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PRESENTATION

Operator

Good day, and welcome to the Vantiv first quarter earnings conference call. Today's conference is being recorded.

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

Nathan A. Rozof - *Vantiv, Inc. - SVP of IR*

Thank you. Good morning, and thank you for joining us today. By now, everyone should have access to our first quarter 2017 earnings release, which can be found at vantiv.com under the Investor Relations section. During today's call, our CEO, Charles Drucker, will begin by reviewing our first quarter operating performance and discussing a few milestones from the quarter. Our CFO, Stephanie Ferris, will then describe our financial results and provide guidance for both the second quarter and the full year.

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 Drucker. Charles?

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Thank you, Nate, and thanks to everyone for joining us today. This was an exciting quarter for us. In addition to a strong financial result, The Nilson Report also ranked us as the largest acquirer in the United States. We have strong momentum, and we continue to build on our lead. Last night, we announced an agreement to acquire Paymetric, which will extend our reach into the high-growth B2B eCommerce payment vertical.

So before we discuss Paymetric, I'd like to review our operating performance. During the first quarter, net revenue grew 9% to $470 million, and EPS grew 21% to $0.68. Our net revenue includes merchant growth of 13%, with our high-growth channels continuing to perform well and helping us to consistently win new business with SMBs. Our Financial Institution segment performed in line with expectation during the first quarter, as underlying business trends remained stable and the de-conversion of a major client is moving more slowly.

We've strategically built Vantiv into a market leader with sustainable competitive advantages. Our strategy is to expand into high-growth channels and verticals by building on our core advantages of scale, distribution and technology. We've done this both organically and through strategic M&A. We've done it organically by developing our omni-channel capabilities to win large merchants like the U.S. Post Office and Papa John's, as well as by expanding into the Merchant Bank channel, where we've built a network of nearly 5,000 referring banks. We've used strategic M&A to leverage our platform and expand our sales channels. Past acquisitions have allowed us to gain leading technology in the eCommerce space, to also solidify our leadership position in the Integrated Payment channel and to expand into new verticals. Now with Paymetric, we will strengthen our capabilities in another high-growth eCommerce category, B2B card payments.

Card-based transactions are the fastest-growing segment within the $30 trillion B2B payment vertical, yet nearly 70% of companies lack the back-office capabilities and system integrations to efficiently accept these transactions. Paymetric integrates B2B payment workflows within the enterprise systems, including SAP, Oracle, Salesforce and more. Paymetric also tokenizes payment data within these systems in order to secure customer information and history. By integrating leading ERP and CRM systems with robust payment capabilities for the web, mobile devices and call centers, Paymetric helps the world's most recognized companies optimize workflow, save time and reduce cost. Paymetric has deep, sticky client relationships with over 500 of the world's largest multinational companies. Our belief is that we will be able to further enhance their offerings by giving them access to our capabilities and scale. For example, while Paymetric enables B2B payments, it doesn't offer payment processing, which creates a clear opportunity for us to partner together. The transaction is expected to close during the second quarter. This is a high-growth, high-margin business. Paymetric's attractive reoccurring revenue stream will be accretive to our net revenue growth. We also expect it to enhance our margin profile, in addition to being accretive to our earnings per share.

I'd like to thank everyone involved for bringing our 2 companies together. As I mentioned a moment ago, acquiring Paymetric builds upon our strategy to expand into high-growth channels and verticals. It will enhance our already leading eCommerce technology capabilities, and its focuses on B2B will enable us to enter this fast-growing vertical in a unique and differentiated way. So by executing on our strategy, we've been able to consistently win market share. And I'm proud to highlight that The Nilson Report recently ranked us as the largest acquirer in the U.S. The ranking shows that our strategy is working and is testament to the hard work of our people. According to the Nilson data, we've grown our market share from 13% of transactions in 2010 to over 21% in 2016. That's more than 1 point of share per year.

While being ranked as the largest acquirer in The Nilson Report is also an important milestone, we're not stopping there. We're continuing to invest across our business in order to build the largest ecosystem of new partners and new technology in our space. I have a few examples. Within the

Integrated Payment, we are rolling out new EMV solutions across multiple hardware and software configurations, including a mobile product for tablets as well as a cloud-based product. These new EMV solutions are attracting new ISPs, as well as deepening the relationship with our existing ISPs, further opening up the embedded base opportunity.

In eCommerce, we are continuing to enhance our leading technology capabilities, accelerating our pace of growth. Paymetric is a great example. In addition to Paymetric, we are also continuing to invest in high-value eCommerce services like our authorization maximization engine and our account-updated products. We're also continuing to build our differentiation in omni-channel capabilities.

And in the Merchant Bank channel, we're continuing to win new banks as well as aggressively pursuing the embedded base within our existing footprint. Our value proposition is allowing us to continue to differentiate our offerings and to win market share. Looking forward, I firmly believe that our talented team, combined with our differentiated and unique solutions, will allow us to build momentum and continue to grow in the future.

