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PRESENTATION

Operator

Good day and welcome to the Vantiv Q4 and full-year earnings call. Today's conference is being recorded.

At this time I would like to turn the conference over to Nate Rozof, Head of Investor Relations. Please go ahead, sir.

Nate Rozof - *Vantiv, Inc. - Head of IR*

Thank you. Good morning, everyone, and thank you for joining us today. By now you should have access to our fourth-quarter and full-year 2016 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 our priorities for 2017. Stephanie Ferris will then describe our financial results and address our financial outlook for 2017.

Throughout this conference 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 financial 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 statement 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 be 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. Charles?

Charles Drucker - *Vantiv, Inc. - President & CEO*

Thank you, Nate, and thanks to everyone for joining us this morning. We are pleased to deliver another quarter of double-digit organic growth.

Net revenue grew 11% this quarter and 13% for the full year which is faster than the industry. And it continues that trend as successful results and highlights outstanding execution of our team. These high rates of organic growth also show that our strategy is working, which is to expand into high-growth channels and verticals while building on a strength technology, distribution and scale.

In terms of the fourth quarter operating performance, our merchant business generated 14% net revenue growth, as we continue to win share and drive strong growth in our high-growth channels. Our financial institution business also exceeded expectations, coming in flat year-over-year. The strong performance across both of our segments generated pro forma EPS growth of 15% in the fourth quarter and pro forma EPS growth of 22% for the full year to $2.73.

In addition to our strong financial results, we also strengthened our competitive position in 2016, paving the way for future growth. We accomplished a lot last year, thanks to our people and their ability to consistently execute at the highest level. I will highlight just a few key successes from 2016.

First, we completed the integration of Mercury's back end, seamlessly migrating over 100,000 merchants to that platform. In addition to generating synergies and reducing our cost of processing, our Mercury integration has enhanced our offerings, positioning us for great opportunities in 2017.

Second, we are a leader in terms of executing on EMV for our clients. Our system makes us nimble and we quickly upgraded merchants throughout the year. Our ability to implement new technologies quickly allow us to be first-mover, helping us to generate new client wins and we expect that to continue.

Third, we expanded our suite of security service to include encryption and tokenization. We integrated these technologies into our platform in a way that minimizes the work for our clients. By reducing the efforts for our clients' IT staff, we are able to implement their security tools faster which has been a key differentiator for us.

Fourth, we renewed our long-term relationship with Fifth Third Bank. This was very strategic. It demonstrates our commitment to building long-term client relationships and provides a solid base for us to grow from.

And finally, we acquired Moneris US business, building on our success. Our rationale for the acquisition was simple. It expands our presence in high-growth channels and enables us to consolidate their processing onto our platform.

About [60%] of Moneris' net revenue comes from integrated payments and merchant bank channel. In integrated payments they are strong in the healthcare vertical, where they have developed strategic relationships in the healthcare provider space which is a key area of focus for us.

In addition, the acquisition brought us a strategic merchant bank relationship with BMO Harris Bank. BMO Harris Bank is an important commercial bank with 600 branches that will generate a significant amount of new merchant referrals. Looking back at these successes, they all improved our competitive positions while expanding our presence in high-growth channels and helping us to win market share among SMBs.

They also show that we are about execution. A lot of people talk about they're going to either enter a new channel or deploy a new technology, but as you can see, our people actually go out and do it. They execute every day and they help our clients navigate payments -- our people really do make the difference.

Looking forward, as I look across the industry, I see further consolidation ahead. And as the industry consolidates, I believe Vantiv will benefit. Our business is a scaled business.

There are very few payment processors like us. We have the scale and size to compete and win new business across the ecosystem, from the largest merchants and financial institutions to the smallest clients. And we are partner choice to all the technology partners in between.

We are also nimble. By executing our integrated platform strategy, we are able to deploy new technologies quickly and cost-effectively. We typically only need to deploy new products and services once which makes us faster to market.

In addition, we can spread our cost of implementing new technologies over 25 billion transactions. This gives us financial flexibility. We are able to make strategic investments in new products and enhance our integration into our technology partners which allow us to deliver even more value to our clients and partners.

With this as a backdrop, we have identified several priorities for 2017 that will build on our accomplishments and increase our momentum. Our first priority will be to continue to expand in our high-growth channels, including integrated payment, e-commerce and merchant bank.

We are a leader in integrated payments and in 2017 we will continue to build on our lead. We will leverage our open ecosystem approach to reinforce Vantiv as a partner of choice for dealers and developers. Our ability to continue to ramp new partners and help them deploy payment technology is why we grow so fast, so quickly.

In 2017 we will focus on helping our partners to integrate EMV and deploy security to their merchants. By using our proprietary developer portal and tripod technology, developers can deploy new features more quickly, further differentiating Vantiv integrated payments.

In e-commerce, we win because of our differentiated value-added services. We help our clients to generate additional revenue by authorizing more transaction. Our proprietary authorization engines helps our clients to avoid the false declines that cause consumers to abandon their shopping carts.

And our account updater service minimizes the disruption that can happen to recurring payments when a consumer's card number is changed. In addition to our differentiate omni-channel capabilities, we are continuing to enhance our abilities in international e-commerce, where we expect to see high growth rates and where we'll continue to invest in 2017.

In the merchant bank, we believe that the potential for an easing regulatory environment will allow banks to focus more on increasing fee income. This will be a big positive for us. In 2017 we will be very aggressive in this space by winning more banks as they become available and by aggressively going after the embedded base of merchants within those existing banks.

