UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-35462

Vantiv, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**26-4532998**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8500 Governor's Hill Drive
Symmes Township, OH 45249
(Address of principal executive offices)
(513) 900-5250
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

As of June 30, 2017, there were 162,494,266 shares of the registrant's Class A common stock outstanding and 35,042,826 shares of the registrant's Class B common stock outstanding.

VANTIV, INC.
FORM 10-Q

For the Quarterly Period Ended June 30, 2017

TABLE OF CONTENTS

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors," contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, our objectives for future operations, and any statements of a general economic or industry specific nature, are forward-looking statements. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "continue," "could," "should," "can have," "likely," or the negative or plural of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe, based on information currently available to our management, may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the "Risk Factors" section of our most recent Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations and assumptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We undertake no obligation to publicly update any forward-looking statement after the date of this report, whether as a result of new information, future developments or otherwise, or to conform these statements to actual results or revised expectations, except as may be required by law.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Vantiv, Inc.
CONSOLIDATED STATEMENTS OF INCOME
Unaudited
(In thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue:				
External customers	$ 981,590	$ 870,158	$ 1,893,571	$ 1,667,729
Related party revenues	17,174	21,059	33,395	42,111
Total revenue	998,764	891,217	1,926,966	1,709,840
Network fees and other costs	468,733	410,736	926,825	798,149
Sales and marketing	168,263	144,844	323,303	280,482
Other operating costs	78,941	73,599	154,865	147,302
General and administrative	50,727	49,120	140,025	93,104
Depreciation and amortization	78,378	65,234	154,464	133,464
Income from operations	153,722	147,684	227,484	257,339
Interest expense—net	(29,750)	(26,118)	(58,920)	(53,847)
Non-operating expenses	(3,411)	(4,664)	(7,535)	(10,316)
Income before applicable income taxes	120,561	116,902	161,029	193,176
Income tax expense	33,707	38,441	38,874	62,267
Net income	86,854	78,461	122,155	130,909
Less: Net income attributable to non-controlling interests	(18,077)	(19,134)	(24,493)	(31,844)
Net income attributable to Vantiv, Inc.	$ 68,777	$ 59,327	$ 97,662	$ 99,065
Net income per share attributable to Vantiv, Inc. Class A common stock:				
Basic	$ 0.43	$ 0.38	$ 0.61	$ 0.64
Diluted	$ 0.42	$ 0.38	$ 0.60	$ 0.63
Shares used in computing net income per share of Class A common stock:				
Basic	161,266,692	155,670,267	161,072,513	155,533,813
Diluted	162,510,616	197,258,209	162,483,315	197,018,018

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$ 86,854	$ 78,461	$ 122,155	$ 130,909
Other comprehensive gain (loss), net of tax:				
Gain (loss) on cash flow hedges	74	(5,115)	4,879	(13,226)
Comprehensive income	86,928	73,346	127,034	117,683
Less: Comprehensive income attributable to non-controlling interests	(18,096)	(17,779)	(25,751)	(28,338)
Comprehensive income attributable to Vantiv, Inc.	$ 68,832	$ 55,567	$ 101,283	$ 89,345

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited
(In thousands, except share data)

	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 119,916	$ 139,148
Accounts receivable—net	880,289	940,052
Related party receivable	1,830	1,751
Settlement assets	144,964	152,490
Prepaid expenses	54,925	39,229
Other	38,059	15,188
Total current assets	1,239,983	1,287,858
Customer incentives	65,426	67,288
Property, equipment and software—net	465,846	348,553
Intangible assets—net	762,520	787,820
Goodwill	4,163,798	3,738,589
Deferred taxes	721,187	771,139
Other assets	26,099	42,760
Total assets	$ 7,444,859	$ 7,044,007
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 499,550	$ 471,979
Related party payable	3,375	3,623
Settlement obligations	834,686	801,381
Current portion of note payable to related party	7,557	7,557
Current portion of note payable	123,562	123,562
Current portion of tax receivable agreement obligations to related parties	242,143	191,014
Current portion of tax receivable agreement obligations	54,258	60,400
Deferred income	18,731	7,907
Current maturities of capital lease obligations	8,672	7,870
Other	6,961	13,719
Total current liabilities	1,799,495	1,689,012
Long-term liabilities:		
Note payable to related party	171,897	143,577
Note payable	3,212,454	2,946,026
Tax receivable agreement obligations to related parties	288,030	451,318
Tax receivable agreement obligations	39,895	86,640
Capital lease obligations	8,863	13,223
Deferred taxes	94,615	62,148
Other	49,107	44,774
Total long-term liabilities	3,864,861	3,747,706
Total liabilities	5,664,356	5,436,718
Commitments and contingencies (See Note 7 - Commitments, Contingencies and Guarantees)		
Equity:		
Class A common stock, $0.00001 par value; 890,000,000 shares authorized; 162,494,266 shares outstanding at June 30, 2017; 161,134,831 shares outstanding at December 31, 2016	1	1
Class B common stock, no par value; 100,000,000 shares authorized; 35,042,826 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	—	—
Preferred stock, $0.00001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Paid-in capital	765,644	706,055
Retained earnings	786,366	689,512
Accumulated other comprehensive loss	(2,576)	(6,197)
Treasury stock, at cost; 2,799,685 shares at June 30, 2017 and 2,710,195 shares at December 31, 2016	(79,397)	(73,706)
Total Vantiv, Inc. equity	1,470,038	1,315,665
Non-controlling interests	310,465	291,624
Total equity	1,780,503	1,607,289
Total liabilities and equity	$ 7,444,859	$ 7,044,007

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
(In thousands)

	Six Months Ended June 30,	
	2017	2016
Operating Activities:		
Net income	$ 122,155	$ 130,909
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	154,464	133,464
Amortization of customer incentives	12,975	12,581
Amortization of debt issuance costs	2,308	3,237
Share-based compensation expense	21,461	16,292
Deferred taxes	40,500	32,400
Excess tax benefit from share-based compensation	—	(8,067)
Tax receivable agreements non-cash items	7,553	10,252
Other	1,284	382
Change in operating assets and liabilities:		
Accounts receivable and related party receivable	65,591	(41,879)
Net settlement assets and obligations	40,831	(31,082)
Customer incentives	(13,585)	(23,343)
Prepaid and other assets	(33,989)	(1,695)
Accounts payable and accrued expenses	28,773	17,867
Payable to related party	(248)	(1,304)
Other liabilities	(15,155)	(1,528)
Net cash provided by operating activities	434,918	248,486
Investing Activities:		
Purchases of property and equipment	(58,901)	(62,883)
Acquisition of customer portfolios and related assets and other	(19,570)	(883)
Purchase of derivative instruments	—	(21,523)
Cash used in acquisitions, net of cash acquired	(531,534)	—
Net cash used in investing activities	(610,005)	(85,289)
Financing Activities:		
Borrowings on revolving credit facility	3,051,000	855,000
Repayment of revolving credit facility	(2,693,000)	(855,000)
Repayment of debt and capital lease obligations	(70,228)	(69,521)
Payment of debt issuance costs	(1,098)	—
Proceeds from issuance of Class A common stock under employee stock plans	10,096	8,538
Repurchase of Class A common stock (to satisfy tax withholding obligations)	(5,691)	(5,784)
Settlement of certain tax receivable agreements	(68,804)	(41,163)
Payments under tax receivable agreements	(55,695)	(53,474)
Excess tax benefit from share-based compensation	—	8,067
Distributions to non-controlling interests	(10,725)	(4,220)
Other	—	(12)
Net cash provided by (used in) financing activities	155,855	(157,569)
Net (decrease) increase in cash and cash equivalents	(19,232)	5,628
Cash and cash equivalents—Beginning of period	139,148	197,096
Cash and cash equivalents—End of period	$ 119,916	$ 202,724
Cash Payments:		
Interest	$ 56,587	$ 50,814
Taxes	20,995	13,443