So with that, let me turn it over to Stephanie to review our financial results and provide guidance. Stephanie?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Thank you, Charles, and thanks to everyone for joining the call today. As Charles discussed, we had another very strong quarter. Net revenue grew 9% to $470 million. Pro forma adjusted net income grew 22% to $135 million, and pro forma adjusted net income per share grew 21% to $0.68. Our merchant segment generated net revenue growth of 13%, as transactions grew by 10% and net revenue per transaction increased by 3%. On an organic basis, Merchant net revenue grew in the low-double digits, reflecting our continued success with new business as well as with SMBs.

Net revenue declined 6% in our Financial Institution segment. As expected, net revenue growth was impacted by a compression from the Fifth Third Bank contract renewal, lapping the benefits from EMV and fraud-related services and the de-conversion of a major client. When normalizing to exclude these impacts, the underlying organic growth trends remain consistent in the low-single digits. We continue to expect this segment to return to growth in 2018 after we begin to lap these headwinds during the second half of this year.

Turning to expenses and margin expectations. We continue to be laser-focused on enhancing our scale and driving operating leverage in the business. This is particularly true in the back-office, where other operating costs increased by 2% and general and administrative expenses increased by 5% on an adjusted basis. We continue to invest for growth, including our expansion into high-growth partner channels. And as a result, sales and marketing expense increased by 14% during the quarter.

Moving down the income statement, adjusted EBITDA grew by 9% to $210 million. Our adjusted EBITDA margin during the quarter was 44.7%, down 20 basis points, primarily due to our prior-year acquisition. I expect adjusted EBITDA margin to expand from here through the rest of the year as we continue to drive operating leverage. Below the adjusted EBITDA line, depreciation and amortization expense, excluding intangible amortization, increased 18% to $24 million. And net interest expense was $29 million, both largely consistent with expectations.

Turning to taxes. We adopted a new accounting standard related to share-based compensation during the first quarter, which has the effect of reducing both our GAAP and our pro forma adjusted tax rate. As a result, our pro forma adjusted tax rate was 14% during the quarter, and we expect our pro forma adjusted tax rate to be approximately 18% for the full year. In terms of EPS, this change created approximately $0.01 of upside relative to our expectations in the first quarter.

Before I turn to guidance, I would also like to note that we reached a settlement agreement stemming from Mercury's legacy litigation. As a result of this agreement, we recorded a $38 million pretax charge to general and administrative expenses in our GAAP financial statement. This settlement avoids further cost from protracted litigation and closes the matter and puts it behind us.

Finally, I would like to provide financial guidance. Based on the current level of transaction trends and new business activity, we are maintaining our net revenue guidance range for the full year of $2.08 billion to $2.12 billion, which represents growth of 9% to 11%. We are increasing our guidance for pro forma adjusted net income per share. We now expect to generate between $3.22 to $3.29 for the full year of 2017, which represents growth of 18% to 21%. The primary reasons for the increase are our strong financial performance during the first quarter as well as our adoption of the updated accounting standard for employee share based comp. We are also providing guidance for the second quarter, which is consistent with our full year expectations. For the second quarter, we expect to generate net revenue of $517 million to $527 million, representing growth of 8% to 10%. We also expect to generate pro forma adjusted net income per share of $0.81 to $0.83. Our second quarter guidance assumes merchant net revenue growth in the mid-teens, inclusive of our expectations for continued low double-digit organic revenue growth. Our second quarter guidance also includes our expectation for FI net revenue to decline low-double digits during the second quarter.

Our guidance for both the second quarter and the full year excludes the potential impact of the Paymetric acquisition. Consistent with our past practice, we would expect to update our guidance for the acquisition after the transaction has closed. However, we currently expect this transaction to be immaterial to pro forma adjusted net income per share in 2017, with increasing accretion in 2018.

With that, I'll turn the call back to Charles for closing remarks.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Thanks, Stephanie. In closing, I'm very happy with our performance and execution. I'm excited about Vantiv's positioning in the market and the opportunities that lie ahead. As I mentioned at the beginning of the call, this was an exciting quarter for us here at Vantiv. We're continuing to invest for growth. And as I said earlier, we view the acquisition of Paymetric as an opportunity to build upon our strategy to expand into high-growth channels and verticals. It's a terrific example of our ability to identify strategic areas in the market that have experienced above-average growth, and then to either build or buy the leading company in the space. Once again, I would like to offer a sincere thanks to everyone at Vantiv for all the hard work you do every day. And to everyone at Paymetric, we look forward to welcoming you to the team.

For all of you on the line, thank you again for joining us today. And with that, operator, I'd like to open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question we'll hear from today is Dave Koning with Braid (sic) [Baird].

David John Koning - *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research and Senior Research Analyst*

I guess, my first question, just growth decelerated a little bit this quarter. And historically, you've guided in a way where you've beaten pretty materially. I'm just wondering, this quarter was definitely good on earnings, just it was in line on revenue. And if there's anything maybe that surprised you a little after the Moneris acquisition came in maybe a little light of the kind of 3.5% expectation that you had for the year.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes. So Dave, great question. So we did experience low double-digit organic growth this quarter -- slightly down, you're right, from the fourth quarter. What surprised us a little bit was the big-box retailers coming under some significant pressure. And you're right, we do tend to guide conservatively, and that was really one of the biggest reasons in terms of why we didn't beat. That being said, as you know, with our big-box retailers, they have a lot of transactions. They're great merchants for us, but don't necessarily drop a lot of margin to the bottom line. And so we were pretty excited that we are able to continue to meet the top end of our guidance as well as significantly expand our revenue per transaction, which is really evidenced by continuing to invest in our high-growth channels and drive SMB and eCommerce. But really, the big surprise there was more the big-box retailers being more under pressure than we expected.