Our second priority in 2017 will be focused on enhancing our technology and product for the benefit of our clients. We will continue to make investments like the ones that created our unique debit routing and our innovative omni-channel capabilities, as well as our comprehensive suite of security services. As I mentioned before, smaller players are going to have a hard time keeping up with the pace of change, so we continue to advance our technology to build our lead in 2017.

Our third priority will be focused on managing our superior cost structure. We believe that our best-in-class adjusted EBITDA margins are a competitive advantage. In 2017 we will focus on increasing our scale in order to enhance our profitability through operating leverage and disciplined expense control.

Our last priority will be to strategically deploy our capital in order to maximize shareholder returns. Our capital allocation priorities will remain unchanged. First, we will invest for growth, primarily through M&A.

And second, we will return capital, including TRA termination, share repurchase and debt repayment. So in conclusion, 2017 (sic -- see press release "2016") was another great year for us. It was a direct result of our continued hard work and execution of our team.

I strongly believe Vantiv is well positioned to continue to win share and achieve above-industry growth in 2017 and beyond. Now I'll hand the call over to Stephanie who will review our financial results and discuss our outlook in more detail.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Thanks, Charles, and good morning, everyone. As Charles mentioned, we had a very successful year in 2016 and we are excited for the opportunity to build on our strength in 2017. In addition to the operational highlights Charles discussed, we also had several notable financial milestones last year that position us for future growth.

First, we refinanced our debt at favorable rates. We increased our outstanding debt by $[250] million and applied to our revolver, while simultaneously lowering our average interest rate. Second, we hedged our debt to reduce the impact future rate hikes.

Third, we increased our share repurchase authorization of $300 million and used a portion of our authorization to buy back approximately $80 million in shares. Lastly, we renewed our Fifth Third Bank contract while at the same time terminating the TRAs in order to generate significant EPS accretion.

We have consistently deployed capital using a balanced approach that includes M&A, TRA termination and share buy-backs. In line with the strategic capital allocation priorities that Charles outlined a few moments ago, we deployed approximately $650 million in capital during 2016 with the majority going toward the Moneris acquisition. In 2017 we will continue to deploy capital using the same approach.

Turning to the quarter, net revenue grew 11% to $502 million. Pro forma adjusted net income grew 15% to $148 million. Pro forma adjusted net income per share also increased 15% to $0.75, continuing our pattern of strong industry-leading organic growth.

Our merchant segment generated net revenue growth 14%, due to a 13% increase in transactions and a 1% increase in net revenue per transaction. The strong transaction growth reflects ramping of new client wins including the United States Postal Service. And the increase in net revenue per transaction was primarily due to continued positive mix shift to high-growth channels and our ability to gain share with SMBs.

Our financial institution segment reported flat growth year over year. Growth in the core business was offset by pricing compression from the Fifth Third Bank contract renewal, as well as lapping benefits from the EMV card reissuance and fraud-related services we experienced in Q4 of last year.

Operating expenses were consistent with our expectations. Sales and marketing expense increased 12% during the quarter to $149 million, primarily due to new business in our partner channels. On an adjusted basis, other operating costs increased by 9% to $74 million and G&A expense increased by 4% to $32 million, demonstrating operating leverage in the back office.

Adjusted EBITDA grew by 12% to $248 million. Our adjusted EBITDA margin expanded by 40 basis points during the fourth quarter to 49.5%, primarily due to our continued focus on disciplined expense control, as well as our ability to generate operating leverage as we continue to gain scale. Turning to our below-the-line items, depreciation and amortization expense, excluding the impact of the amortization of intangibles related to acquisitions, was $22 million and net interest expense was $28 million.

Turning to our 2017 expectations, based on the current level of transaction trends and new business activity, as well as the Moneris acquisition, we expect to generate net revenue growth of 9% to 11%, representing $2.08 billion to $2.12 billion for the full year. In terms of earnings growth, we expect pro forma adjusted net income per share to grow 15% to 18% to $3.14 to $3.21.

Our guidance approach is similar to last year, including relatively consistent assumptions. Our full-year guidance assumes double-digit merchant net revenue growth. We continue to expect mid teens net revenue growth in our high-growth channels and for our traditional merchant channels to grow mid single-digits.

We expect net revenue in our financial institutions business to decline in the high single-digit range this year, primarily to lapping EMV card reissuance and fraud-related services, compression from the Fifth Third Bank renewal and the deconversion a major client. We expect larger declines in the first half of the year until we anniversary the Fifth Third Bank contract renewal at the end of the second quarter. We then expect trends to improve in the second half of 2017 before net revenue returns to low single-digit rates of growth in 2018.

In our core business, excluding Moneris, we expect margins to be flat to up in 2017, due to our disciplined expense control. But with Moneris we expect adjusted EBITDA margins to decline modestly in 2017 until we complete the integration.

Terms of below-the-line items, we forecast appreciation and amortization of $90 million to $100 million in 2017. Interest expense of approximately $120 million which incorporates expectations for three rate increases during 2017, as well as interest rate savings from our recent debt refinancing. The tax adjustments in 2017 are expected to be approximately $31 million per quarter, up from our prior expectation, primarily due to our ability to take some deductions related to our recent TRA terminations a year earlier than we had previously anticipated.

We have $243 million remaining in our stock repurchase authorization. And while our guidance does not assume any future capital action, accretion from capital deployment could be used to help offset risk to our earnings expectations or could possibly represent upside to our expectations.

