% to $405 million to $410 million. And pro forma adjusted net income per share of $0.51 to $0.53, representing growth of 13% to 18%.

The assumptions supporting our first-quarter guidance are consistent with the expectations that I outlined for the full year. But also include the impacts of seasonality, which typically result in lower revenue, lower margins, and a lower pro forma adjusted tax rate and lower EPS during the first quarter as compared to the rest of the year.

In addition, we have yet to complete the Mercury platform migration, and therefore, included no expected synergies in our first-quarter guidance. But we are on track to complete this project on time and as planned during the first half of this year.

I'll now turn the call back to Charles for closing comments. Charles?

Charles Drucker - *Vantiv Incorporated - CEO*

Thanks, Mark. As you can tell, we're very happy with our performance and execution over the past year. And we are even more excited about what the future holds for our Company.

Our industry is moving quickly, but in the terms of the pace of innovation, as well as the shifting competitive landscape. At Vantiv, this plays to our strengths.

Scale matters, as does our breadth of offerings and our diverse distribution, all enabled by our technology platform. These strengths allow us to be nimble, deploying new products and services quickly and efficiently to clients of all types and sizes.

Finally, I'd like to express my gratitude to all the people at Vantiv. It is the passion, character, and relentless winning attitude that propels us, our clients, and our Partners forward in today's dynamic payment environment.

You're in the trenches with our clients and Partners every day, building strong relationships. Helping us become more efficient and effective, more secure and more successful. You truly are making payments smarter, faster, and easier, and simplifying payment innovation.

I would like to thank all of you for the time this morning. And, operator, we're ready to open up the phone lines for questions.

QUESTIONS AND ANSWERS

Operator

Thank you, sir.

(Operator Instructions)

Our first question comes from Jason Kupferberg, please go ahead.

Jason Kupferberg - *Jefferies LLC - Analyst*

Good morning. Nice job again. I wanted to just start with a question to drill into the 2016 guidance a little bit. As far as the segment level expectations, if you could give us a sense of transaction growth and rev per tran growth for the two segments as we go into next year, that would be great. As well as any associated comments around same-store sales assumptions.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Hey, Jason, it's Mark. Thanks for the question.

I think, consistent with how we've really approached guidance, last year and really throughout the course of 2015, I think we are maintaining that approach going into 2016. So, in terms of net revenue growth in the Merchant segment, upper single digits to low double digits, we do expect to see revenue per transaction continue to trend up, really, for most of the year. The only potential slowing of that, we think, will occur in the second half of 2016, as we bring the United States Postal Service on and bring a significant amount of transaction volume on. Aside from that, we think the trends remain pretty consistent.

And as I called out on the call, our high-growth channels continue to grow really solid double digits, mid to upper teens. So as that influence continues, we expect to see revenue per transaction continue to trend up, by the way, I would add, on top of the other dynamics going in and around the market around security and EMV, and the continued value-added services.

On the FI side, I think that our approach still remains conservative there, too, so low single digits in terms of net revenue growth. We do think that there's actually going to be a slowing of the compression trends that we've seen on revenue per transaction in the FI business, and frankly, EMV continues to contribute to that. So we think EMV has a longer tail on it, and certainly is going to have a beneficial impact to the business in 2016.

Jason Kupferberg - *Jefferies LLC - Analyst*

Okay. And the same-sales assumptions embedded here? Are you still running 6% ish or --?

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Yes, very solid, very stable. In fact, looking back over the last several quarters, it's really been since the second quarter of 2014, we have seen same-store sales trends really hold in that mid single digits category. And that would be consistent with our expectations for 2016.

Jason Kupferberg - *Jefferies LLC - Analyst*

Okay. And then just a follow up question. Obviously, there have been a couple of large M&A transactions announced in the space over the last two months. And do you expect those to have any material impact on the broader competitive landscape? And as part of that, can you just comment a little bit more on your M&A pipeline domestically and internationally, and general appetite for large deals in 2016?

Charles Drucker - *Vantiv Incorporated - CEO*

Yes, this is Charles. So we feel very competitively positioned, and especially the US. Like I said, through our M&A, we look for strategic assets in e-commerce integrated payments. So we think we are positioned, we have the scale, capabilities to continue to take market share in the US. And like I've said, international continues to be on our road map, but we are very focused on our execution and continuing to take market share in the future.

Jason Kupferberg - *Jefferies LLC - Analyst*

Okay. Thanks.