David John Koning - *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research and Senior Research Analyst*

Got you, all right. And then, I guess, my one follow-up, just you clearly have a lot of confidence guiding back to mid-teens growth in merchant in Q2. I mean, some of that's probably Leap Day and Easter, but maybe what are you seeing early in the quarter to kind of give the confidence of the reacceleration in merchant?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Sure. So we continue -- in terms of outlook for the second quarter and for the remainder of the year, we continue to be very positive and expect our merchant growth to be low double digit in terms of organic, with the Moneris acquisition adding a couple of points on top of that in terms of our expectations for second quarter and the out-quarters. Our expectation continue to be that the big-box retailers are under pressure, but given the continued growth of our new business, execution or actions there as well as being able to cross-sell into the portfolio. And the other thing I would say is we have been slightly conservative in terms of our expectation from a same-store sales growth standpoint, considering in April, things are a little bit better than low single digits. But with that, it's just 30 days in. So we wanted to be consistent with what we saw in the first quarter and set our expectations for the second quarter and out in the low single-digit same-store sales growth range.

Operator

And next, we move to Dan Perlin with RBC Capital Markets.

Daniel R. Perlin - *RBC Capital Markets, LLC, Research Division - Analyst*

I had a couple of questions on Paymetric in terms of how you're thinking about -- how do you think about integrating that given it's a B2B platform, it's a little bit different? One of the attributes that's so great about Vantiv is your unit cost to process is so low under the single platform. And I'm wondering, is this going to run separately? Or are you actually going to integrate this into your back-office in some way, shape or form? And then I have a follow-up.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

So we're still working through the acquisition. We just completed the agreement. But what we like about Paymetric, it's an extension of integrating into companies' ERP and CRM systems and really provide them eCommerce capabilities in order really to help these companies reduce the cost to the back-office. So there are new components to the business that will really add our ability to be embedded into these companies' systems, and it will allow us then to really leverage the payment aspects and grab the B2B transactions. So when you think of some general back-office stuff, those things still allow us to integrate. But then they have a whole new section of development that's really going to allow us to expand. So I think there'll be a combination of it, but we're really viewing this as investing into the future and grabbing this market that, quite frankly, we just didn't play in. And through our strategic analysis, it's really showed it was one of the fast areas. And we're always trying to go where the puck is. And I think we've been successful with things like Mercury and what we've done with eCommerce, and this is just an extension of it. So it's kind of a combination of that.

Daniel R. Perlin - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay. And does this asset bring you guys enough scale? Or do you feel like you've got to go after additional assets in this space? And then the other question I have with this was I think you said you had 500 clients, but is there any overlap? You said they don't offer processing. So is there any overlap with those 500 clients? Or is it pretty de minimis?

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. So I'd say, in this space we looked, and they're the dominant player of integrating. So we got the play that was integrative, and we're going to continue to help them accelerate -- accelerate getting into these clients. But by adding the payment capabilities, we're going to now allow these clients that they integrated the opportunity to come directly to Vantiv. Today, they're able to move transactions or gateway transaction to multiple acquirers, and we're going to be able to give these clients an alternative to that and package it together. So we're pretty excited about that.

Daniel R. Perlin - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay. And just one quick housekeeping, I apologize. The $8.6 million tax credit, that is in fact fully included in the pro forma tax? Or is it a portion of that? I think you said it was $0.01, but I wasn't sure. It seemed like it was more than that if it was $8.6 million.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, sure. $8.6 million for the full year benefit. What we were saying is $0.01 -- a portion of that was a benefit for the first quarter, $0.01.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. So remember, that $8.6 million, you're pulling off the GAAP statement. So there's a bit of a timing difference relative to the GAAP pro forma. The effect on the pro forma statement was it reduced our income tax expense from roughly 36% to 34%, which is about $3.25 million and the 1%. And the $0.01, as I've said, relative to expectations in 1Q, and then that will flow through the rest of the year.

Operator

And next, we'll move on to Ashwin Shirvaikar with Citi.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

I was wondering if you could talk about the high-growth channels. Obviously, your start-off comment was it continued to perform well, but if you could delve into the relative performance of each of the 3 high-growth channels. And I guess, going forward, will you start talking about B2B as a fourth one? Or I mean, how should we think about this?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes. Ashwin, I'm very happy to take that question. So our high-growth channels continue to do really well, growing in the mid-teens. Our expectations for them continue to be really strong, mid-teens or better. And as you think about each one of those, I think, obviously, these are the places where growth is. eCommerce continues to do really, really well for us -- mid-teens or better. The Merchant Bank channel continues to be very positive as we continue to win new banks. And then the Integrated Payments channel continues to be a dominant player, again, with nice upper-teens growth. So we're continuing to see very strong growth in the high-growth channels. And you're exactly right, as we think about Paymetric for us, it opened up more eCommerce opportunity for us in that B2B payments vertical. So you would absolutely expect to see us, as we come out with the Paymetric acquisition, add that into our high-growth channels.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. I would say you have the channels, eCommerce, Integrated Payment, Merchant Bank, that gets you there. Then inside the channels, we continue to refine. So for example, with the Moneris, we really accelerated into healthcare, which I'm very optimistic about it, allowing us to continue to have those rates. And we've made good -- started to make good traction into that. The B2B was another section that we saw a lot of payments activity in the emerging side happening. So we wanted to be able to participate as that channel continues to grow aggressively. So they're going to be folded into those as a vertical under it, but those are going to be part of the high-growth channels that continues to give us confidence in their ability to win share.