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
CONSOLIDATED STATEMENT OF EQUITY
Unaudited
(In thousands)

	Total	Common Stock				Treasury Stock		Paid-in	Retained	Accumulated Other Comprehensive	Non-Controlling
		Class A		Class B							
	Equity	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Earnings	Income (Loss)	Interests
Beginning Balance, January 1, 2017	$ 1,607,289	161,135	$ 1	35,043	$ —	2,710	$ (73,706)	$ 706,055	$ 689,512	$ (6,197)	$ 291,624
Cumulative effect of accounting change	491	—	—	—	—	—	—	1,299	(808)	—	—
Net income	122,155	—	—	—	—	—	—	—	97,662	—	24,493
Issuance of Class A common stock under employee stock plans, net of forfeitures	10,096	1,449	—	—	—	—	—	10,096	—	—	—
Repurchase of Class A common stock (to satisfy tax withholding obligation)	(5,691)	(90)	—	—	—	90	(5,691)	—	—	—	—
Settlement of certain tax receivable agreements	30,548	—	—	—	—	—	—	30,548	—	—	—
Unrealized gain on hedging activities, net of tax	4,879	—	—	—	—	—	—	—	—	3,621	1,258
Distribution to non-controlling interests	(10,725)	—	—	—	—	—	—	—	—	—	(10,725)
Share-based compensation	21,461	—	—	—	—	—	—	17,646	—	—	3,815
Ending Balance, June 30, 2017	$ 1,780,503	162,494	$ 1	35,043	$ —	2,800	$ (79,397)	$ 765,644	$ 786,366	$ (2,576)	$ 310,465

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
CONSOLIDATED STATEMENT OF EQUITY
Unaudited
(In thousands)

	Total Equity	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Class B Shares	Common Stock Class B Amount	Treasury Stock Shares	Treasury Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests
Beginning Balance, January 1, 2016	$ 1,225,066	155,488	$ 1	35,043	$ —	2,593	$ (67,458)	$ 553,145	$ 476,304	$ (9,204)	$ 272,278
Net income	130,909	—	—	—	—	—	—	—	99,065	—	31,844
Issuance of Class A common stock under employee stock plans, net of forfeitures	8,538	1,103	—	—	—	—	—	8,538	—	—	—
Excess tax benefit from employee share-based compensation	8,067	—	—	—	—	—	—	8,067	—	—	—
Repurchase of Class A common stock (to satisfy tax withholding obligation)	(5,784)	(110)	—	—	—	110	(5,784)	—	—	—	—
Unrealized loss on hedging activities, net of tax	(13,226)	—	—	—	—	—	—	—	—	(9,720)	(3,506)
Distribution to non-controlling interests	(4,220)	—	—	—	—	—	—	—	—	—	(4,220)
Share-based compensation	16,292	—	—	—	—	—	—	13,308	—	—	2,984
Other	(12)	—	—	—	—	—	—	(12)	—	—	—
Ending Balance, June 30, 2016	$ 1,365,630	156,481	$ 1	35,043	$ —	2,703	$ (73,242)	$ 583,046	$ 575,369	$ (18,924)	$ 299,380

See Notes to Unaudited Consolidated Financial Statements.

Vantiv, Inc.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Vantiv, Inc., a Delaware corporation, is a holding company that conducts its operations through its majority-owned subsidiary, Vantiv Holding, LLC (“Vantiv Holding”). Vantiv, Inc. and Vantiv Holding are referred to collectively as the “Company,” “Vantiv,” “we,” “us” or “our,” unless the context requires otherwise.

The Company provides electronic payment processing services to merchants and financial institutions throughout the United States of America and operates in two reportable segments, Merchant Services and Financial Institution Services. For more information about the Company’s segments, refer to Note 11 - Segment Information. The Company markets its services through diverse distribution channels, including national, regional and mid-market sales teams, third-party reseller clients and a telesales operation. The Company also has relationships with a broad range of referral partners that include merchant banks, independent software vendors (“ISVs”), value-added resellers (“VARs”), payment facilitators, independent sales organizations (“ISOs”) and trade associations, as well as arrangements with core processors.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements include those of Vantiv, Inc. and all subsidiaries thereof, including its majority-owned subsidiary, Vantiv Holding, LLC. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and should be read in connection with the Company’s 2016 audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K. The accompanying consolidated financial statements are unaudited; however, in the opinion of management they include all normal and recurring adjustments necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the periods presented. Results of operations reported for interim periods are not necessarily indicative of results for the entire year due to seasonal fluctuations in the Company’s revenue as a result of consumer spending patterns. All intercompany balances and transactions have been eliminated.

As of June 30, 2017, Vantiv, Inc. and Fifth Third Bank (“Fifth Third”) owned interests in Vantiv Holding of 82.26% and 17.74%, respectively (see Note 6 - Controlling and Non-controlling Interests for changes in non-controlling interests).

The Company accounts for non-controlling interests in accordance with Accounting Standards Codification (“ASC”) 810, *Consolidation*. Non-controlling interests primarily represent Fifth Third’s minority share of net income or loss of and equity in Vantiv Holding. Net income attributable to non-controlling interests does not include expenses incurred directly by Vantiv, Inc., including income tax expense attributable to Vantiv, Inc. Non-controlling interests are presented as a component of equity in the accompanying consolidated statements of financial position.

Share Repurchase Program

In October 2016, our board of directors authorized a program to repurchase up to $250 million of our Class A common stock. The Company has approximately $243 million of share repurchase authority remaining as of June 30, 2017 under this authorization.

Purchases under the programs may be made from time to time in the open market, in privately negotiated transactions, or otherwise. The manner, timing and amount of any purchases will be determined by management based on an evaluation of market conditions, stock price and other factors. The Company’s share repurchase program does not obligate it to acquire any specific number or amount of shares, there is no guarantee as to the exact number or amount of shares that may be repurchased, if any, and the Company may discontinue purchases at any time that it determines additional purchases are not warranted.

Sponsorship

In order to provide electronic payment processing services, Visa, Mastercard and other payment networks require sponsorship of non-financial institutions by a member clearing bank. The Company has an agreement with Fifth Third (the “Sponsoring Member”) to provide sponsorship services to the Company through December 31, 2024. The Company also has agreements with certain other banks that provide sponsorship into the card networks.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

The Company has contractual agreements with its clients that set forth the general terms and conditions of the relationship including line item pricing, payment terms and contract duration. Revenues are recognized as earned (i.e., for transaction based fees, when the underlying transaction is processed) in conjunction with ASC 605, *Revenue Recognition*. ASC 605, *Revenue Recognition*, establishes guidance as to when revenue is realized or realizable and earned by using the following criteria: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the seller’s price is fixed or determinable; and (4) collectibility is reasonably assured.

The Company follows guidance provided in ASC 605-45, *Principal Agent Considerations*, which states that the determination of whether a company should recognize revenue based on the gross amount billed to a customer or the net amount retained is a matter of judgment that depends on the facts and circumstances of the arrangement and that certain factors should be considered in the evaluation. The Company recognizes processing revenues net of interchange fees, which are assessed to the Company’s merchant customers on all processed transactions. Interchange rates are not controlled by the Company, which effectively acts as a clearing house collecting and remitting interchange fee settlement on behalf of issuing banks, debit networks, credit card associations and its processing customers. All other revenue is reported on a gross basis, as the Company contracts directly with the end customer, assumes the risk of loss and has pricing flexibility.

The Company generates revenue primarily by processing electronic payment transactions. Set forth below is a description of the Company’s revenue by segment.