Before I turn the call back over to Charles, we are also providing guidance for the first quarter, including our expectations for net revenue growth of 8% to 9% to $465 million to $470 million and pro forma adjusted net income per share of $0.63 to $0.65. 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 Easter, Leap Day and EMV benefits we experienced in the prior-year period, as well as normal seasonality which typically results in lower net revenue, lower margins and lower EPS during the first quarter as compared to the rest of the year.

Now I'll turn the call back to Charles for his closing remarks. Charles?

Charles Drucker - *Vantiv, Inc. - President & CEO*

Thanks, Stephanie. As you can tell, we are delighted with our performance and execution over the past year and even more excited about what the future holds for our Company. Complexity and change is our ally.

For that reason, I would like to express my gratitude to our people at Vantiv. It's your passion, character and relentless winning attitude that continues to propel us and our partners forward in a dynamic environment. So thanks to everyone for your time this morning.

And, operator, we would like to open it up for calls.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

David Togut, Evercore ISI.

Charles Drucker - *Vantiv, Inc. - President & CEO*

Dave, are you there?

Operator

One moment.

David Togut - *Evercore ISI - Analyst*

Can you hear me now?

Charles Drucker - *Vantiv, Inc. - President & CEO*

Yes.

David Togut - *Evercore ISI - Analyst*

Okay. In the FI business, you've expected that business, I think, to decline clearly significantly in the last quarter or two. It's held up pretty well. Can you dig into the EMV impacts in that business? You're skewed toward debit, and in our conversations with FIs, they say debit is actually quite far behind credit in terms of card reissuance with chips versus mag stripe.

Charles Drucker - *Vantiv, Inc. - President & CEO*

I'll let Stephanie take a piece of that.

I'll just start with, for our base, and our focus has always been to help our midsize FIs to really think about risk. We were very aggressive during last year. So in our scenario, the majority of our FIs have actually implemented and put the chip out during the last four quarters. We still have some, so from our perspective, our clients, because we were proactively looking to protect them, have issued chip in debit. So we saw that benefit maybe different than other competitors.

Stephanie?

Stephanie Ferris - *Vantiv, Inc. - CFO*

I would add, financially we have been pretty transparent about it. We have been seeing a lot of nice growth in the first three quarters from reissuing the cards. In the fourth quarter we didn't see any material benefit. We are through the lion's share of it. But we have seen pretty significant benefit in the first couple of quarters, 3% or 4%. This last quarter, didn't see material benefit from EMV and fraud because we have really been through our cycle.

David Togut - *Evercore ISI - Analyst*

Understood.

And then, in the merchant business, could you talk about the ancillary benefits of the upgrade? You've highlighted tokenization and encryption-related demand, Charles. I'm wondering how long-lasting those demand uplifts will be in the SMB sector?

Charles Drucker - *Vantiv, Inc. - President & CEO*

I think on the large national and our large clients that work closely with them, top guys have been very leading edge and making sure they got it implemented. So it's a recurring type of fee for the large guys but a good amount of our large clients have implemented EMV. On the bottom part of the spectrum, we've have had good success in our channels on the small end because all new terminals are going out with EMV. It's really the middle end, the middle part of clients, a lot of our integrated partners, because the loss [ration] is in that category are more going to be implemented through 2017 and 2018. So I think in the middle part of that base, which is a lot of clients and great opportunity, I think we have a good runway there.

So I would say the top, and then because the simplistic terminals on the bottom, they've progressed along. And in the middle we are going to have opportunities, EMV, tokenization, and encryption, the whole package. So we think it helps us in 2017 and 2018 and it's all the recurring revenue through the future.

David Togut - *Evercore ISI - Analyst*

Understood. Thanks very much.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Thank you.

Operator

Dan Perlin, RBC Capital Markets.

Dan Perlin - *RBC Capital Markets - Analyst*

Thanks, good morning, guys.

And Charles, thanks for the incremental detail on Moneris. I was wondering if you could, though, provide a little bit more of the financial picture of what that Company looks like? Clearly margins are lower, but more relative size of revenues that you are assuming, its core growth rate expectation and any cost synergies we should be expecting and how we want to be thinking about modeling those in throughout the year?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Dan, this is Stephanie. I will go ahead and take that for you.

The acquisition closed at the end of December. In terms of revenue, we expect it to add 3.5 percentage points of net revenue growth to the Company this year; approximately $0.05 in EPS to us as we think about growth. In terms of synergies, obviously we do a really nice job, we'll work the majority of this year on those synergies. We would expect to generate synergies to the tune of about $10 million to $20 million. We would expect to see those synergies come forth more in 2018 versus 2017 because we will spend the majority of this year on the integration.

Dan Perlin - *RBC Capital Markets - Analyst*

Got it. So $0.05 (inaudible), that actually means your core business is doing better than I would have even thought. One of the things you mentioned earlier was that, in the integrated space, integrated channel, you guys have put up fantastic numbers, as does your competitor. I'm wondering, when we think through the share gains throughout the next couple of years as you look at what's out there to be taken, where is most of this coming from? It manifests itself like a secular growth. But I also think it's coming from a lot of these low-hanging fruit associated with the ISO market and I just want to make sure we are right on that.

Charles Drucker - *Vantiv, Inc. - President & CEO*

Yes, I think what's happening is, when the cost of the technology with our partners that we have continues to go down, smaller-sized clients can cost-effectively bring that integrated technology. Our deal is, we work closely with our dealers and developers and give them the tools from the payment side to be able to add in to the total package offering.