Nathan A. Rozof - *Vantiv, Inc. - SVP of IR*

Yes. And then, sorry, just one housekeeping item. High-growth channels grew high teens in the first quarter. The guidance assumes mid-teens or better for the remainder of the year.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Oh, thank you, Nate. Yes.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

Great. So the other question I had was we do get a lot of Q&A from investors with regards to industry consolidation, particularly as it relates to adding the international component eventually. I understand there's not necessarily an urgency here, but could you maybe lay down some guidelines? I mean, will you primarily look for this one or more countries at a time? Or is it a broader play that you go after? If you could comment on that.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. So our focus has been to find where the high-growth stuff -- card payments are accelerating. And we have an opportunity of Paymetric, which is on our radar screen, and became available and we developed an area. So we looked at Paymetric and thought that at this point in time, grabbing the B2B high-growth channel was a good place to go. International, it still remains on our radar. Paymetric, these companies they work with, while they're domestic, they're into international companies that also allow us a foot into that. So I would say our position is not changing there. We will become an international player in the future. We do always scan the environment to decide where we want to go. So the timeframe is -- there's really not a particular timeframe, but it is on our radar that our intention will be in the future to be a large world player.

Operator

And next, we'll move to Jim Schneider with Goldman Sachs.

James Edward Schneider - *Goldman Sachs Group Inc., Research Division - VP*

Maybe a follow-up on the Paymetric acquisition, if I could. Can you maybe talk a little bit about the unit economics of that business, how you might anticipate that you would change that at all, if at all, when you acquire it? And then can you maybe give us a rough size in terms of how big the business is today?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Sure. So happy to talk about it. So this is, as Charles mentioned in the script, a great strategic buy for us. It has very high revenue growth, high-margin metrics. As Charles mentioned, they don't do payment processing today, and so a little bit different. They come and provide the integration. Our expectation around them is for us to be able to work with them and bring payment processing as well as their capabilities together to market. So as you think about the overall metrics, high-revenue growth, high-margin business around expectations, in terms of size, about approximately

$0.5 billion acquisition for us, a nice strategic tuck-in acquisition for us as we think about, as Charles said, getting and expanding our eCommerce capabilities into B2B.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. I'd also tell you that the -- so they integrate into the software. They really say large multinational guys, good back-office. And then the payment transaction flows through them, but they're not an acquirer. So it flows through them, so every payment that comes out of this integration flows through them. And then they get to direct -- working with their clients direct to where that is. So there was a component that we felt that they had a great scenario. They save a lot of money, very sticky, very integrated into the Oracle, the SAPs. And then the payment flows through them. So there's an opportunity to give them an alternative when they're packaging things with their clients, which we think will provide in the future a good opportunity for us to grab growth.

James Edward Schneider - *Goldman Sachs Group Inc., Research Division - VP*

That's helpful. And maybe as a follow-up, can you -- maybe Charles, to follow up on an earlier comment, maybe just talk about your appetite for a scale acquisition? You've done some nice tuck-ins of late. Can you maybe just talk us through your thinking on you desire to do something more transformative in a larger scale?

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. I do agree that the payment industry, with the complexity and the different places you have to go scale and consolidation in the industry will be happening over a period of time. And we think we will, in the future, participate in that and drive some of that, because the complexity is actually starting to drive even more consolidation in the industry. So I think over the period of time, transformational types of things will happen in the industry.

Operator

And next, we'll move to George Mihalos with Cowen.

Georgios Mihalos - *Cowen and Company, LLC, Research Division - Director and Senior Research Analyst*

Just wanted to sort of keep on the M&A front. Maybe first, Charles, when you look at the capabilities that are coming in with Paymetric, are you most excited about being able to offer some of these Paymetric services to your existing clients? Or do you kind of view a bigger opportunity around bringing your payment processing capabilities to some of Paymetric's clients?

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

So a couple of things. That's why we like both. So bringing our payment processing -- and these guys have -- when you integrate so deeply, you're a trusted adviser. They've done that -- the ability to bring out a payment processor is a big positive, and we think there's a good opportunity in the future to really move those transactions. So you got the existing, you got the new business there moving forward. Also, we have a lot of clients today that really gives this company an entrée to bring their products into a lot of our clients. So we see it both ways. I do see the higher prioritization is that -- and the quicker opportunity to really bring our payment capabilities to all the transactions that then moves through them today and to the clients. And the universe is 500, so it's not like tens of thousands of clients. So an opportunity to really enhance their offering.