Operator

Our next question comes from Ashwin Shirvaikar.

Ashwin Shirvaikar - *Citigroup - Analyst*

Thank you. Good morning and congratulations.

Charles Drucker - *Vantiv Incorporated - CEO*

Thank you.

Ashwin Shirvaikar - *Citigroup - Analyst*

My first question is, you mentioned both OptBlue going into material, as well as EMV as benefits for this year. Any thoughts with regards to the cadence or timing of when that blows in? And could you size each of those opportunities?

Charles Drucker - *Vantiv Incorporated - CEO*

So EMV is a continuation as issuers, mid-sized, small issuers, continue to on the FI side, continue to update their cards and bring chip in. And I think that will be a continued progression through 2016 with the cards.

On the Merchant side for EMV, opportunity to continue to upgrade terminals. But more importantly to me, what EMV opportunity is, it's a discussion around security, and we're mostly excited because we are well positioned to help us accelerate and do things around share shift. Because we are positioned, we are focused and continuing on that path.

As far as OptBlue, when we complete the conversion of the Mercury portfolio, we've experienced some OptBlue on our traditional base on our platform. But like I said last year, we chose to really wait until we completed the conversion with Mercury and put it on our platform to get the advantages. So those will start to happen as we complete our conversion, which, as we said, is in the first part of the year. So, those will be more to the latter part of the year, and gives us continued confidence in our numbers and where we're going.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

So, Ashwin, this is Mark. So, yes, they would be phased in, really, as you go into the second half of the year.

Just to be clear in terms of the integration of Mercury, it's going very well. We are on track to execute and complete the integration consistent with our schedule. So as that is completed, we would expect to see some of the benefits in terms of OptBlue and other value-added services that are accessible on our platform.

Ashwin Shirvaikar - *Citigroup - Analyst*

Right. I was hoping that you would size those opportunities so we could back maybe into a core underlying growth rate we could carry forward.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

The way to think about that is, expansion and revenue per transaction. As you're aware, those verticals are serving smaller clients. So on a transaction basis, while they contribute less to the growth on a transaction basis, they are significant in terms of our net revenue growth and our ability to deploy more products. So I would say as we get to the second half of the year in terms of talking to what we see in terms of net revenue per transaction expansion, is probably how we would come back and address that.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay. And quick clarification, the integration benefits, $7 million to $10 million. Just to verify, you said it does not explicitly include the impact of the monthly cut over, or did you say was that just a 1Q comment, or is that an overall comment?

Nate Rozof - *Vantiv Incorporated - Head of IR*

Ashwin, it's Nate. So that was a 1Q comment. The $7 million to $10 million in synergies this year are related to the cut over to our platform in the latter three quarters of the year.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay. Got it. Thank you. Good job.

Charles Drucker - *Vantiv Incorporated - CEO*

Thank you.

Operator

Our next question comes from Jim Schneider, please go ahead, sir.

Jim Schneider - *Goldman Sachs - Analyst*

Good morning, thanks for taking my question. Regarding the revenue per transaction trends in the FI segment, they were up about 3% or so, I believe, and that's coming back to the best absolute level we've seen in a couple years.

So given that tailwind from EMV you're seeing, you talked about the slowing and the decline in revenue per transaction there. Is there any reason to believe that you couldn't actually see positive revenue per transaction trends there, or is there continuing pricing pressure in that segment that's going to offset that?

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Our expectation is that it still remains a competitive space. But in the near term, banks are focused on EMV. I would say in the fourth quarter, we actually had probably the most concentrated quarter in 2015 of EMV card reissueance. That contributed significantly to that rate expansion.

We do think that it's going to continue though in the near term. I don't see the same level of concentration in the upcoming couple of quarters, so maybe not to the same benefit, but that it is more supportive in terms of rate.

Jim Schneider - *Goldman Sachs - Analyst*

Thanks. That's helpful. And then maybe for Charles, following up on the prior M&A question.

Given how the market seems to be viewing equities with increased leverage due to M&A transactions, is that making you feel any differently about your propensity for doing a scale acquisition? Or is it making you think more about tuck ins, and then can you maybe just comment on the level of leverage you feel comfortable with at the maximum?

Charles Drucker - *Vantiv Incorporated - CEO*

I'll break this up with Mark here. But I would tell you what we're viewing as a Company is one of our key strengths, besides your scale products is our ability to execute. My people have done just a tremendous job. People don't realize the type of year we had that we had to help our clients change their system, get EMV in, hit and exceed our numbers, and take care of our clients. And they have just done a tremendous job.