Remember, these guys are out there selling software and they do an incredible job. We are there to help them, and that's what we have really developed that channel that differentiated us, that we help them. We understand that they're growing their software. With the cost of hardware and software, the addressable market is getting bigger. I would say that it is reaching lower in the market, which will tend to be channels like you've mentioned, where some of that would come from. So I would say, one, is the addressable market is getting bigger; and two, there's an embedded base of clients that are using our clients' software but are not using payments integrated into the software.

What we are excited about as we move into 2017 and 2018, these things are event-driven, that as modules that are put out by our dealers and developers to upgrade to EMV technology, it gives us a bite of the apple then to wrap the payments in that we think it gives us confidence that we can maintain our high growth in those channels for several years.

Dan Perlin - *RBC Capital Markets - Analyst*

That's excellent. One last one.

On your priorities for 2017, one of the things I thought I heard you say, Charles, was international e-commerce, utilizing the platform to gain international e-commerce. And I'm wondering, is that a signal to one, an international gateway? Or can you talk about how you're going to be able to leverage your existing infrastructure? Thank you.

Charles Drucker - *Vantiv, Inc. - President & CEO*

It's more that it is getting more connections to countries. We have a good set of connections that allow our domestic clients to take international transactions. But in some of our connections sometimes we don't have all of the connections, so therefore where we might have a client, their international volume might route in another way.

So we have done an incredible job in 2016 bringing a lot more countries forward. We're going to do another group of countries that we think gets us that international. So it's not as much as -- it's a gateway to get to international, but it's more domestic grabbing international business that allows us to help our clients navigate cross-border fees, FX, and other components in that business that, because we didn't grab as many international transactions, we might not have enjoyed some of the pluses of that as compared to our competitors. We're going to grab more of that.

Dan Perlin - *RBC Capital Markets - Analyst*

Great, thank you very much.

Operator

Jim Schneider, Goldman Sachs.

Jim Schneider - *Goldman Sachs - Analyst*

Good morning; thanks for taking my question.

Charles, I think you referenced Moneris's exposure to the healthcare vertical. Can you talk a little bit about what other verticals you expect to be able to drive your end-rate payment strategy into? Whether you think there's a real opportunity for cross-sell of your technology strategy into Moneris's customer base? And then talk about any other verticals you plan on attacking this year with integrated.

Charles Drucker - *Vantiv, Inc. - President & CEO*

Yes, so healthcare and the service provider space, Moneris had a good strong hold into that. They had several significantly some clients in that space. They have a very large provider in that space that really helps us accelerate and start to do the things that we have done in retail and restaurant.

We have others that we are developing, but our strategy is not to get distracted by chasing six or seven verticals; it's to continue to execute. So in the retail restaurant, and we have various other verticals inside of our core, we're going to continue to grab the embedded base. Then we're going to execute, because where Moneris had these providers and the connections, they didn't have the products, just like we did with Mercury. They didn't have the scale to bring some of these providers in. They didn't have the products, features, and functions.

So I would say at this point, healthcare plus our current verticals -- and we do have some other ones under development but we try not to get overly distracted by having multiple verticals.

I think there was a second part to that? Okay.

Jim Schneider - *Goldman Sachs - Analyst*

You answered it.

And then as a follow-up, on the M&A pipeline, can you give us an update on your preference for domestic versus international acquisitions? And how you're thinking about the relative attractiveness of both the markets and also the price of the assets in each?

Charles Drucker - *Vantiv, Inc. - President & CEO*

Clearly, domestic, there are more players coming up in the market; the market continues to get more complex and more competitive. And clearly we can participate in that and consolidate and take the expense out. So we would continue to look at rolling up the US. We also are continue to be intrigued internationally when it comes to e-commerce type of plays or companies that have those e-commerce and the gateways, even though there's a little uncertainty, international. It's something, like I said, if the right opportunity comes up, we come over.

The beauty is that we are performing very well in the US. The US has a lot of runway for us. We have an eye to international in the future, but domestically there are more properties. You will find us a good steward of money. We like to look for strategic things, so like Moneris had -- BMO Harris is going to be a really good bank for us and allows us to do that. Also, we were getting into healthcare and this accelerates us. Not only did they have these two great assets, they have a consolidation play for us. We felt like we were good steward of our dollars there. Our strategy will be, if there is roll-up opportunities, if there is international that presents us. But we have a lot of flexibility.

Jim Schneider - *Goldman Sachs - Analyst*

Thank you.

Operator

Darrin Peller, Barclays.

Darrin Peller - *Barclays Capital - Analyst*

Thanks, guys. Nice job.

First, let me start off with some of the growth channels. If you can give us a little more specific color as to rank order the drivers of the growth in the merchant side between e-commerce, bank referrals, and the iPod side of it? And then, I know, Charles, you mentioned a focus on specifically bank referrals ramping up in a pretty aggressive way in 2017. You've already been very strong in that. Can you give us some more color on that opportunity through the year? Where are those opportunities? What banks are really left out there? And what else can you really do on the e-comm side? Thanks, again.

Charles Drucker - *Vantiv, Inc. - President & CEO*

I will take some high-level and Stephanie will help me.

On the e-comm side, we are doing well in growing but we're still well below our market share. We have about a 19% -- I believe about 19%, is that right? About 19% market share. We are well below our market share. We have experienced good success by taking things that seem simplistic, like making sure the authorizations, we get less false positives, making sure that when your account number changes that we are helping: things that don't sound the coolest but they mean a lot to the clients. And it's really been helping us win share, so we think there's a good runway there in that space. There's not a lot of competition that has these similar features. The ones that have it are very good, but then there's a whole space that there's a lot more e-commerce and omni-channel happening. So I think that is going to lay out very well on the e-commerce space.