Georgios Mihalos - *Cowen and Company, LLC, Research Division - Director and Senior Research Analyst*

That's very helpful. And then as a follow-up, Stephanie, just as a housekeeping item. When we think of the Moneris contribution in the first quarter, was that about $10 million or $11 million? And maybe how should we think about that over the course of the remainder of the year?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Sure. So the Moneris contribution in the first quarter was about 3% of merchant net revenue as you think about that. And then it does have some seasonality to it as it goes throughout the year. So the contribution would be probably approximately 3% in the second quarter, and then expanding a little bit more in the third and the fourth as seasonality would come into play.

Operator

Next, we'll move to Tien-tsin Huang with JPMorgan.

Tien-tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

I like the Paymetric deal. Just curious, just beyond capturing the processing flow, think about revenue synergies, how do you imagine energizing the sales at Paymetric? Where are the revenue synergies going to come from? Can you extend from B2B to B2C, for example, within that client base? Is there any leverage with the tokenization tech and the integrations, for example? Just trying to learn a little bit more about what you're thinking.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

So from our perspective, I think the tokenization, the way they purchase security, allows them to extend over that. B2C, not as much at this time with the -- little more, but really, it's taking the way they integrate. And when you think about eCommerce and software integration, we're working with the Oracle, the SAPs, but we think how they do things will help us get into more integrated space to -- for other verticals into the eCommerce. So we think we can take how they do things that's in B2B. And as we look at other verticals, they have some capabilities about integration that we think in the future can also enhance -- because eCommerce is accelerating, and we have got to an all payments company. We've got to grab more of that share in different verticals that are happening. And we think these guys not only give us that opportunity here, we have expertise to dive more into it in the future. So we're planning for now, we're planning for the future and looking where the market continues to move.

Tien-tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Got it. And then just from the FI front, the status and the timing of the large client conversion, so did that not cut over in the quarter?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes. Yes, Tien-tsin. So a great question. So yes, we slightly outperformed our FI versus our expectation. That was related to our large client conversion going a little bit more slowly than they and we had expected in the first quarter. So we did get a little bit of a benefit there. It's all timing related. We expect them to be fully de-converted in the second quarter.

Tien-tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

In 2Q? Terrific.

Operator

And Bryan Keane with Deutsche Bank will have our next question.

Bryan Connell Keane - *Deutsche Bank AG, Research Division - MD*

Just want to ask on Paymetric, so I might have missed it, but just the annual revenue contribution expected. And then any metrics you can give us on valuation paid, how you guys thought about that?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes. So we -- you didn't miss it. We didn't give it. So it's a high-growth, high-margin business. It was a very competitive process, as you might imagine. We anticipated closing in the second quarter. We would expect to give you a very clear revenue and EBITDA margin guidance when we close the second quarter. But in terms of relative size, I did mention it was approximately a $0.5 billion deal. As you think about 2018 expectations, paid around a mid-teens multiple. So hopefully, that helps.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes, in terms of EBITDA multiple.

Stephanie Ferris - *Vantiv, Inc. - CFO*

EBITDA multiple.

Bryan Connell Keane - *Deutsche Bank AG, Research Division - MD*

Yes, mid-teens? Yes, okay. And then just on Moneris, are we still expecting about $65 million for the year for total revenue contribution?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, we are. Yes.

Bryan Connell Keane - *Deutsche Bank AG, Research Division - MD*

Okay. And then just finally, on the big retailers that were coming up a little bit light in the fourth quarter, how much did that impact revenue? Was that $4 million or $5 million? Just trying to size that. And was there any share shift that happened there? Or was it all just their own doing, of a slowdown?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Sure. Yes, we think about 1% to 2% in terms of the impact of the softness of the big-box retailers. We don't see a bunch of share shifts, frankly, as you read in the news. They're just under a lot of pressure in terms of the way consumers shop and...

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. There was no -- we didn't lose anybody, if that's what you are asking.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, no loss.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Just to be clear, it was all their organic.

Stephanie Ferris - *Vantiv, Inc. - CFO*

General softness.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes.

Operator

And next, we'll move to David Togut with Evercore ISI.

Rayna Kumar - *Evercore ISI, Research Division - Research Analyst*

This is Rayna Kumar for David Togut. The 3% growth in REVPAR trends that you saw in the merchant business, can you talk about the drivers, and also talk about the sustainability of that growth through the remainder of the year?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Sure, yes. So as we talked about, we continue to focus in the SMB channel, getting there through Integrated Payments as well as the Merchant Bank. We continue to have great success there and offsetting a lot of that big-box pressure we just talked about. We expect the revenue per transaction to continue to expand throughout the year as we continue to sell into those -- into the SMB space. So we'd expect to see those trends continue.

Rayna Kumar - *Evercore ISI, Research Division - Research Analyst*

That's very helpful. And then finally, could you just discuss your capital allocation priorities and how you would rank the purchase of further TRAs in your plans?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Sure. So I think we said our capital allocation priority hasn't changed. We would start, first, with strategic M&A to drive operating earnings and revenue growth, Paymetric being one of those, Moneris before that. After that, we look at a combination of a share buyback, debt paydown and then, ultimately, TRA. At this point, we don't have any plans to purchase any TRA, and wouldn't expect to see that necessarily in the next couple of quarters.