Merchant Services

The Company’s Merchant Services segment revenue is primarily derived from processing credit and debit card transactions. Merchant Services revenue is primarily comprised of fees charged to businesses, net of interchange fees, for payment processing services, including authorization, capture, clearing, settlement and information reporting of electronic transactions. The fees charged consist of either a percentage of the dollar volume of the transaction or a fixed fee, or both, and are recognized at the time of the transaction. Merchant Services revenue also includes a number of revenue items that are incurred by the Company and are reimbursable as the costs are passed through to and paid by the Company’s clients. These items primarily consist of Visa, Mastercard and other payment network fees. In addition, for sales through referral partners in which the Company is the primary party to the contract with the merchant, the Company records the full amount of the fees collected from the merchant as revenue. Merchant Services segment revenue also includes revenue from ancillary services such as fraud management, equipment sales and terminal rent. Merchant Services revenue is recognized as services are performed.

Financial Institution Services

The Company’s Financial Institution Services segment revenues are primarily derived from debit, credit and automated teller machine (“ATM”) card transaction processing, ATM driving and support, and PIN debit processing services. Financial Institution Services revenue associated with processing transactions includes per transaction and account related fees, card production fees and fees generated from the Company’s Jeanie network. Financial Institution Services revenue related to card transaction processing is recognized when consumers use their client-issued cards to make purchases. Financial Institution Services also generates revenue through other services, including statement production, collections and inbound/outbound call centers for credit transactions and other services such as credit card portfolio analytics, program strategy and support, fraud and security management and chargeback and dispute services. Financial Institution Services revenue is recognized as services are performed.

Financial Institution Services provides certain services to Fifth Third. Revenues related to these services are included in the accompanying statements of income as related party revenues.

Expenses

Set forth below is a brief description of the components of the Company’s expenses:

- *Network fees and other costs* primarily consist of pass through expenses incurred by the Company in connection with providing processing services to its clients, including Visa and Mastercard network association fees, payment network fees, third party processing fees, telecommunication charges, postage and card production costs.

- *Sales and marketing* expense primarily consists of salaries and benefits paid to sales personnel, sales management and other sales and marketing personnel, residual payments made to referral partners, and advertising and promotional costs.

- *Other operating costs* primarily consist of salaries and benefits paid to operational and IT personnel, costs associated with operating the Company’s technology platform and data centers, information technology costs for processing transactions, product development costs, software fees and maintenance costs.

- *General and administrative* expenses primarily consist of salaries and benefits paid to executive management and administrative employees, including finance, human resources, product development, legal and risk management, share-based compensation costs, equipment, occupancy and consulting costs. The six months ended June 30, 2017 includes a charge related to a settlement agreement stemming from legacy litigation of an acquired company.

- *Non-operating expenses* during the three and six months ended June 30, 2017 and 2016 primarily relate to the change in fair value of a tax receivable agreement (“TRA”) (see Note 8 - Fair Value Measurements).

Share-Based Compensation

The Company expenses employee share-based payments under ASC 718, *Compensation—Stock Compensation*, which requires compensation cost for the grant-date fair value of share-based payments to be recognized over the requisite service period. The Company estimates the grant date fair value of the share-based awards issued in the form of options using the Black-Scholes option pricing model. The fair value of shares issued under the Employee Stock Purchase Plan (“ESPP”), as restricted stock awards and performance awards is measured based on the market price of the Company’s stock on the grant date. In 2017, the Compensation Committee of the Company’s Board of Directors approved a resolution that stock options, restricted shares and restricted stock units shall vest or become exercisable in three equal annual installments beginning on the first anniversary of the grant date.

In March 2016, the FASB issued ASU 2016-09, *Compensation- Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.* The update simplifies several aspects of the accounting for share-based payment award transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company adopted this ASU on January 1, 2017. Under previous guidance, excess tax benefits and deficiencies from share-based compensation arrangements were recorded in equity when the awards vested or settled. ASU 2016-09 requires prospective recognition of excess tax benefits and deficiencies in the income statement, resulting in the recognition of excess tax benefits of $5.5 million and $14.1 million in income tax expense, rather than in paid-in capital, for the three and six months ended June 30, 2017, respectively.

Additionally, under ASU 2016-09, excess income tax benefits from share-based compensation arrangements are classified as cash flow from operations, rather than as cash flow from financing activities. The Company has elected to apply the cash flow classification guidance of ASU 2016-09 prospectively, resulting in an increase to operating cash flow of $14.1 million for the six months ended June 30, 2017, and the prior year period has not been adjusted. The presentation requirements for cash flows related to employee taxes paid for withheld shares have no impact to the periods presented in our consolidated cash flows statements since such cash flows have historically been presented as a financing activity.

Prior to adopting ASU 2016-09 the Company estimated forfeitures as part of share-based compensation expense. Under ASU 2016-09, an entity can make an election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. The Company has elected to account for forfeitures as they occur. The cumulative-effect of this change in election resulted in an increase to additional paid-in capital of $1.3 million, an increase to deferred tax assets of $0.5 million, and a decrease to retained earnings of $0.8 million at the beginning of 2017.

ASU 2016-09 requires excess tax benefits and deficiencies to be prospectively excluded from assumed future proceeds in the calculation of diluted shares, resulting in an increase in diluted weighted average shares outstanding of approximately 367,000 shares and 436,000 shares for the three and six months ended June 30, 2017, respectively.

For the six months ended June 30, 2017 and 2016 total share-based compensation expense was $21.5 million and $16.3 million, respectively.

Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to Vantiv, Inc. by the weighted average shares outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to Vantiv, Inc., adjusted as necessary for the impact of potentially dilutive securities, by the weighted-average shares outstanding during the period and the impact of securities that would have a dilutive effect on earnings per share. See Note 9 - Net Income Per Share for further discussion.

Dividend Restrictions

The Company does not intend to pay cash dividends on its Class A common stock in the foreseeable future. Vantiv, Inc. is a holding company that does not conduct any business operations of its own. As a result, Vantiv, Inc.'s ability to pay cash dividends on its common stock, if any, is dependent upon cash dividends and distributions and other transfers from Vantiv Holding. The amounts available to Vantiv, Inc. to pay cash dividends are subject to the covenants and distribution restrictions in its subsidiaries' loan agreements. As a result of the restrictions on distributions from Vantiv Holding and its subsidiaries, essentially all of the Company's consolidated net assets are held at the subsidiary level and are restricted as of June 30, 2017.

Income Taxes

Vantiv, Inc. is taxed as a C corporation for U.S. income tax purposes and is therefore subject to both federal and state taxation at a corporate level.

Income taxes are computed in accordance with ASC 740, *Income Taxes*, and reflect the net tax effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and the corresponding income tax amounts. The Company has deferred tax assets and liabilities and maintains valuation allowances where it is more likely than not that all or a portion of deferred tax assets will not be realized. To the extent the Company determines that it will not realize the benefit of some or all of its deferred tax assets, such deferred tax assets will be adjusted through the Company's provision for income taxes in the period in which this determination is made. As of June 30, 2017 and December 31, 2016, the Company had recorded no valuation allowances against deferred tax assets.

The Company's consolidated interim effective tax rate is based upon expected annual income from operations, statutory tax rates and tax laws in the various jurisdictions in which the Company operates. Significant or unusual items, including adjustments to accruals for tax uncertainties, are recognized in the quarter in which the related event occurs.

The Company's effective tax rates were 24.1% and 32.2% respectively, for the six months ended June 30, 2017 and 2016. The effective tax rate for each period reflects the impact of the Company's non-controlling interests not being taxed at the statutory corporate tax rates. The effective tax rate for the six months ended June 30, 2017 includes a $14.1 million credit to income tax expense relating to excess tax benefits as a result of the Company's adoption of ASU 2016-09, *Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting*.

Cash and Cash Equivalents

Cash on hand and investments with original maturities of three months or less (that are readily convertible to cash) are considered to be cash equivalents.