When I talk about the bank, what we are starting to experience is, the banks are truly -- two things. One is, they're truly starting to focus on fee income. With some of the rate increase plus anticipation of the bank there will be more rate increases. And you never know what happens with the easing on regulatory side. Our conversations have been focused that says, how do I capture more of my customers' fee income? And there is a large number of clients in the banks today that, when we bring on new clients, that they do their lending with. They are their main bank. But unfortunately their merchant services are with somebody else that was taken over time.

So we are launching. And we have launched -- part of the Fifth Third renewal was launching back even more aggressive into their base a little bit to really get the bank's focus. So I think that is going to help us accelerate in 2017 and 2018 in that space. The integrated payment side, same thing, that -- getting into what I refer to as embedded base. A lot of times it's event-driven. Our clients are focused on taking advantage of the addressable market. There wasn't as big of urgency in the restaurant space to really put EMV in. Our clients are committed to it, and we think there's a nice pace of integrating that we can grab some more space.

So feel like our high-growth channels will really -- it gives me confidence that the numbers that Stephanie said, that we will be able to deliver and have other years of continuous success in those channels.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, and let me add on, in terms of some thoughts around growth rates with respect to the high growth. So our high-growth channels continue to do really well. High teens types of growth rates. We expect that to continue; they have been very consistent over time. In terms of thinking about how the channels break up, I think we've said historically 50% of it is integrated payments. Our integrated payments business, like Charles said, we believe is the strongest in the industry. It is posting high teens, low double-digit types of growth rates for us, which is fantastic. We don't see that slowing down. It continues to be really strong for us.

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The other 50% is a mix between e-commerce and merchant bank. E-commerce, even though we think we have tons of opportunity, continues to be in a mid-teens type growth rate for us, which we think is strong. And then on the merchant bank side, for the fourth quarter was a little bit lower teens as we lapped our Capital One conversion the prior year, but will pop right back up into a mid-teens growth number for us. So the high-growth channels continue to perform very well and give us a lot of confidence as we look into 2017.

Darrin Peller - *Barclays Capital - Analyst*

All right, that's very helpful.

Operator

Jason Kupferberg, Jefferies.

Jason Kupferberg - *Jefferies LLC - Analyst*

Hey, thanks, guys, good morning.

I wanted to go back on Moneris for a second. I think you said it's going to contribute about 3.5% to the top line in 2017. At the midpoint that would give us an organic growth rate across the Company of about 6.5%. I think last quarter when you were talking about expectations for 2017, there was mention of upper single digit-type growth. Wanted to ask about that, as far as whether or not there is any change around the edges in terms of your outlook on the core business? Or are you just being a little bit conservative here at the outset of the year?

Stephanie Ferris - *Vantiv, Inc. - CFO*

I think our approach to guidance has been very consistent. I think our full-year guidance expectations are 9% to 11%. Excluding Moneris, I think that would be in the 6% to 8%. If you think about the components, because the components are really important, we said FI down upper single. So you really got to think through that different from merchant. From a merchant standpoint, our expectations are for merchant to perform in the mid teens. And excluding Moneris, that would be a 9% to 11% growth rate. So still very strong expectations from our side.

Jason Kupferberg - *Jefferies LLC - Analyst*

Okay. Remind us on the TRAs, what the current expectation is for EPS accretion in 2017 versus what it was in 2016?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, in 2016 our TRA number was -- help me here Nate.

Nate Rozof - *Vantiv, Inc. - Head of IR*

We were adding about $18 million to $19 million per quarter. We did a little better in the fourth quarter just on the recent warrant transaction. For 2017, that number will step up to about $31 million per quarter.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Right.

Jason Kupferberg - *Jefferies LLC - Analyst*

Okay. And last one for me.

Sounds like US Postal Service is going well and sounds like it's probably at full run rate. Papa John's and Netflix, are those going to move the needle, at least on transaction growth in 2017 in merchant?

Stephanie Ferris - *Vantiv, Inc. - CFO*

I think, Netflix, we've been processing those transactions in our organic growth rate at this point for Q2, Q3, and Q4. I wouldn't expect Papa John's to materially move transactions. I think the big step-up in transactions that you saw third quarter to fourth quarter this year was United States Postal Service. All of those will continue to help us drive organic growth rate, but I wouldn't expect any step-up from here.

Jason Kupferberg - *Jefferies LLC - Analyst*

Okay. Thank you.

Stephanie Ferris - *Vantiv, Inc. - CFO*

You bet.

Operator

George Mihalos, Cowen.

George Mihalos - *Cowen and Company - Analyst*

Great, thanks. Nice job on the quarter, guys.

Stephanie, wanted to start off, I think if I caught your comments, you had said that the core business, excluding Moneris, margins for 2017 would be stable to slightly up, or up. I think that is better than what the Company was commentating last quarter, in the third quarter. Can you talk a little bit about what makes you a little more bullish on the core margins?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, absolutely.

I think you saw our margins expand nicely in the fourth quarter. We've been really focused on disciplined expense control and we continue to expect those types of controls for us in 2017. So we felt comfortable to guide to a slightly higher, excluding Moneris. Obviously as Moneris comes on, the margins of that business are a little bit lower than the core. As we add the synergies in 2018, I think we come back to stable to slightly up margins. But feeling really comfortable with where our back-office expense rates are, and our ability to continue to drive leverage and scale across the business.