Operator

And next, we'll move on to Darrin Peller with Barclays.

Darrin David Peller - *Barclays PLC, Research Division - MD*

Just a first question, I'm not sure if I missed it, but on the ISO side, I mean, I know it's getting smaller for you guys, but what was the growth profile there? And just a quick follow-up on the IPOS strategy. I mean, it's obviously going well. You have more to go now with Moneris on the healthcare side and integrating that for you. Have you put any thought further into actually buying an ISV outright or a software company instead of just partnering through Mercury and others?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Sure, Darrin, I'll take that. So ISO continues to be in the mid-single digits for us, mid- to high single digits doing well. Like we said, we continue to think there's a channel there for us and for them as they continue to deploy EMV throughout their SMB space. On the integrated side, that continues to do very well for us -- like we said, in the mid- to upper teens, upper-teens expectation for us going forward. I'll let Charles comment in terms of how we think about whether we would buy into a vertical versus really serving our large 3,000, 4,000 integrated partners.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. We still -- first of all, we continue to be excited about that channel. It continues to expand. That's where our small -- midsize clients continue to bring the software in. So there's a lot of addressable market opportunity. Our thought process continues to be to support our clients, not to compete with our clients in the verticals, but it's also us expanding into other verticals, where we're very strong in the retail aspect, the restaurant aspect. It's getting into the healthcare, the B2B aspect. So you're going to see us more investing in new verticals that bring a different layer of ISVs into that vertical, where healthcare with Moneris really accelerated us. They had a good healthcare practice. And by bringing our capabilities in scale, it's going to accelerate. So our intentions are to remain the course of really supporting our clients and not competing with our clients.

Darrin David Peller - *Barclays PLC, Research Division - MD*

Just a quick follow-up on the FI segment. You guys talked a lot about the moving parts. Just remind us, I mean, I know there was the one large client, I guess, Capital One you said on the last call. So there's Fifth Third that changed pricing, obviously, the end of last year, and there was some EMV timing. Is there anything else, any other moving parts we should be aware of, such that all of these changes should be completely grown over by the beginning of '18? And what is the normal growth rate you'd expect there? Again, is it still, correct me if I'm wrong, let's say, low single digits or flat to low single digits? Is that fair?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, yes. You got it all right, actually. There's nothing incremental to the 3 items you talked about. There's the compression from the Fifth Third Bank contract renewal, the grow-over of EMV and leap, and then the de-conversion of a large client. There's nothing else there. If you strip those out, we continue to feel very confident about the business. It's growing low single digits. As we come out into 2018, we would expect it to return to growth. So continue to see our expectation there continue to be positive in low single digits.

Operator

And next, we'll move on to Vasu Govil with Morgan Stanley.

Vasundhara Govil - *Morgan Stanley, Research Division - VP*

First, I just had a quick follow-up on the Paymetric acquisition. I mean, since you guys are not processing the payment in that business yet, is the revenue model still transaction-based? Or is it more of a software-based or a subscription fee model currently?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes. So they are software-as-a-service. So they're not transaction-based. As Charles mentioned, they don't do payment processing. We're going to bring that piece to the company. So they are software-as-a-service from a revenue standpoint.

Vasundhara Govil - *Morgan Stanley, Research Division - VP*

Got it. And I just wanted to follow up on the Integrated Payments channel. I'm wondering if you can give us an update on what the attach rates look like there within the installed base of merchants in your network. I think when you first bought Mercury, that number was around 10%, if I remember correctly. Have you seen that number climb higher? And if not, what did you do to capitalize the improvement there?

Nathan A. Rozof - *Vantiv, Inc. - SVP of IR*

Yes. So Vasu, I'll take that one actually. So we're continuing to make progress, but the installed base is large. So I'd say, in terms of percentage, now it's moving slowly. And we're still in that 10% range and investing in opportunities to continue to penetrate that base.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. We think, as I talked about, as we pull in the EMV in the cloud to be able to enable and bring more products, it gives a reason for our existing ISV to go back to their base. We're getting some track -- we're getting traction there. But quite frankly, the addressable market continues to get bigger, and that's where our ISV, like anyone else, is focused on the new sale versus going back to the cross sale. So we think that's what gives us confidence for continued growth across the horizon for a longer time period.

Operator

And next, we'll move on to Paul Condra with Credit Suisse.

Paul Condra - *Crédit Suisse AG, Research Division - Research Analyst*

I wanted to just ask about the revenue yield. And Merchant looked like that was what down a bit sequentially. So can you talk about the drivers there? Is that related to big box at all, the kind of shift that you're seeing? And what would be kind of the yield run rate you'd expect that's kind of the new normal level?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes. So great question. So if you recall, we started boarding the United States Postal Service in the fourth quarter of last year, which really drove our merchant yield down a bit in the fourth quarter sequentially over the third quarter. You saw it really flatten out, I think, in the first quarter, and we would expect to see it continue to expand as we go out into the remainder of the year -- again, being driven by the expansion in SMBs through the Integrated Payments and Merchant Bank channels.