Our focus, I've seen that and the tuck ins. Valuations seem relatively high, and our focus is about executing and really taking advantage of changes in the ecosystem and being able to shift share.

Also, like we said, look at different verticals. As Mercury completes their acquisition and has strength in what they are growing, be able take those to places like healthcare that is fragmented, and take everything that they do so great in the integrated payments space and even take more share in different verticals than we have before. So I'm actually very excited with all the changing happening in the market for our ability to execute.

Jim Schneider - *Goldman Sachs - Analyst*

Thank you.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

We continue to survey the landscape. As you guys have seen, we've delevered very quickly. At 3.6 times, we feel very comfortable in terms of the leverage and the continued delevering, and that it leaves us plenty of flexibility to continue to acquire should we find something that we believe is complimentary to our Business.

Charles Drucker - *Vantiv Incorporated - CEO*

Thank you.

Operator

We'll take our next question from David Togut, please go ahead.

David Togut - *Evercore ISI - Analyst*

Thank you, and good morning. Appreciate the helpful metrics you gave out, Charles and Mark, on how far along you are with the EMV process.

How long do you expect to continue to benefit from the EMV upgrade cycle, both at the point of sale and in terms of moving your card issuers to EMV? Is this a benefit through 2017?

Charles Drucker - *Vantiv Incorporated - CEO*

So, I would say on the FI side, I see the FIs continuing to -- the mid sized guys continuing to reissue, and I think that's more through, in my thought, 2016, maybe slightly into 2017. I think the terminal upgrade cycle is going to carry into 2017.

And more importantly, what we're focused on is, like I said, terminal revenue isn't a big a line on our P&L as other players. However, I've got to tell you, the discussion has been great. Merchants are understanding they need to do these things and it really helps our pipeline and the conversion of our pipeline, and that's what I'm most excited.

But I think from the merchant side, you'll see benefits going through 2017. And for us on the OptBlue side is an opportunity with the integrated payment space that will carry into next year also.

David Togut - *Evercore ISI - Analyst*

Helpful. And then quick follow up, last night on its earnings call, Pfizer highlighted a delay between the manufacturing and the personalization of EMV chip cards. Have you seen any impact from that on your business?

Charles Drucker - *Vantiv Incorporated - CEO*

We've worked closely with the vendor, if they are referring to the plastics or the shipment of the plastics. Our mid-sized clients, we have had good success. We've been forecasting, and we work very closely with our clients.

So we understand what their thinking. It does shift a little bit here and there as the clients move around. But we feel comfortable in our ability to support the rest of our base as they want to go EMV and upgrade the chip.

David Togut - *Evercore ISI - Analyst*

Understood. Thank you very much.

Operator

Our next question comes from Darrin Peller.

Darrin Peller - *Barclays Capital - Analyst*

Thanks. Look, just to follow up on guidance for a moment. It's nice to see the conservatism that you have practiced here.

But when we look at last quarter's growth in the Merchant segment first at 14% growth, correct me if I'm wrong, you already anniversaried or grew over the Comerica edition from the prior year.

So this quarter didn't have the benefit year over year on that. And then when we look at the growth rate of IPOZ and e-Commerce, can you break out what those did during the -- specifically fourth quarter, each one of those? Along with the bank referral channel and why those growth rates would or would not be sustainable?

Nate Rozof - *Vantiv Incorporated - Head of IR*

Hey, Darrin, it's Nate. I'll take that question.

So I think to answer the first part of your question, yes, we have lapped Comerica last year. We did see benefit in the fourth quarter here from Capital One. We've completed that conversion, and so that did drive incremental benefit. You see that also in the net rev per trans benefit in terms of that ongoing mix shift.

The high-growth channels, as we mentioned in the prepared remarks, continue to do very well. They grew, continued to grow in that 20% plus range during the fourth quarter, with trends across the individual channels in that category being relatively consistent.

So on a go-forward basis, our expectations, again, consistent to the way we've guided in the past, are for our high-growth channels to grow in the mid to upper teens. With integrated payments being, generally speaking, right in line with that, as the biggest piece in integrated payments channel.

Merchant bank continuing to out perform based on the strength on the banks we've won partnerships with recently. And the e-Commerce business continuing to drive strong double-digit growths on a full-year basis, again, consistent with the overall market. And I believe we continue to win share in that channel.