George Mihalos - *Cowen and Company - Analyst*

Great, I appreciate that.

And as it relates to capital allocation, I think you guys for 2018 talked about again returning capital via potentially buy-back and then also TRAs. And I'm curious, given the political landscape and the chance for tax reform, if you wouldn't prioritize buy-back over future TRAs? And I'm curious, one of the questions that we get is, how would Vantiv participate should there be a lowering of the US corporate tax rate? How much of an impact could that have, given the current tax rate that you're paying?

Stephanie Ferris - *Vantiv, Inc. - CFO*

We always obviously weigh all of the different ways we can deploy capital and will continue to as anything changes in the landscape. But a reduction in the US corporate tax rate would be highly accretive for us. Our adjusted tax rate would fall below the new corporate rate. So we still would think TRAs would be highly accretive and good returns of capital. That being said, we will always continue to measure that against share repurchase as the changing landscape.

George Mihalos - *Cowen and Company - Analyst*

Thank you.

Operator

Tien-tsin Huang, JPMorgan.

Tien-tsin Huang - *JPMorgan - Analyst*

Thanks, good morning, good results.

I'll ask about Moneris and the revenue synergies there. Can you bring the growth rate up to Vantiv averages relatively quickly? And then, is there anything tricky with integration you need to lock up for key clients and ISVs, for example?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, in terms of growth rates, I think Charles talked about the revenue mix of Moneris is about 60% merchant bank and integrated payments. The remaining 40% is traditional. So we think absolutely, from a merchant bank standpoint, we can bring that up to Vantiv-type growth rates. It's been a bit of an under-served bank historically. Integrated payments in Moneris, like Charles said, is growing in line with industry. We think we can always do better, obviously, but there's a large healthcare vertical there that has a lot of secular growth in it that we're really bullish on. The remaining 40%, traditional direct and ISO channels, we would expect to bring those up to Vantiv's mid single-digit expectations as well over time.

Tien-tsin Huang - *JPMorgan - Analyst*

Got it. And the traditional -- at the mid-single digits, since you mentioned it, Stephanie, it seems like a little bit above trend or little bit above market. What is driving that view? Maybe still some EMV sales energy around the traditional side? Just curious.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Now we are talking about Vantiv, not Moneris?

Tien-tsin Huang - *JPMorgan - Analyst*

Overall, sorry, overall traditional channel growing in the mid-single digits, what's behind that?

Stephanie Ferris - *Vantiv, Inc. - CFO*

I think we continue to see two things. One, our new sales continues to be strong. We continue to take a lot of market share, which helps us be bullish around the mid single digits. And then, as Charles mentioned, continuing to cross-sell into our embedded base of clients is driving, whether it's through EMV, tokenization encryption, or some of our other value-added services, we continue to see that add a lot of value and give us a lot of confidence around mid single.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. One more quick one around a lot of debit rule changes on the Visa side, does that have any impact to Vantiv at all? I would imagine it's positive, but curious if there's anything to consider?

Charles Drucker - *Vantiv, Inc. - President & CEO*

Yes, I think if you're talking about the recent how the judge viewed -- or the recent ruling, yes, it's a -- a lot of our large national are quick base. So from a quick base standpoint, it clicks a click to us. But our ability to help our clients route to various regional networks or the brands is obviously a plus to us.

Tien-tsin Huang - *JPMorgan - Analyst*

Thanks, as always.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Thank you.

Operator

Joseph Foresi, Cantor Fitzgerald.

Joseph Foresi - *Cantor Fitzgerald - Analyst*

Hello. Thanks for the color on the color on the high growth.

A question there, which one of those three segments do think might be able to surprise to the upside? I know I'm asking for a little bit of a prediction there, but any thoughts there and why?

Charles Drucker - *Vantiv, Inc. - President & CEO*

Stephanie might answer that, but from my perspective I think all three of those, I'm excited about the opportunities in all three of those for different reasons. I'm excited about, in the integrated payments, going after the embedded base with the EMV upgrade cycle. I'm excited about, in the merchant side with what at least we sense from our clients is banks focus on increasing their fee income. And this being, we call it a good wedge product, something that helps retain a relationship or drive a relationship, so that I'm optimistic about the renewed focus. And then e-commerce, as we continue to -- e-commerce continues to get bigger in general, more volume is shifting towards e-commerce, the features and functions that we bring. So sometimes businesses are growing so fast that they don't realize that they need those features and functions and what we would bring. So I would say, equally all of those gives us confidence that we are able to hit, or we look towards hitting the targets that we have laid out.

Joseph Foresi - *Cantor Fitzgerald - Analyst*

Okay. And any change in the overall competitive environment as we switch into 2017? Maybe you could talk about a crucial theme in the broader market you see developing next year? I know you mentioned a number of them.

Charles Drucker - *Vantiv, Inc. - President & CEO*

I have really good competitors, and they're very strong competitors. A couple things that's happening is that we do believe that as more complexity comes about, scale makes a difference. So not having the scale and the capabilities to implement things quickly, sometimes gives us an edge. We felt like around EMV we were able to do more work on our system that eased the pain on our clients that really aided us in some of the wins. We see our ability to think about where the industry is going as an ability to do that. So scale is going to really matter.