Accounts Receivable—net

Accounts receivable primarily represent processing revenues earned but not collected. For a majority of its customers, the Company has the authority to debit the client’s bank accounts through the Federal Reserve’s Automated Clearing House; as such, collectibility is reasonably assured. The Company records a reserve for doubtful accounts when it is probable that the accounts receivable will not be collected. The Company reviews historical loss experience and the financial position of its customers when estimating the allowance. As of June 30, 2017 and December 31, 2016, the allowance for doubtful accounts was not material to the Company’s statements of financial position.

Customer Incentives

Customer incentives represent signing bonuses paid to customers. Customer incentives are paid in connection with the acquisition or renewal of customer contracts, and are therefore deferred and amortized using the straight-line method based on the contractual agreement. Related amortization is recorded as contra-revenue.

Property, Equipment and Software—net

Property, equipment and software consists of the Company’s facilities, furniture and equipment, software, land and leasehold improvements. These facilities, furniture and equipment and software are depreciated on a straight-line basis over their respective useful lives, which are 15 to 40 years for the Company’s facilities and related improvements, 2 to 10 years for furniture and equipment, 3 to 8 years for software and 3 to 10 years for leasehold improvements or the lesser of the estimated useful life of the improvement or the term of the lease. Also included in property, equipment and software is work in progress consisting of costs associated with software developed for internal use which has not yet been placed in service. Accumulated depreciation as of June 30, 2017 and December 31, 2016 was $351.7 million and $309.7 million, respectively.

The Company capitalizes certain costs related to computer software developed for internal use and amortizes such costs on a straight-line basis over an estimated useful life of 5 to 8 years. Research and development costs incurred prior to establishing technological feasibility are charged to operations as such costs are incurred. Once technological feasibility has been established, costs are capitalized until the software is placed in service.

Goodwill and Intangible Assets

In accordance with ASC 350, *Intangibles—Goodwill and Other*, the Company tests goodwill for impairment for each reporting unit on an annual basis, or when events occur or circumstances indicate the fair value of a reporting unit is below its carrying value. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that fair value of the goodwill within the reporting unit is less than its carrying value. The Company performed its most recent annual goodwill impairment test for all reporting units as of July 31, 2016 in accordance with ASU 2011-08, “Intangibles - Goodwill and Other (Topic 350) Testing Goodwill for Impairment,” which permits the Company to assess qualitative factors to determine whether the existence of events or circumstances leads to the determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on this analysis, it was determined that it is not more likely than not that the fair value of the reporting units is less than the carrying value. There have been no other events or changes in circumstances subsequent to the testing date that would indicate impairment of these reporting units as of June 30, 2017.

Intangible assets consist of acquired customer relationships, trade names, customer portfolios and related assets that are amortized over their estimated useful lives. The Company reviews finite lived intangible assets for possible impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. As of June 30, 2017, there have been no such events or circumstances that would indicate potential impairment of finite lived intangible assets.

Settlement Assets and Obligations

Settlement assets and obligations result from Financial Institution Services when funds are transferred from or received by the Company prior to receiving or paying funds to a different entity. This timing difference results in a settlement asset or obligation. The amounts are generally collected or paid the following business day.

The settlement assets and obligations recorded by Merchant Services represent intermediary balances due to differences between the amount the Sponsoring Member receives from the card associations and the amount funded to the merchants. Such differences arise from timing differences, interchange expenses, merchant reserves and exception items. In addition, certain card associations limit the Company from accessing or controlling merchant settlement funds and, instead, require that these funds be controlled by the Sponsoring Member. The Company follows a net settlement process whereby, if the settlement received from the card associations precedes the funding obligation to the merchant, the Company temporarily records a corresponding liability. Conversely, if the funding obligation to the merchant precedes the settlement from the card associations, the amount of the net receivable position is recorded by the Company, or in some cases, the Sponsoring Member may cover the position with its own funds in which case a receivable position is not recorded by the Company.

Derivatives

The Company accounts for derivatives in accordance with ASC 815, *Derivatives and Hedging*. This guidance establishes accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the statement of financial position at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item will be recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portion of the change in the fair value of the derivative will be recorded in accumulated other comprehensive income (loss) ("AOCI") and will be recognized in the statement of income when the hedged item affects earnings. The Company does not enter into derivative financial instruments for speculative purposes.

Tax Receivable Agreements

As of June 30, 2017, the Company is party to several TRAs in which the Company agrees to make payments to various parties of 85% of the federal, state, local and foreign income tax benefits realized by the Company as a result of certain tax deductions. Payments under the TRAs will be based on the tax reporting positions of the Company and are only required to the extent the Company realizes cash savings as a result of the underlying tax attributes. The cash savings realized by the Company are computed by comparing the actual income tax liability of the Company to the amount of such taxes the Company would have been required to pay had there been no deductions related to the tax attributes discussed below. The Company will retain the benefit of the remaining 15% of the cash savings associated with the TRAs. The Company has entered into the following three TRAs:

- TRAs with investors prior to the Company's initial public offering ("IPO") for its use of NPC Group, Inc. net operating losses ("NOLs") and other tax attributes existing at the IPO date (the "NPC TRA"), all of which is currently held by Fifth Third.

- A TRA with Fifth Third (the "Fifth Third TRA") in which the Company realizes tax deductions as a result of the increases in tax basis from the purchase of Vantiv Holding units or from the exchange of Vantiv Holding units for cash or shares of Class A common stock, as well as the tax benefits attributable to payments made under such TRAs.

- A TRA with Mercury Payment Systems, LLC ("Mercury") shareholders (the "Mercury TRA") as part of the acquisition of Mercury as a result of the increase in tax basis of the assets of Mercury resulting from the acquisition and the use of the net operating losses and other tax attributes of Mercury that were acquired as part of the acquisition.

Obligations recorded pursuant to the TRAs are based on estimates of future taxable income and future tax rates. On an annual basis, the Company evaluates the assumptions underlying the TRA obligations.

In 2016, the Company entered into a purchase addendum in connection with the Company's TRA with Fifth Third (the "Fifth Third TRA Addendum") to terminate and settle a portion of the Company's obligations owed to Fifth Third under the Fifth Third TRA and the NPC TRA. Under the terms of the Fifth Third TRA Addendum, the Company paid approximately $116.3 million to Fifth Third to settle approximately $330.7 million of obligations under the Fifth Third TRA, the difference of which was recorded as an addition to paid-in capital, net of deferred taxes.

In addition to the 2016 Fifth Third TRA settlement discussed above, as of June 30, 2017, the Fifth Third TRA Addendum provides that the Company may be obligated to pay up to a total of approximately $140.0 million to Fifth Third to terminate and settle certain remaining obligations under the Fifth Third TRA and the NPC TRA, totaling an estimated $315.2 million, the difference of which will be recorded as an addition to paid-in capital upon the exercise of the Call Options or Put Options discussed below.

In March and June 2017, the Company made payments of $15.1 million and $15.6 million, respectively, pursuant to the Fifth Third TRA Holders under the terms of the Fifth Third TRA Addendum. These payments resulted in a net gain recorded in equity of approximately $30.5 million after taxes.

As of June 30, 2017, the following are the remaining terms of the Fifth Third TRA Addendum, beginning September 1, 2017, December 1, 2017, March 1, 2018, June 1, 2018, September 1, 2018 and December 1, 2018, and ending September 10, 2017, December 10, 2017, March 10, 2018, June 10, 2018, September 10, 2018 and December 10, 2018, respectively, the Company is granted call options (collectively, the “Call Options”) pursuant to which certain additional obligations of the Company under the Fifth Third TRA and the NPC TRA would be terminated and settled in consideration for cash payments of $16.1 million, $16.6 million, $25.6 million, $26.4 million, $27.2 million and $28.1 million, respectively.