Darrin Peller - *Barclays Capital - Analyst*

All right. And so, when we look at the new additions that are rolling on now, the referrals from Capital One you said started already. But I imagine it's still early innings of what it's going to contribute through over -- versus what it will contribute over the next year. And the Post Office, when does that -- can you remind us on the timing of the rollout of that? Maybe you said it already.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Hey, Darrin, it's Mark.

So Capital One will continue. That business is doing very well with us, and we'll continue to contribute in 2016. The Postal Service, we don't expect to really see it start to ramp until the second half, so third quarter and into the early fourth quarter, in terms of volume.

So the other thing I think that is maybe important in terms of thinking about the run rates coming out of Q4, because it was a very strong fourth quarter and how that maybe trends into the first quarter. We actually -- in terms of the comps year over year for the fourth quarter of 2015 over 2014, the holiday season really in 2014 and 2013 was a little bit soft.

We actually saw very strong spend across all of our channels in the fourth quarter, and I think that contributed a little bit to the over performance. So when you think about comps year over year quarter over quarter, that does contribute to a little bit of variability in terms of the quarter.

So if we adjust for that couple of percentage points, perhaps, it's a little bit less than that in terms of fourth quarter volume spend and run rate in that the first quarter. That would account for the change in the run rate coming out of fourth quarter to first quarter, and we don't see the FI business growing at the same rate of 7 percentage points from fourth quarter to first quarter.

Darrin Peller - *Barclays Capital - Analyst*

All right, that's helpful.

Nate Rozof - *Vantiv Incorporated - Head of IR*

That, I think, should help you level set in terms of how we end back up at our guide, which I think is historically been how we have thought about guiding to the business. So again, just to reiterate, Merchant being in the upper single digits to low teens, and the FI continuing to perform at that low single digits category.

Darrin Peller - *Barclays Capital - Analyst*

All right, that makes sense. Just last question, the ISO side, I know that had been growing in the low single digit rate, a little better than actually maybe you would have anticipated earlier last year. Where did that run this quarter, if you didn't say it already?

Nate Rozof - *Vantiv Incorporated - Head of IR*

Darren, the trends actually in the ISO business have continued to be strong. So I would say that is consistent.

One of the things from a broader macros perspective that I think we saw that was somewhat encouraging, given the news out there around the macro, is our same store sales, which as Mark mentioned, remained very healthy. Also continued to be very healthy in our small and mid-sized business segments of our market, including ISO. so those smaller merchants continue to be doing very well.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

It's exceptional to be sitting here, all of our channels are doing very well. We are experiencing broad-based growth across the business. I think the integration, the fact we are as far along on the integration front, contributes to our scale and it contributes to our ability to be aggressive in the channels.

And we continue to see growth literally, whether it's in the FI business to the variety of diversified channels across the merchant business. So, we are seeing pretty stable growth.

Darrin Peller - *Barclays Capital - Analyst*

Yes, that's great. All right. Thanks a lot.

Operator

We'll take our next question from Bryan Keane, please go ahead.

Bryan Keane - *Deutsche Bank - Analyst*

Hello. Hey, Mark, I just wanted to follow up on your comments on holiday sales being stronger than expected. Most of the data we saw showed weakness in holiday sales. So just trying to figure out what caused a bump, and if same-store sales were at mid single digits, and it didn't look like there was a real bump from holiday sales. So just trying to reconcile that.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Our forecast when we were providing expectations for the fourth quarter, we were thinking much more like the experience we've had in the prior two years, and actually thinking that the fourth quarter would come in softer. We did not see that in our business.

So I would remind you, we tend to be a little bit different than the entire US economy. So the every day spend, the presence in restaurant and retail, we saw that just continue to be very stable across most of the business. And so, when I make the point came in better than we expected, it would be higher than what we expected to be a slight down tick in terms of volume growth. So same-store sales, I think, pretty consistent with really the entire 2015 period.

Bryan Keane - *Deutsche Bank - Analyst*

In prior years, it went from mid single digit growth to low single that caused, and then you had that modeled in --

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Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

It drifted down a little bit. But as you recall, the last couple years have been pretty significantly pressured in terms of retail spend. We didn't see that same downward pressure in the fourth quarter.