I would say it is a very competitive market, I think. And people, they underestimate this, and that's why bringing in that screen is that people make the difference. The way our people approach it, the empowerment we give our people in the Company, the thought leadership that the people on the ground have and knowledge of the business when you're sitting in front of clients, makes a difference. Their track record of when someone calls for a reference is very high, too. So don't underestimate, people underestimate. It's a very competitive business. I have great competitors, but my people make me and the Company look good.

Joseph Foresi - *Cantor Fitzgerald - Analyst*

Got it. And then if I could squeeze one more in.

You talked about the bank opportunity. I'm wondering, could you walk us through how the lower regulation works? Is the idea that banks have lower regulations, they start thinking about spending more and that creates the demand environment? I just want to understand that. Thanks.

Charles Drucker - *Vantiv, Inc. - President & CEO*

What we experienced -- and right now it's really about the potential positive side in the regulation. What we experienced in a lot of our banks, both in the FI and merchant side is, every expense dollar they have went towards making sure that the regulations -- and then since the interest rates didn't happen, they were very focused on those things and expense reduction versus investing in new sales and accelerating products that could potentially help the customer. It was tough. They are balancing a lot of priorities.

So right now we see that there are some rate increases that have allowed banks to create a little bit more headroom that allows them to focus on the future a little bit more. It's going to take a little while for the regulatory stuff to occur, but the general sense at the banks is that, hey, it's time to focus on grabbing share and how do we differentiate us? And Vantiv, how can you help us do that? In these small business segments, in the merchant side, how can you help us win? And the dialogue has started to shift, so it gives me some optimism. Regulatory is going to be a while but half the time is, if you get the right mindset going in with your partner, we can really help them.

Joseph Foresi - *Cantor Fitzgerald - Analyst*

Thanks.

Operator

Bryan Keane, Deutsche Bank.

Bryan Keane - *Deutsche Bank - Analyst*

Hello, guys, good morning. A lot of my questions have been asked and answered.

I did want to ask about revenue per transaction in merchant, what to expect in that segment? And a little bit, you were talking about the competitive dynamics. I always get the question on pricing in the industry, maybe you can give us your latest thoughts there?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, I'm happy to take the revenue per transaction expectation. We did see revenue per transaction moderate a little bit in the fourth quarter as we added the United States Postal Service. I think our view on merchant and our outlook would be to continue to see modest to net revenue per transaction expansion as we move into 2017. Again, those high-growth channels driving into the SMB space continuing to deliver nice net revenue per transaction growth for us.

Bryan Keane - *Deutsche Bank - Analyst*

Okay. And then, Charles, anything on the overall comments on pricing in the industry? You hear some of the larger competitors, some of the banks, being more aggressive on price?

Charles Drucker - *Vantiv, Inc. - President & CEO*

Yes, I think it still feels stable to me. Some of my competitors -- it feels stable to me. I think it always gets aggressive in different pockets, but when you're winning on the bank merchant side, which I talked about that, price is not always the driver, it's about the relationship and how you can tie things together to win. But the pricing today seems very competitive but generally stable. I have good competitors that are rational about what they do. Because people confuse, they think price is the lever that makes merchants move. If that game came around, we have the scale to do that. But there are more components that make a client move. I would say it is stable but very competitive market.

Bryan Keane - *Deutsche Bank - Analyst*

Okay. And then, Stephanie, I want to ask, on the first-quarter revenue guidance, if I add in Moneris, call it $15 million to $18 million for the first quarter, I was getting to a higher revenue number than you're guiding to. But you did call out a couple of headwinds. Maybe you can help us quantify some of the headwinds in the first quarter that brings it to a little lower growth rate versus the full year?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, absolutely. You're right, if you exclude Moneris, we're looking at growth rates slightly lower than our full-year guide. The primary driver for that is, if you remember in the first quarter last year, we talked about 2 percentage points of growth being driven by Leap Day in the first quarter last year, as well as Easter in the first quarter. Easter is in the second quarter of this year. If you remember, we talked about that as we talked about merchant revenue growth in the first quarter. That's a grow-over for us in the first quarter of this year. So if you take and normalize those out, exclude Easter and Leap, then I'd end up being a 9% to 11% growth rate expectation, which is very consistent with where we said our full-year expectations are. Does that help?

Bryan Keane - *Deutsche Bank - Analyst*

No, that's helpful, yes. The components, you forget how big that impact for Leap Year and Easter was. So I'm seeing it different for the timing.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, it was a nice bump. Yes, absolutely.

Bryan Keane - *Deutsche Bank - Analyst*

All right, congrats on the quarter. Thanks, guys.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Thank you.

Operator

Dave Koning, Baird.

Dave Koning - *Robert W. Baird & Company, Inc. - Analyst*

Yes, hey, guys, thanks. Nice job. My first couple questions are just short ones.

How much amortization, intangible amortization, do you expect going forward with Moneris coming in now?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Good question.

Nate Rozof - *Vantiv, Inc. - Head of IR*

I'm going to page flip and find the number. Why don't you ask your second question and we'll come back to the first one?

Dave Koning - *Robert W. Baird & Company, Inc. - Analyst*

Sure, second one is real easy. Are buy-backs at all in the guidance, like incremental ones? I know you've done a little bit late last year, but anything incremental in guidance?

Stephanie Ferris - *Vantiv, Inc. - CFO*

No, nothing incremental in guidance. I think we talked about in the script that any incremental share buy-backs could be upside to what we have put out there.