Under the remaining terms of the Fifth Third TRA Addendum, in the unlikely event the Company does not exercise the relevant Call Option, Fifth Third is granted put options beginning September 20, 2017, December 20, 2017, March 20, 2018, June 20, 2018, September 20, 2018 and December 20, 2018, and ending September 30, 2017, December 31, 2017, March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018, respectively (collectively, the “Put Options”), pursuant to which certain additional obligations of the Company would be terminated and settled in consideration for cash payments with similar amounts to the Call Options.

The full carrying amount of the Fifth Third callable/puttable TRA obligations for the options exercisable within 12 months of the balance sheet date have been classified as current obligations in the accompanying balance sheet ($197.1 million).

Since Fifth Third is a significant stockholder, a special committee of the Company’s board of directors comprised of independent, disinterested directors authorized the TRA Addendum.

During 2015, the Company entered into a Repurchase Addendum to the Mercury Tax Receivable Agreement (the “Mercury TRA Addendum”) with each of the pre-acquisition owners of Mercury ("Mercury TRA Holders"). The Mercury TRA Addendum contains the following provisions to acquire the remaining Mercury TRA:

- As of June 30, 2017, the following are the remaining terms under the Mercury TRA Addendum, beginning December 1st of each of 2017 and 2018, and ending June 30th of 2018 and 2019, respectively, the Company is granted call options (collectively, the "Call Options") pursuant to which certain additional obligations of the Company under the Mercury TRA would be terminated in consideration for cash payments of $38.0 million and $43.0 million, respectively.

- In June 2017 and 2016, the Company exercised the December 2016 and December 2015 Call Options under the Mercury TRA Addendum and made the related $38.1 million and $41.4 million payments to the Mercury TRA Holders.

- In the unlikely event the Company does not exercise the relevant Call Option, the Mercury TRA Holders are granted put options beginning July 10th and ending July 25th of each of 2018 and 2019, respectively (collectively, the "Put Options"), pursuant to which certain additional obligations of the Company would be terminated in consideration for cash payments with similar amounts to the Call Options.

Except to the extent our obligations under the Mercury TRA, the Fifth Third TRA and the NPC TRA have been terminated and settled in full in accordance with the terms of the Mercury TRA and Fifth Third TRA Addendums, the Mercury TRA, Fifth Third TRA and the NPC TRA will each remain in effect, and the parties thereto will continue to have all rights and obligations thereunder.

All TRA obligations are recorded based on the full and undiscounted amount of the expected future payments, except for the Mercury TRA which represents contingent consideration relating to an acquired business, and is recorded at fair value for financial reporting purposes (see Note 8 - Fair Value Measurements).

The timing and/or amount of aggregate payments due under the TRAs outside of the call/put structures may vary based on a number of factors, including the amount and timing of the taxable income the Company generates in the future and the tax rate then applicable, the use of loss carryovers and amortizable basis. Payments under the TRAs, if necessary, are required to be made no later than January 5th of the second year immediately following the taxable year in which the obligation occurred. The

Company made payments under the TRA obligations of approximately $55.7 million and $53.5 million in January 2017 and January 2016, respectively. Unless settled under the terms of the repurchase addenda, the term of the TRAs will continue until all the underlying tax benefits have been utilized or expired.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The update clarifies how cash receipts and cash payments in certain transactions are presented and classified in the statement of cash flows. The effective date of this update is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The update requires retrospective application to all periods presented but may be applied prospectively if retrospective application is impracticable. The Company is currently evaluating the impact of the adoption of this principle on the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This ASU amends the existing guidance by recognizing all leases, including operating leases, with a term longer than 12 months on the balance sheet and disclosing key information about the lease arrangements. The effective date of this update is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The update requires modified retrospective transition, which requires application of the ASU at the beginning of the earliest comparative period presented in the year of adoption. The Company is forming a project team to evaluate the impact of the adoption of this principle on the Company’s consolidated financial statements. The Company anticipates adopting this ASU on January 1, 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue From Contracts With Customers*. The ASU supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. The new standard provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires additional disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard, as amended, is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The amendment allows companies to use either a full retrospective or a modified retrospective approach to adopt this ASU. The Company has formed a project team and is currently assessing the impact of the adoption of this principle on the Company’s consolidated financial statements. Based on the Company’s analysis to date, the Company does not anticipate material changes to the amount and timing of its revenue recognition. The Company expects the primary impact to result from the requirement to capitalize and amortize costs to obtain and fulfill a contract, which are currently expensed as incurred. This analysis is subject to change as the Company continues to refine its assessment of the standard. The Company anticipates adopting this ASU on January 1, 2018 using the modified retrospective approach.

2. BUSINESS COMBINATIONS

Acquisition of Paymetric Holdings, Inc.

On May 25, 2017, the Company completed the acquisition of Paymetric Holdings, Inc. ("Paymetric") by acquiring 100% of the issued and outstanding shares. Paymetric automates business-to-business payment workflows within enterprise systems and tokenizes payments data within these systems in order to enable secure storage of customer information and history. This acquisition helps to further accelerate the Company's growth.

The acquisition was accounted for as a business combination under ASC 805, *Business Combinations* ("ASC 805"). The purchase price was allocated to the assets acquired and the liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill, of which approximately $7.8 million is deductible for tax purposes. Goodwill, assigned to Merchant Services, consists primarily of the acquired workforce and growth opportunities, none of which qualify as an intangible asset. The preliminary purchase price allocation is as follows (in thousands):

Cash acquired	$	11,864
Current assets		7,218
Property, equipment and software, net		92,121
Intangible assets		52,600
Goodwill		423,113
Other assets		67
Current liabilities		(9,095)
Deferred tax liability		(25,955)
Non-current liabilities		(8,535)
Total purchase price	$	543,398

The above estimated fair values of assets acquired and liabilities assumed are preliminary and are based on the information that was available as of the reporting date to estimate the fair value of assets acquired and liabilities assumed. The Company believes that the information provides a reasonable basis for estimating the fair values of the acquired assets and assumed liabilities, but the potential for measurement period adjustments exists based on the Company's continuing review of matters related to the acquisition. The Company expects to complete the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

Intangible assets primarily consist of customer relationship assets with a weighted average estimated useful life of 10 years.

The Company incurred transaction expenses of approximately $7.1 million during the quarter ended June 30, 2017 in conjunction with the acquisition of Paymetric, which are included in general and administrative expenses on the accompanying consolidated statement of income. From the acquisition date of May 25, 2017 through June 30, 2017, revenue and net income included in the accompanying statement of income for the three months and six months ended June 30, 2017 attributable to Paymetric is not material.

Under the terms of the Paymetric transaction agreement, the Company replaced employee stock options held by certain employees of Paymetric. The number of replacement awards was based on options outstanding at the acquisition date. The weighted average fair value of the replacement awards was $8.0 million and was calculated on the acquisition date using the Black-Scholes option pricing model. The portion of the fair value of the replacement awards related to the services provided prior to the acquisition of $5.9 million was part of the consideration transferred to acquire Paymetric. The remaining portion of the fair value is associated with future service and will be recognized as expense over the future service period.

The pro forma results of the Company reflecting the acquisition of Paymetric were not material to our financial results and therefore have not been presented.

Acquisition of Moneris Solutions, Inc.

On December 21, 2016, the Company completed the acquisition of Moneris Solutions, Inc. ("Moneris USA") by acquiring 100% of the issued and outstanding shares. Moneris USA is a provider of payment processing solutions offering credit, debit, wireless and online payment services for merchants in virtually every industry segment. This acquisition helps to further accelerate the Company's growth.