Bryan Keane - *Deutsche Bank - Analyst*

Okay. And then I realize that capital allocation really isn't in the guidance. Are you, when looking at capital allocation, are you looking more towards the TRA angle or stock buybacks? Just trying to think about that. I heard the comments about M&A, but just thinking about TRAs versus capital allocation through stock buybacks.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Our view is that the TRAs are significantly more -- there's a higher return in terms of the TRAs, particularly given the predictability and long life of those TRAs, and the value that we're able to terminate them at, and again, that has to be through negotiation. But today, the accretion and return from the TRAs have been greater than share buyback.

Bryan Keane - *Deutsche Bank - Analyst*

What is the timing on that for the TRA's?

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

It's dependent upon us negotiating with the other party which is Fifth Third Bank. And as you are aware, the transactions that they completed in terms of their sell down created additional TRAs. So there is more available, and there will continue to be more available as they eventually decide to sell their equity.

Bryan Keane - *Deutsche Bank - Analyst*

Okay. Last question from me. I think, Mark, you said there's an uptick in interest expense. If that's the case, is there any rationale for that? Thanks.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

It's just a modest uptick under our assumption that there will be a slight increase in rates this year. So to the extent that rates are a little bit more sustained or flat, that could -- our interest expense wouldn't go up. But our assumption is that there is just a slight uptick in rates. Not due to additional borrowing.

Bryan Keane - *Deutsche Bank - Analyst*

Okay, congratulations on the results.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Thanks.

Operator

Our next question comes from Georgios Mihalos, please go ahead.

Georgios Mihalos - *Credit Suisse - Analyst*

Great, let me add my congratulations on a very strong quarter. So just wanted to start off, if we look at the IPOZ business again, it looks like that has clearly grown north of 20% again. Just wondering if you have a sense throughout 2015, how much of a catalyst has the point of sale refresh cycle been for that business versus just merchants opting for a more robust solution and going the IPOZ way?

Charles Drucker - *Vantiv Incorporated - CEO*

We believe and work with Matt. And it's the latter that -- it's the technology that our developers and dealers do a great job bringing to the point of sale. And that's where a lot of the shift is happening.

A lot of the verticals we serve, EMV is very important to them. But they don't see as much fraudulent activity there. So that will be another catalyst that continues to help us.

But it's really about the technology that these groups bring, and how we work with them together. So I think that's the bigger piece for us.

Georgios Mihalos - *Credit Suisse - Analyst*

Okay, great, that's good to hear. And then just two quick ones. One, on the Merchant side.

How are you thinking about charging or are you thinking about charging for non-compliant EMV transactions within the ISO channel and just some of your merchants? And then on the FI side, Mark, is there any cadence we should be aware of in terms of revenue growth throughout the year? So for example, we'll first half 2016 be a little bit stronger with the card reissueance cycle, or any clarity in that would be helpful? Thank you.

Charles Drucker - *Vantiv Incorporated - CEO*

I'll just answer these; Mark can jump in. The card reissueance cycle, I think, with their mid-sized banks they are pretty disciplined and it's pretty steady as they plan it. Because they want to plan their expenses pretty steady.

The only thing that would accelerate that to the front half of the year is just how we view the losses that are happening. So if banks could have avoided some losses or protected, you might see them accelerate. But that's pretty steady through the year.

So that was the first one? It was -- the non-compliance thing. We don't generally talk about our pricing. But specifically, the EMV liability shift for those clients that don't have the terminal, we need to make sure that as we look at our risk models, that we appropriately take the right action.

But the first action is, how do we get these clients to put terminals in. And then for the areas that don't, there are different risk parameters that we are very good at understanding, explaining, and taking the appropriate action to protect us and the payment industry and also our clients at the same time.

Georgios Mihalos - *Credit Suisse - Analyst*

Thanks. Nice results.

Charles Drucker - *Vantiv Incorporated - CEO*

Thank you.

Operator

Our next question comes from Dave Hochstim, please go ahead, sir.

Dave Hochstim - *Buckingham Research Group - Analyst*

Yes. Nice job. And first of all, just Q1 guidance, I think revenue calls for -- or it calls for revenue to be down about 10%, 11% percent sequentially. But the last couple years, you were only down, I think, 7% to 9%.

And I think, Mark, you, a couple times made the comment that you're going to follow the pattern of setting very realistic or guidance that you feel comfortable with like you did in 2015. But is that it? Was there anything in Q4 that would drive a bigger sequential downtick in Q1 just to point out?