Paul Condra - *Crédit Suisse AG, Research Division - Research Analyst*

Okay, great. And then just with regard to the big-box kind of landscape, I'm wondering if what you're seeing in your eCommerce channels for those merchants, is some of the growth moving there? Are those channels still growing pretty quickly? I don't know if you can just comment on that a little bit.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, absolutely. So we see the eCommerce transactions for the big box being very significant and growing very quickly. It's really -- they're being challenged at -- in-store transaction is really where some of the softness is. So eCommerce continued to be very strong for those big-box retailers.

Operator

And next, we'll move on to Tim Willi with Wells Fargo.

Timothy W. Willi - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

A question on merchant and one around Paymetric as well. But on merchants, and with integrated, could you talk a bit about the opportunity with EMV and OptBlue with the -- sort of the legacy Mercury customer base, and whether or not that actually presents an opportunity to up those penetration rates as you go back to those merchants to talk about the EMV compliance, et cetera?

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

So I think OptBlue has been happening, I think, mid-last year.

Stephanie Ferris - *Vantiv, Inc. - CFO*

Yes, mid-last year, we started deploying OptBlue in the Integrated Payments space. As you know, we waited until we could get it onto our platform. So we continue to benefit from OptBlue. And then, EMV, we think there's, yes, a big tailwind there this year as we think about the rest of the year.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes, and opportunities. As we roll out the products, and then they're -- our ISVs, upgrading the software and going back, we think that's posed to get the sales in this year, and then carries through the '18 and beyond.

Timothy W. Willi - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

Great. And then my question on Paymetric was around the topic of B2B. There's also a lot going on right now within the world of ACH and faster payments in the stead. And I guess, I'm just curious if Paymetric is only a play on B2B through the conventional card rails or if you actually have exposure to the ACH and the faster payments initiatives as well with that platform.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. I think the capabilities that they have, plus what we have, allow us to take the payment across any track that we need to take. So where card payment today is the most prevalent, when you think about faster ACH or moving the funds, we have those rails and the ability to take advantage of that as those potentially accelerate. So we do have the capabilities, but card payment is typically what the fundamental piece is. So it positions us with new ways to move transactions to be able to take advantage of that.

Operator

And our next question, we'll hear from Brad Berning with Craig-Hallum.

Bradley Allen Berning - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

One more follow-up on the acquisition. Were the revenues for that included in the guidance for this year as a follow-up to that?

Stephanie Ferris - *Vantiv, Inc. - CFO*

No, they were not. So we didn't include anything related to Paymetric in our current guide.

Bradley Allen Berning - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Okay. And then you guys have also been moving more into testing, like with the carbon-type product. And I'm just -- obviously, that's kind of a new product area for you guys. Just wondering if you could give an update as to how the competitive environment -- is that -- and what do you think are the prospects for kind of getting into that newer channel area for you.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

Yes. I think some of the terminals that have the smart terminal capability is something that we continue to develop. I think that this cycle, we've done some testing. We have some products that are moving out there. I think it's not going to be as quick for the adoption on the small client scenario, but I think it's going to be a good tool to help us differentiate in the market because we're going to lead in, in bringing these products to the market. But it's not material or -- at this point in time.

Operator

And next, we'll move on to Craig Maurer with Autonomous.

Craig Jared Maurer - *Autonomous Research LLP - Partner, Payments and Financial Technology*

Two questions. First, the ISV channel. As we see other players get involved in that channel like First Data, what are the risks that residuals in that channel start to trend toward residuals in the standardized ISO channel? Secondly, network fees and other costs grew faster than revenues, again, for the second straight quarter. So I was hoping you could just address what's going on there.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

So I'll take the first -- take the revenue -- the piece. But we've had consistently, over the last several years, residuals always creep up. But no hockey sticks, no big movements. Like I said before, our ISVs are about us bringing product, helping them expand their market in order to grab more share in the addressable market. If -- to your second question, if a merchant acquirer is not saying that they're getting into ISV, which is the quickest part of the market and the fastest growing, I'd be surprised. I mean, that's what we look at, but it's a very relationship-oriented -- it's very embedded into it. And the advantage we have today is we do a good job for our clients. And then on top of that, the addressable market has gotten bigger. So our clients are very focused on grabbing share versus do I try to switch and do multiple types of things. So we're very aware of it. Everybody's talking about it. But there's only a couple of players who really have the scale in it, and we're one of them. So we just haven't seen that traction.

Nathan A. Rozof - *Vantiv, Inc. - SVP of IR*

And then on the network fees and other costs, just as a reminder, those are pass-through costs, where we are passing through without margin costs from vendors to our clients. So to the extent that those are increasing, that's reflecting rates charged by those pass-through vendors that's falling through. So it doesn't affect our net revenue, nor our margin profile. So frankly, we don't spend a lot of time analyzing those; as we get the cost, we pass it along.

Operator

And Joseph Foresi with Cantor Fitzgerald will have our next question.

Joseph Dean Foresi - *Cantor Fitzgerald & Co., Research Division - Analyst*

I was wondering if we could get the puts and takes on the margin front. I think you said they would expand. How does that look throughout the year?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Okay. Speaking about the EBITDA margin, we are obviously pleasantly surprised that our margin expansion that we were able to deliver in the first quarter, even though it was slightly down year-over-year because we expected that because of the Moneris acquisition. As we think about margin expectations through the remainder of the year, I think you could think about a 1% expansion in them on a year-over-year basis as we go throughout the rest of the year.