The acquisition was accounted for as a business combination under ASC 805. The purchase price was allocated to the assets acquired and the liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill, of which approximately $14.0 million is deductible for tax purposes. Goodwill, assigned to Merchant Services, consists primarily of the acquired workforce and growth opportunities, none of which qualify as an intangible asset. The preliminary purchase price allocation is as follows (in thousands):

Cash acquired	$	22,851
Current assets		44,047
Property and equipment		22
Intangible assets		76,500
Goodwill		374,157
Current liabilities		(65,821)
Deferred tax liability		(19,247)
Non-current liabilities		(2,881)
Total purchase price	$	429,628

The above estimated fair values of assets acquired and liabilities assumed are preliminary and are based on the information that was available as of the reporting date to estimate the fair value of assets acquired and liabilities assumed. The Company believes that the information provides a reasonable basis for estimating the fair values of the acquired assets and assumed liabilities, but the potential for measurement period adjustments exists based on the Company's continuing review of
matters related to the acquisition. The Company expects to complete the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

Intangible assets consist of customer relationship assets of $76.5 million with a weighted average estimated useful life of 5 years.

The pro forma results of the Company reflecting the acquisition of Moneris USA were not material to our financial results and therefore have not been presented.

3. GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill, by business segment, are as follows (in thousands):

	Merchant Services		Financial Institution Services		Total	
Balance as of December 31, 2016	$	3,163,739	$	574,850	$	3,738,589
Goodwill attributable to acquisition of Moneris USA [(1)]		2,096		—		2,096
Goodwill attributable to acquisition of Paymetric		423,113		—		423,113
Balance as of June 30, 2017	$	3,588,948	$	574,850	$	4,163,798

[(1)] Amount represents adjustments to goodwill associated with the acquisition of Moneris USA as a result of an update to the purchase price allocation, primarily related to revisions of certain estimates from the preliminary amounts reported as of December 31, 2016.

As of June 30, 2017 and December 31, 2016, the Company’s finite lived intangible assets consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Customer relationship intangible assets	$ 1,742,203	$ 1,671,581
Customer portfolios and related assets	193,520	178,480
Patents	1,047	955
	1,936,770	1,851,016
Less accumulated amortization on:		
Customer relationship intangible assets	1,070,854	980,595
Customer portfolios and related assets	103,396	82,601
	1,174,250	1,063,196
Intangible assets, net	$ 762,520	$ 787,820

Customer portfolios and related assets acquired during the six months ended June 30, 2017 have weighted-average amortization periods of 4.6 years. Amortization expense on intangible assets for the three months ended June 30, 2017 and 2016 was $56.1 million and $49.4 million, respectively. Amortization expense on intangible assets for the six months ended June 30, 2017 and 2016 was $111.3 million and $99.3 million, respectively.

The estimated amortization expense of intangible assets for the remainder of 2017 and the next five years is as follows (in thousands):

Six months ending December 31, 2017	$ 108,720
2018	203,401
2019	187,134
2020	108,065
2021	58,852
2022	38,766

4. LONG-TERM DEBT

As of June 30, 2017 and December 31, 2016, the Company’s long-term debt consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Term A loan, maturing in October 2021(1)	$ 2,407,641	$ 2,469,375
Term B loan, maturing in October 2023(2)	761,174	765,000
Leasehold mortgage, expiring on August 10, 2021(3)	10,131	10,131
Revolving credit facility, expiring in October 2021(4)	358,000	—
Less: Current portion of note payable and current portion of note payable to related party	(131,119)	(131,119)
Less: Original issue discount	(3,342)	(3,631)
Less: Debt issuance costs	(18,134)	(20,153)
Note payable and note payable to related party	$ 3,384,351	$ 3,089,603

(1) Interest at a variable base rate (LIBOR) plus a spread rate (175 basis points) (total rate of 2.91% at June 30, 2017) and amortizing on a basis of 1.25% per quarter during each of the first twelve quarters (March 2017 through December 2019), 1.875% per quarter during the next four quarters (March 2020 through December 2020) and 2.50% during the next three quarters (March 2021 through September 2021) with a balloon payment due at maturity.

(2) Interest at a variable base rate (LIBOR) with a floor of 75 basis points plus a spread rate (250 basis points) (total rate of 3.66% at June 30, 2017) and amortizing on a basis of 0.25% per quarter, with a balloon payment due at maturity.

(3) Interest payable monthly at a fixed rate of 6.22%.

(4) $150 million revolving credit facility interest at a variable base rate (LIBOR) plus a spread rate (175 basis points) (total rate of 2.94% at June 30, 2017); $208 million revolving credit facility interest at a variable base rate (Prime) with a spread rate (75 basis points) (total rate of 5.00% at June 30, 2017).

In October, 2016, Vantiv, LLC completed a debt refinancing by entering into a second amended and restated loan agreement ("Second Amended Loan Agreement"). The Second Amended Loan Agreement provides for senior secured credit facilities comprised of a $2.5 billion term A loan, a $765.0 million term B loan and a $650 million revolving credit facility. The prior revolving credit facility was also terminated. The maturity date and debt service requirements relating to the new term A and term B loans are listed in the table above. The new revolving credit facility matures in October 2021 and includes a $100 million swing line facility and a $40 million letter of credit facility. The commitment fee rate for the unused portion of the revolving credit facility is 0.250% per year. There were outstanding borrowings of $358.0 million on the revolving credit facility at June 30, 2017. There were no outstanding borrowings on the revolving credit facility at December 31, 2016.

As of June 30, 2017 and December 31, 2016, Fifth Third held $179.5 million and $151.1 million, respectively, of the term A loans and the revolving credit facility, which are presented as note payable to related party on the consolidated statements of financial position.

Guarantees and Security

The Company's debt obligations at June 30, 2017 are unconditional and are guaranteed by Vantiv Holding and certain of Vantiv Holding's existing and subsequently acquired or organized domestic subsidiaries. The refinanced debt and related guarantees are secured on a first-priority basis (subject to liens permitted under the Second Amended Loan Agreement) by substantially all the capital stock (subject to a 65% limitation on pledges of capital stock of foreign subsidiaries and domestic holding companies of foreign subsidiaries) and personal property of Vantiv Holding and any obligors as well as any real property in excess of $25 million in the aggregate held by Vantiv Holding or any obligors (other than Vantiv Holding), subject to certain exceptions.

Covenants

There are certain financial and non-financial covenants contained in the Second Amended Loan Agreement for the refinanced debt, which are tested on a quarterly basis. The financial covenants require maintenance of certain leverage and interest coverage ratios. At June 30, 2017, the Company was in compliance with these financial covenants.

5. DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company enters into derivative financial instruments to manage differences in the amount, timing and duration of its known or expected cash payments related to its variable-rate debt. As of June 30, 2017 and December 31, 2016, the Company's derivative instruments consisted of interest rate swaps and interest rate cap agreements. The interest rate swaps hedge the variable rate debt by converting floating-rate payments to fixed-rate payments. The interest rate cap agreements cap a portion of the Company's variable rate debt if interest rates rise above the strike rate on the contract. As of June 30, 2017, the interest rate cap agreements had a fair value of $21.7 million, classified within other current and non-current assets on the Company's consolidated statements of financial position. The interest rate swaps and caps (collectively "interest rate contracts") are designated as cash flow hedges for accounting purposes.

Accounting for Derivative Instruments

The Company recognizes derivatives in other current and non-current assets or liabilities in the accompanying consolidated statements of financial position at their fair values. Refer to Note 8 - Fair Value Measurements for a detailed discussion of the fair value of its derivatives. The Company designates its interest rate contracts as cash flow hedges of forecasted interest rate payments related to its variable-rate debt.

The Company formally documents all relationships between hedging instruments and underlying hedged transactions, as well as its risk management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to forecasted transactions. A formal assessment of hedge effectiveness is performed both at inception of the hedge and on an ongoing basis to determine whether the hedge is highly effective in offsetting changes in cash flows of the underlying hedged item. Hedge effectiveness is assessed using a regression analysis. If it is determined that a derivative ceases to be highly effective during the term of the hedge, the Company will discontinue hedge accounting for such derivative.