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Yes, again, so I think it was in response -- consistent with the response I gave to Bryan. And just in terms -- we do make estimates in terms of same-store sales trends by quarter and year-over-year comps. The fourth quarter actually came in a little bit stronger than we expected in terms of volumes, and with that same-store sales, actually a little bit higher.

So as we normalize that and do our comps for our year-over-year first quarter, adjusting that down, and again, in that single digit type of same-store sales category, that would adjust, probably, the run rate trend by a point or two in terms of rates of growth. So it's just normalization for that expectation.

Dave Hochstim - *Buckingham Research Group - Analyst*

Did you see what -- MasterCard and VISA last week both pointed out that growth actually got better in January than the Q4 trends. Did you see anything like that so far?

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Yes, our January trends are running pretty strong. We are seeing pretty consistent trends coming through the end of January. So continued confidence, I would say, in terms of consumer spending in the verticals that we serve.

Dave Hochstim - *Buckingham Research Group - Analyst*

Okay, and then just a last quick one. Deferred income on the balance sheet usually runs $5 million to $9 million. It jumped up to $14 million.

I'm wondering if there is something growing in the backlog. I know it's semi immaterial, But it's just -- I wondered if that might be EMV cards really ramping right now and ready to ship extra some ones of those, or what that might be.

Nate Rozof - *Vantiv Incorporated - Head of IR*

Hey, Dave, it's Nate. Let me follow up with you, and we'll take that one offline.

Dave Hochstim - *Buckingham Research Group - Analyst*

Sounds good. Great job. Thanks.

Mark Heimbouch - *Vantiv Incorporated - CFO & COO*

Take care.

Operator

Our next question comes from Tien Tsin Huang, please go ahead.

Tien Tsin Huang - *JPMorgan - Analyst*

Thanks, great results here. Just wanted to ask on the Mercury synergies: what did you achieve in actual synergies in 2015? Sorry if I missed it.

And then the -- in $7 million to $10 million in 2016, I'm assuming that's mostly the platform conversion. So if that cuts over in, it sounds like 2Q, we should see that savings immediately. Is it that simple? Thanks.

Nate Rozof - *Vantiv Incorporated - Head of IR*

Hey, Tien Tsin, it's Nate. So, the synergies we achieved in 2015 were consistent with the low end of our $15 million to $20 million range. So near $15 million.

In terms of the 2016 expectation for the $7 million to $10 million related to the platform migration, they are related to getting that transition completed. You will see those come through over the course of the back three quarters as we get that completed. So it won't be a big bang where it all hits in one quarter, but you'll see the guidance assumes improvement across the back quarters of the year.

Tien Tsin Huang - *JPMorgan - Analyst*

Got it. So like you said, no big bang on impact. That makes sense. Okay, and then just on the, with the FI and the EMV, I know you have got a lot of questions there.

Just how about pipeline in terms of competing for business as banks look to do the reissue? Is there a pipeline opportunity maybe that could draft some upside this year? It sounds like retention has been fine, but figured I would ask anyway.

Charles Drucker - *Vantiv Incorporated - CEO*

That's two parts. EMV isn't creating different levels of competition as people are trying to get -- it's usually your existing card base or customer base. And I think that will be consistent for us. We have half our cards, and we would expect continued people converting the cards.

I have been talking about competition. That's a very competitive business. And I feel good about our sales and our ability to execute and understanding the pipeline. And I think we continue to have success in winning business.

But it is a very competitive business, so we continue to look at that as a low single digit grower in the business. But I feel it's a very competitive business, but we are winning our share. I feel good about how the sales force is executing, and I think EMV with our existing base and whoever we are converting as far as new clients will give us opportunities over the course of this year.

Tien Tsin Huang - *JPMorgan - Analyst*

Okay. One more, just for Charles, I think you said something about taking advantage of disruptions in the payments space, as well, will go down. Is that a comment more around just tech in general and integrated and security? Or was it also tied to maybe taking advantage of some of the consolidation and perhaps distraction of some of your peers, as well?

Charles Drucker - *Vantiv Incorporated - CEO*

I think it's a combination of everything. I think just with as we work with our dealers and developers and technology comes in, as things just happen in the market, distraction, changing. It's how people and our competitors deal with EMV, and how they approach the market and our strategy.

So I would say, I'm excited coming into this year because -- I think I've always said this. Change, complexity is good for us, because our scale and our focus and our ability to execute, I think always carries the day, and I'm confident in our people's capabilities. But it's a combination of many things that are happening in the market.

