Mossberg's Investor Digest

Best Idea Profile: **Green Dot Corporation (NYSE:GDOT)**

DESCRIPTION:

Green Dot Corporation provides prepaid debit cards and prepaid reload services to consumers at more than 60,000 retail locations in the U.S. and online. This availability provides financial services to people who either do not have access to credit cards and banks, or are not satisfactorily served by them. The Company's products include MasterCard and Visa-branded prepaid debit cards, co-branded reloadable prepaid card programs, and gift cards. These services are distributed in an array of ways including in the aisles of retailers such as Wal-Mart, Walgreens, CVS, and 7-Eleven. The Green Dot Network enables customers to reload cash on prepaid cards and to transfer money. The Company invented the industry only 12 years ago and it is the largest brand in prepaid cards with more than 2x the active customer base of any of its competitors. Founded in 1999, as Next Estate Communications, the Company is headquartered in Pasadena, California.

KEY INVESTMENT CONSIDERATIONS:

Company is Cash Rich – Green Dot ended the third quarter with $327 million of total cash and no debt. The portion of this cash that management considers to be unencumbered was $225 million as of September 30, which equates to greater than $6 per diluted share.

Growth Despite Competitive Threats – Competitors and even business partners, as is the case with Wal-Mart, are rolling out competitive products. The launch of Bluebird, Wal-Mart's AMEX product, put a huge dent in the stock and has caused the company to lower full year expectations. However, Green Dot should benefit from the continued mainstreaming and growth of the prepaid category, and while not conclusive, subsequent favorable quarterly results in the face of so much new competition is a positive indicator.

Huge User Base – The prepaid market is rapidly growing and able to accommodate the growing competition. Green Dot has the largest customer base and a leading brand name in the prepaid category. Brand awareness, competitive fees and features, and the availability and convenience of the Green Dot product has resulted in a customer base of over 4.5 million active cards.

Upcoming Impact of New Products – Green Dot suggests there is significant upside in the rollout of mobile applications sometime next year. This product is in beta testing and will target young customers displeased with their choices in basic checking services. The Company hasn't elaborated on many of its new initiatives. However, in the last year they have purchased a bank, as well as a technology company around which their new product development strategy revolves. They are also building new products for Sallie Mae and others.

Insider Purchases – Green Dot has rejected the prospect of stock repurchases in order to maintain flexibility for other opportunities. However, there has been significant insider buying. The CEO's recent purchase of 89,000 shares should provide some degree of investor confidence in management's optimism.

Risk – It is too early to tell the long-term impact of increased competition for space and attention in the retail aisles, but it is an admitted uncertainty.

VALUATION:

The stock is trading significantly below its yearly high. However, the enterprise value of $200 million is just 2.1 times trailing EBITDA. Trailing P/E is approximately 9 and forward P/E is 8. For a company with $6 per share in cash, this is a significantly undervalued stock despite the uncertainties.

Green Dot Corporation (NYSE:GDOT)
Investment Data (as of 11/26/12)

Recent Price	**$11.71**
52-Week Range	$35.25 - $9.05
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	35.9 M
Average Trading Volume (3 mos)	632k
Market Capitalization	$419 M
Cash	$225 M
Long-term Debt	$0
Enterprise Value (EV)	$196 M
Book Value	$8.76
TTM Revenue	$544 M
P/ Revenue	0.8
TTM EPS	$1.27
P/ EPS	9.2
TTM EBITDA	$96 M
EV/ EBITDA	2.1