Joseph Dean Foresi - *Cantor Fitzgerald & Co., Research Division - Analyst*

Okay. And can you talk about the new large clients? How are the ramps there? And how does the pipeline look for large clients?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Sure, sure. So as we talked about, the United States Postal Service started boarding in the fourth quarter. I think they're fully boarded here in the first quarter. That client continues to do very well for us. It's an omni-channel client, so it brings quite a bit of transactions. The pipeline for the large national business is robust and continues to be really strong. As you know, those can tend to be lumpy. But we continue to win new business there very effectively and feel really good about that channel.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

And then just to be clear, I think as we're looking at the expansion in the margins through the year, I think our expectation is you'll end up with a full year margin that's relatively consistent with the full year last year.

Stephanie Ferris - *Vantiv, Inc. - CFO*

That would mean that the business is expanding and absorbing the impact of Moneris, because as we talked about, the full integration of Moneris will be done in the first half of 2018. So if you kind of peel those apart, the margin itself of the organic business is expanding throughout the year, being offset by Moneris coming in.

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

That's right.

Operator

And our final question today will come from Bob Napoli with William Blair.

Robert Paul Napoli - *William Blair & Company L.L.C., Research Division - Partner and Co-Group Head of Financial Services and Technology*

First, just any thoughts, what was the effect on the first quarter revenue from leap year and the move of Easter? And then maybe following into the month of April, the acceleration that you talk about, Visa gave some pretty good acceleration numbers. What do you think is driving that? If you look at -- you said big-box retailers are weak. What's strong? And do you feel like the economy is improving?

Stephanie Ferris - *Vantiv, Inc. - CFO*

Sure, sure. So about 2-percentage-point year-over-year contribution from EMV and leap, for us lapping that. As we look to April, like I said, April same-store sales growth trends look really strong, more in the mid-single digits. Just from a conservative standpoint, we assess the second quarter guide more in the low single because of the softness we were seeing in big-box retail there. I would really expect -- Easter this year is in April. And so we kind of think about possibly some of those same-store sales growth trends being impacted positively by Easter. We do our best to strip those out. So again, seeing positive trend, even us stripping out that Easter benefit. But I would say Easter probably is what's benefiting it from our portfolio standpoint. I think the consumers continue to do very well. We see no signs of declamation in the consumer in terms of spend trends. We just see a lot of spend trends going into eCommerce. And so as you know, that's why we've been really, really focused on our eCommerce segment and continuing to grow assets like Paymetric into where eCommerce and card and our present transactions are. But overall, retail looks healthy to us.

Robert Paul Napoli - *William Blair & Company L.L.C., Research Division - Partner and Co-Group Head of Financial Services and Technology*

Are there certain areas, Stephanie, that look stronger than others, certain verticals?

Stephanie Ferris - *Vantiv, Inc. - CFO*

In terms of retail, I would say, obviously, the eCommerce piece of it. I can't tell you whether it's -- and restaurants continue to do well. We're not seeing anything specifically, obviously, other than people just changing the way they shop and being more card, not present-focused.

Robert Paul Napoli - *William Blair & Company L.L.C., Research Division - Partner and Co-Group Head of Financial Services and Technology*

Okay. And then just on the tax side, the adjustment, $31.6 million for the first quarter, is that steady throughout the year? Is that expected to be about the same amount?

Nathan A. Rozof - *Vantiv, Inc. - SVP of IR*

Yes, I'll take that. Yes, we do expect that to remain at that level for the remainder of the year.

Robert Paul Napoli - *William Blair & Company L.L.C., Research Division - Partner and Co-Group Head of Financial Services and Technology*

Then last question, on Paymetric, you have a -- as you mentioned, a lot of international global businesses, Paymetric does as clients. Does that drive you more to look to expand internationally to follow some of those partners around 2 different geographic markets?

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

I do believe that Paymetric's integration, the SAP and Oracle, allow -- and very large multinational clients. It's just another opportunity as we think about where we want to go with international. So I think it adds this another -- it's another item in our tool chest there. And we're kind of excited -- we're not kind of, we're very excited about what the company can bring to us; very complementary.

Robert Paul Napoli - *William Blair & Company L.L.C., Research Division - Partner and Co-Group Head of Financial Services and Technology*

What is the key benefit they bring to those enterprise customers? And what makes them unique?

Charles D. Drucker - *Vantiv, Inc. - CEO, President and Director*

So they really integrate into the ERM and -- ERP and the CRM system. And they really put costs, take costs out of the system that allow these guys to transact business. And it ties into their GLs. It just -- it moves across the whole back-office. So what we want to do is really explain more about the company and give more details as we roll into the second quarter.

Operator

And that will conclude the question-and-answer session. At this time, I would like to turn the call back over to Nathan Rozof for any additional or closing remarks.

Nathan A. Rozof - *Vantiv, Inc. - SVP of IR*

Thank you. And thanks, everyone, for joining the call today. If you have any additional question after the call, please reach out to us using the contact information available on our website, and we'll be happy to help you. Thanks again, everyone. Goodbye.

Operator

And that will conclude today's call. We thank you for your participation.

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