Tien Tsin Huang - *JPMorgan - Analyst*

Makes sense. Nice results. Thanks.

Charles Drucker - *Vantiv Incorporated - CEO*

Thank you.

Operator

Our next question comes from Tom McCrohan, please go ahead.

Tom McCrohan - *Sterne, Agee & Leach, Inc. - Analyst*

Hell. I have a clarification on EMV and then a follow up on NFC. So I heard your earlier comments regarding low penetration rates for EMV terminals and cards. But can you just clarify what percentage of Vantiv's overall merchant transactions today are actually an EMV processed transaction?

Nate Rozof - *Vantiv Incorporated - Head of IR*

Hey, Tom, it's Nate. Yes, the percentage by transactions are currently running in the mid teens as a percent of total.

Tom McCrohan - *Sterne, Agee & Leach, Inc. - Analyst*

Great. And can you remind us again, Nate, the EMV impact on the Merchant segment revenue per transaction?

Nate Rozof - *Vantiv Incorporated - Head of IR*

It contributed to the expansion of Merchant, not revenue per transaction, but it wasn't nearly as big a driver of the ongoing mix shift, including the benefit from the Capital One migration. But as you are aware, we don't break out the individual product benefits in terms of that particular metric.

Tom McCrohan - *Sterne, Agee & Leach, Inc. - Analyst*

Yes, directionally positive though. And, Charles, just in your conversations with larger merchants, are you hearing any increased willingness for them to enable NFC for purposes of contact less mobile payments at the point of sale?

Charles Drucker - *Vantiv Incorporated - CEO*

Basically from our perspective, when I talk to them, they are -- when they do their technology stack, they are leaving themselves the capability to do it if they decide to. So when they are upgrading to their full security suite and they are changing equipment, they are leaving themselves the capabilities to do it. So it is really -- the jury with the large guys, they are being very smart about how they approach it that I want the capabilities, and I'll decide when and if I do it.

Tom McCrohan - *Sterne, Agee & Leach, Inc. - Analyst*

Okay, thanks.

Operator

We'll take our final question from Vashu Golville. Please go ahead.

Vashu Golville - *- Analyst*

Hello, thanks for taking my question. I'll ask a question on integrated payments.

Just wondering if the commissions that you are being there to dealers and developers are pretty stable, or are you seeing any upward pressure as it seems like a lot of competitors getting into that space? And broadly, can you also share any stats on what you think the penetration of software-based integrated point of sale is within the SMB segment of the market?

Nate Rozof - *Vantiv Incorporated - Head of IR*

Sure, Vashu, it's Nate. I'll start here and let Charles jump in thereafter. In terms of the integrated payments channel, I think competition has frankly remained relatively steady. There's a lot of blue ocean there.

And while I think that new entrants are trying to figure out ways to get into the space, I think that many of them are experiencing some of the same challenges that we did when we were looking to organically build that business. It takes a long time and a sustained effort in order to be able to build a distribution channel of 3,000 partners like we've been able to assemble, and really do a lot of the heavy lifting by the folks at Mercury and Element over the last ten plus years.

So in terms of the competitive dynamic in the integrated payment channel, I think it's been relatively consistent. Charles, anything you'd add to that?

Charles Drucker - *Vantiv Incorporated - CEO*

Yes, I think it's been consistent. I always like to remind people that a lot of -- and we work with our dealers and developers.

The focus that they will have is this market is expanding rapidly. And how do I grab the share to get my software into that and get the long-term relationship with the client? We're an important piece in the stat, but not the important piece in the stat. And as our integrated payment group is established, they want to be able to turn clients over where they trust, they can know their client is taken care of and respond well.

Obviously, there will be overtime pressure, but it's inconsistent. So what I'm excited about is how we help our dealers and developers make it more simple to deal and integrate, and then help them get more share as it shifts from the traditional way people do things into the integrated space. So I think that's where -- that market continues to be different than reselling just that product.

Vashu Golville - *- Analyst*

Got it, thanks.

Nate Rozof - *Vantiv Incorporated - Head of IR*

All right, well then at that point, we will wrap up the call. So I want to thank everyone for joining us today.

If you have any additional questions following the call, please reach out to me or the rest of the Investor Relations team by using the contact information available on our website, and we will be happy to help you. Thanks again, everyone, and good-bye.

Operator

And that does conclude today's presentation. Thank you for your participation.