Dave Koning - *Robert W. Baird & Company, Inc. - Analyst*

Okay. And then my more comprehensive question is, the FI yield was up about 2% year over year in Q4. I know that included some headwinds from the reprice and probably from EMV starting to anniversary some of those benefits, and yet it was still up 2%. In Q1 you probably get actually a benefit of Capital One going away. I would imagine the yield on those transactions was lower than the yield on probably the average because it is such a big client. So I'm almost wondering, couldn't we almost start to expect the FI yield to actually almost start to improve even from the 2% up? It sounds like you are actually saying it should be down next year, but it feels like it could actually be up.

Stephanie Ferris - *Vantiv, Inc. - CFO*

You are exactly right. In the fourth quarter we did -- the business continues to a great job cross-selling into the portfolio. Our beat in the FI from our expectations was around an increase in net revenue per transaction. They continue to do a nice job there.

You are right. As we think about 2017, I would expect to see net revenue per transaction expand, given the dynamic that you just mentioned with respect to Capital One. As you think about the full-year net revenue per tran in the mid to upper single-digit expansion range, because as Capital One comes off, it will be helpful in terms of RPT.

Dave Koning - *Robert W. Baird & Company, Inc. - Analyst*

So the way to think about that is almost transactions down double digits with yield up mid to high single digits to get you to that overall revenue down high single?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, I would say transactions and FI down mid teens and then RPT up mid single.

Dave Koning - *Robert W. Baird & Company, Inc. - Analyst*

Okay. Got you. Thank you.

Did you find the amortization?

Nate Rozof - *Vantiv, Inc. - Head of IR*

I did, yes (laughter). Lots of pages. I've flipped lots of pages, I got lots of numbers. So consistent with what Stephanie said in her prepared remarks, D&A, excluding amortization of intangibles, we expect to be $90 million to $100 million next year, or 2017. That includes about $25 million to $30 million of amortization of intangibles.

Dave Koning - *Robert W. Baird & Company, Inc. - Analyst*

Okay, great, thank you.

Stephanie Ferris - *Vantiv, Inc. - CFO*

You're welcome.

Operator

Ashwin Shirvaikar, Citi.

Ashwin Shirvaikar - *Citigroup - Analyst*

Thanks, good job, Stephanie. Good quarter, congratulations.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Thank you.

Ashwin Shirvaikar - *Citigroup - Analyst*

I would say 2% is a lot of Easter candy in hand (laughter), what you said before.

My question is, with regards to the pipeline, your revenue growth would imply that the pipeline continues to be healthy. But beyond the names that you talked about, not so much for this year, but continued growth, are there really large clients that can make the difference for you at this point? Or is it really more about getting into SMB, driving those high-growth initiatives and continue to do that? Where's the -- if I call it a three-year growth line, where is that going to come from?

Charles Drucker - *Vantiv, Inc. - President & CEO*

Look, we have about 34 of the top 100 clients. E-commerce continues to be a focus of ours. There are good clients in that space that we can win. I would say it's a multiple strategy. I think the SMBs are really what is doing the shift in driving integrated payments. And when I think about the merchant bank channel, they're more of the SMBs that the banks have.

But we continue to be an aggressive player when contracts come up. We think, as we bring other features, because it's not about price with them, it's about -- some of our wins before was how quick can we implement EMV security tokenization. It's a two-pronged approach where we are getting big transaction growth, large clients will help us. The mega ones, they always come up in the future and we always have a shot at them, but there is a lot of nice size below a Post Office but higher than normal, that I think will continue to pick up. So it's two-pronged, but a good majority will be the SMB size.

Ashwin Shirvaikar - *Citigroup - Analyst*

Got it. And as we get better idea of current administration's policy here, are you embedding anything in your outlook with regards to -- Stephanie had talked about tax rate, but anything with regards to small business pickup, higher interest rates, any regulatory changes? Is anything embedded in there? Or what your thoughts on those?

Stephanie Ferris - *Vantiv, Inc. - CFO*

No, it's a great question. Our approach to guidance has been consistent. We don't bake in anything that obviously we are not aware of. From a guidance standpoint, same-store sales growth in the fourth quarter was 3% to 4%. We talked about our first-quarter guide from a same-store sales growth standpoint assumes low single digits, primarily because we are growing over Leap Day and the timing of Easter.

Charles Drucker - *Vantiv, Inc. - President & CEO*

All the candy.

Stephanie Ferris - *Vantiv, Inc. - CFO*

All the candy, yes (laughter).

Then expect mid single-digits growth for the rest of the year, so very consistent expectations. Continue to see a strong consumer, so don't have any expectations on guidance up or down there. From an interest rate standpoint, we really spent a lot of time this year, obviously on our debt and doing hedging. We do have three interest rate hikes baked in. So to the extent interest rates don't continue to go up as we expect, we might have some upside. We are hedged appropriately, so we think we've hedged the downside there. And then from a tax rate standpoint, we are like you, just wait and see. But as I said, any reduction in US corporate tax rate would be really accretive for us.

So nothing baked in, in terms of anticipating any changes. And we feel like we are appropriately hedged on the downside for any future changes and could benefit from any upside on anything that would be positive.

Ashwin Shirvaikar - *Citigroup - Analyst*

That's great. Good stuff. See you in a few days.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Great, thank you.

Operator

I would now like to turn the conference back over to our moderator for any additional or closing remarks.

Nate Rozof - *Vantiv, Inc. - Head of IR*

Thanks so much. I appreciate you guys being on the call today. If you have any additional follow-up questions, please reach out to us and we'll be happy to help you. Thanks, everyone, have a great day.

Operator

And this does conclude today's conference call. Thank you all for your participation and you may now disconnect.

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