The Company's interest rate contracts qualify for hedge accounting under ASC 815, *Derivatives and Hedging*. Therefore, the effective portion of changes in fair value were recorded in AOCI and will be reclassified into earnings in the same period during which the hedged transactions affect earnings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company uses a combination of interest rate swaps and caps as part of its interest rate risk management strategy. As of June 30, 2017, the Company had a total of 4 outstanding interest rate swaps covering an exposure period from January 2017 through January 2019 with a combined notional balance of $500.0 million. Fifth Third is counterparty to 2 of the 4 outstanding interest rate swaps with a $250 million notional balance for January 2017 to January 2018 and another $250 million notional balance for January 2018 to January 2019. Additionally, as of June 30, 2017, the Company had a total of 6 interest rate cap agreements with a combined notional balance of $1.0 billion, cap strike rate of 0.75%, covering an exposure period from January 2017 to January 2020.

The Company does not offset derivative positions in the accompanying consolidated financial statements. The table below presents the fair value of the Company's derivative financial instruments designated as cash flow hedges included within the accompanying consolidated statements of financial position (in thousands):

	Consolidated Statement of Financial Position Location	June 30, 2017	December 31, 2016
Interest rate contracts	Other current assets	$ 5,873	$ 2,144
Interest rate contracts	Other long-term assets	15,811	21,085
Interest rate contracts	Other current liabilities	4,820	9,551
Interest rate contracts	Other long-term liabilities	2,908	5,507

Any ineffectiveness associated with such derivative instruments will be recorded immediately as interest expense in the accompanying consolidated statements of income. As of June 30, 2017, the Company estimates that $4.5 million will be reclassified from accumulated other comprehensive income as an increase to interest expense during the next 12 months.

The table below presents the pre-tax effect of the Company's interest rate contracts on the accompanying consolidated statements of comprehensive income for the three and six months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Derivatives in cash flow hedging relationships:				
Amount of (loss) recognized in OCI (effective portion) [1]	$ (2,998)	$ (10,117)	$ (251)	$ (24,211)
Amount of (loss) reclassified from accumulated OCI into earnings (effective portion)	(3,105)	(2,711)	(7,320)	(5,087)

[1] "OCI" represents other comprehensive income.

Credit Risk Related Contingent Features

As of June 30, 2017, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $8.1 million.

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, then the Company could also be declared in default on its derivative obligations. As of June 30, 2017, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions at June 30, 2017, it could have been required to settle its obligations under the agreements at their termination value of $8.1 million.

6. CONTROLLING AND NON-CONTROLLING INTERESTS

The Company has various non-controlling interests that are accounted for in accordance with ASC 810, *Consolidation* ("ASC 810"). As discussed in Note 1 - Basis of Presentation and Summary of Significant Accounting Policies, Vantiv, Inc. owns a controlling interest in Vantiv Holding, and therefore consolidates the financial results of Vantiv Holding and its subsidiaries and records non-controlling interest for the economic interests in Vantiv Holding held by Fifth Third. The Exchange Agreement entered into prior to the IPO provides for a 1 to 1 ratio between the units of Vantiv Holding and the common stock of Vantiv, Inc.

In May 2014, the Company entered into a joint venture with a bank partner which provides customers a comprehensive suite of payment solutions. Vantiv Holding owns 51% and the bank partner owns 49% of the joint venture. The joint venture is consolidated by the Company in accordance with ASC 810, with the associated non-controlling interest included in "Net income attributable to non-controlling interests" in the consolidated statements of income.

As of June 30, 2017, Vantiv, Inc.'s interest in Vantiv Holding was 82.26%. Changes in units and related ownership interest in Vantiv Holding are summarized as follows:

	Vantiv, Inc.	Fifth Third	Total
As of December 31, 2016	161,134,831	35,042,826	196,177,657
% of ownership	*82.14%*	*17.86%*	
Equity plan activity (1)	1,359,435	—	1,359,435
As of June 30, 2017	162,494,266	35,042,826	197,537,092
% of ownership	*82.26%*	*17.74%*	

(1) Includes stock issued under the equity plans net of Class A common stock withheld to satisfy employee tax withholding obligations upon vesting or exercise of employee equity awards and forfeitures of restricted Class A common stock awards.

As a result of changes in ownership interests in Vantiv Holding, periodic adjustments are made in order to reflect the portion of net assets of Vantiv Holding attributable to non-controlling unit holders based on changes in the proportionate ownership interests in Vantiv Holding during a period.

The table below provides a reconciliation of net income attributable to non-controlling interests based on relative ownership interests as discussed above (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$ 86,854	$ 78,461	$ 122,155	$ 130,909
Items not allocable to non-controlling interests:				
Vantiv, Inc. expenses (1)	11,984	21,253	10,876	34,391
Vantiv Holding net income	$ 98,838	$ 99,714	$ 133,031	$ 165,300
Net income attributable to non-controlling interests of Fifth Third (2)	$ 17,429	$ 18,053	$ 23,457	$ 29,927
Net income attributable to joint venture non-controlling interest (3)	648	1,081	1,036	1,917
Total net income attributable to non-controlling interests	$ 18,077	$ 19,134	$ 24,493	$ 31,844

(1) Primarily represents income tax expense related to Vantiv, Inc.
(2) Net income attributable to non-controlling interests of Fifth Third reflects the allocation of Vantiv Holding's net income based on the proportionate ownership interests in Vantiv Holding held by the non-controlling unit holders. The net income attributable to non-controlling unit holders reflects the changes in ownership interests summarized in the table above.
(3) Reflects net income attributable to the non-controlling interest of the joint venture.

7. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Legal Reserve

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, management believes none of these matters, either individually or in the aggregate, would have a material effect upon the Company’s consolidated financial statements, except as described below.

On April 17, 2017, the Company entered into a preliminary settlement agreement (the “Agreement”) to settle class action litigation filed by plaintiffs in the United States District Court for the Northern District of Georgia (the “Court”) under the caption Champs Sports Bar & Grill Co.et al. v. Mercury Payment Systems, LLC et al. regarding certain legacy business practices of the defendants, Mercury Payment Systems, LLC (“Mercury”) and Global Payments Direct, Inc., dating back to 2009. The Company acquired Mercury on June 13, 2014.

The Company has agreed to settle the lawsuit after engaging in a successful mediation session occurring on February 16, 2017, at which the parties first identified the potential for resolution, and subsequent negotiations between the parties. The parties agreed to such mediation session after a previous mediation session held in December 2016 ended without a potential path toward resolution.

Under the terms of the Agreement, in exchange for a release from all claims relating to such legacy business practices from the beginning of the applicable settlement class period through the date of preliminary approval of the settlement, the Company anticipates paying $38 million based on the estimated number of participants who opt-in to the settlement.

While the Company believes it has meritorious defenses to the claims, it agreed to the structure of the settlement, in order to save costs and avoid the risks of on-going litigation.

In connection with the settlement, the Company recorded a charge of $38 million in the first quarter of 2017. The Company will pay the settlement amount from available resources.

The proposed settlement is subject to court approval. The Agreement contains no admission of wrongdoing.

On May 16, 2017, the Court determined the proposed Agreement satisfied the criteria for preliminary approval and issued a preliminary approval order. A final approval hearing is scheduled to take place on August 29, 2017. Pursuant to the terms of the Agreement, the preliminary approval order requires that the Company fund an escrow account on or about July 1, 2017 to pay all future class action claims, legal fees and administrative fees.

8. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses the hierarchy prescribed in ASC 820, *Fair Value Measurement*, based upon the available inputs to the valuation and the degree to which they are observable or not observable in the market. The three levels in the hierarchy are as follows:

- *Level 1 Inputs*—Quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible as of the measurement date.
- *Level 2 Inputs*—Inputs other than quoted prices within Level 1 that are observable either directly or indirectly, including but not limited to quoted prices in markets that are not active, quoted prices in active markets for similar assets or liabilities and observable inputs other than quoted prices such as interest rates or yield curves.
- *Level 3 Inputs*—Unobservable inputs reflecting the Company’s own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017			December 31, 2016		
	Fair Value Measurements Using					
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Interest rate contracts	$ —	$ 21,684	$ —	$ —	$ 23,229	$ —
Liabilities:						
Interest rate contracts	$ —	$ 7,728	$ —	$ —	$ 15,058	$ —
Mercury TRA	—	—	94,153	—	—	147,040

Interest Rate Contracts

The Company uses interest rate contracts to manage interest rate risk. The fair value of interest rate swaps is determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on the expectation of future interest rates (forward curves) derived from observed market interest rate curves. The fair value of the interest rate caps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected future cash flows of each interest rate cap. This analysis reflects the contractual terms of the interest rate caps, including the period to maturity, and uses observable market inputs including interest rate curves and implied volatilities. In addition, to comply with the provisions of ASC 820, *Fair Value Measurement*, credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk. In adjusting the fair value of its interest rate contracts for the effect of nonperformance risk, the Company has considered any applicable credit enhancements such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company determined that the majority of the inputs used to value its interest rate contracts fell within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its interest rate contracts utilized Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2017 and December 31, 2016, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its interest rate contracts and determined that the credit valuation adjustment was not significant to the overall valuation of its interest rate contracts. As a result, the Company classified its interest rate contract valuations in Level 2 of the fair value hierarchy. See Note 5 - Derivatives and Hedging Activities for further discussion of the Company's interest rate contracts.

Mercury TRA

The Mercury TRA is considered contingent consideration as it is part of the consideration payable to the former owners of Mercury. Such contingent consideration is measured at fair value and is based on significant inputs not observable in the market, which is classified in Level 3 of the fair value hierarchy. The Mercury TRA is recorded at fair value based on estimates of discounted future cash flows associated with the estimated payments to the Mercury TRA Holders. The significant unobservable input used in the fair value measurement of the Mercury TRA is the discount rate, which was approximately 14% as of June 30, 2017 and December 31, 2016. Any significant increase (decrease) in this input would result in a significantly lower (higher) fair value measurement. The liability recorded is re-measured at fair value at each reporting period with the change in fair value recognized in earnings as a non-operating expense. The change in value of the Mercury TRA from December 31, 2016 to June 30, 2017 consists of the increase in fair value of $7.6 million and the decrease from payments of $60.5 million related to the Mercury TRA obligations and the exercised 2016 Call Option. The Company recorded non-operating expenses of $3.5 million and $4.6 million related to the change in fair value during the three months ended June 30, 2017 and 2016, respectively. The Company recorded non-operating expenses of $7.6 million and $10.3 million related to the change in fair value during the six months ended June 30, 2017 and 2016, respectively.

The following table summarizes carrying amounts and estimated fair values for the Company’s financial instrument liabilities that are not reported at fair value in our consolidated statements of financial position as of June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities:				
Note payable	$ 3,515,470	$ 3,554,643	$ 3,220,722	$ 3,250,025

We consider that the carrying value of cash and cash equivalents, receivables, accounts payable and accrued expenses approximates fair value (level 1) given the short-term nature of these items. The fair value of the Company’s note payable was estimated based on rates currently available to the Company for bank loans with similar terms and maturities and is classified in Level 2 of the fair value hierarchy.

9. NET INCOME PER SHARE

Basic net income per share is calculated by dividing net income attributable to Vantiv, Inc. by the weighted-average shares of Class A common stock outstanding during the period.

Diluted net income per share is calculated assuming that Vantiv Holding is a wholly-owned subsidiary of Vantiv, Inc., therefore eliminating the impact of Fifth Third’s non-controlling interest. Pursuant to the Exchange Agreement, the Class B units of Vantiv Holding (“Class B units”), which are held by Fifth Third and represent the non-controlling interest in Vantiv Holding, are convertible into shares of Class A common stock on a one-for-one basis. Based on this conversion feature, diluted net income per share is calculated assuming the conversion of the Class B units on an “if-converted” basis. Due to the Company’s structure as a C corporation and Vantiv Holding’s structure as a pass-through entity for tax purposes, the numerator in the calculation of diluted net income per share is adjusted accordingly to reflect the Company’s income tax expense assuming the conversion of the Fifth Third non-controlling interest into Class A common stock.

During the three months and six months ended June 30, 2017, approximately 35.0 million weighted-average Class B units of Vantiv Holding were excluded in computing diluted net income per share because including them would have an antidilutive effect. As the Class B units of Vantiv Holding were not included, the numerator used in the calculation of diluted net income per share was equal to the numerator used in the calculation of basic net income per share for the three months and six months ended June 30, 2017. As of June 30, 2017 and 2016, there were approximately 35.0 million Class B units outstanding, respectively.

In addition to the Class B units discussed above, potentially dilutive securities during the three and six months ended June 30, 2017 included restricted stock awards, restricted stock units, stock options, performance share awards and ESPP purchase rights. Potentially dilutive securities during the three and six months ended June 30, 2016 included restricted stock awards, restricted stock units, the warrant held by Fifth Third which allows for the purchase of Class C units of Vantiv Holding, stock options and ESPP purchase rights.

The shares of Class B common stock do not share in the earnings or losses of the Company and are therefore not participating securities. Accordingly, basic and diluted net income per share of Class B common stock have not been presented.

The following table sets forth the computation of basic and diluted net income per share (in thousands, except share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Basic:				
Net income attributable to Vantiv, Inc.	$ 68,777	$ 59,327	$ 97,662	$ 99,065
Shares used in computing basic net income per share:				
Weighted-average Class A common shares	161,266,692	155,670,267	161,072,513	155,533,813
Basic net income per share	$ 0.43	$ 0.38	$ 0.61	$ 0.64
Diluted:				
Consolidated income before applicable income taxes	$ —	$ 116,902	$ —	$ 193,176
Income tax expense excluding impact of non-controlling interest	—	42,085	—	69,543
Net income attributable to Vantiv, Inc.	$ 68,777	$ 74,817	$ 97,662	$ 123,633
Shares used in computing diluted net income per share:				
Weighted-average Class A common shares	161,266,692	155,670,267	161,072,513	155,533,813
Weighted-average Class B units of Vantiv Holding	—	35,042,826	—	35,042,826
Warrant	—	5,488,673	—	5,367,931
Stock options	648,155	574,050	690,031	568,143
Restricted stock awards, restricted stock units and employee stock purchase plan	546,878	482,393	673,659	505,305
Performance awards	48,891	—	47,112	—
Diluted weighted-average shares outstanding	162,510,616	197,258,209	162,483,315	197,018,018
Diluted net income per share	$ 0.42	$ 0.38	$ 0.60	$ 0.63

10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The activity of the components of accumulated other comprehensive income (loss) related to cash flow hedging and other activities for the three and six months ended June 30, 2017 and 2016 is presented below (in thousands):

		Total Other Comprehensive Income (Loss)					
	AOCI Beginning Balance	Pretax Activity	Tax Effect	Net Activity	Attributable to non-controlling interests	Attributable to Vantiv, Inc.	AOCI Ending Balance
Three Months Ended June 30, 2017							
Net change in fair value recorded in accumulated OCI	$ (16,409)	$ (2,998)	$ 932	$ (2,066)	$ 533	$ (1,533)	$ (17,942)
Net realized loss reclassified into earnings [a]	13,778	3,105	(965)	2,140	(552)	1,588	15,366
Net change	$ (2,631)	$ 107	$ (33)	$ 74	$ (19)	$ 55	$ (2,576)
Three Months Ended June 30, 2016							
Net change in fair value recorded in accumulated OCI	$ (21,506)	$ (10,117)	$ 3,128	$ (6,989)	$ 1,851	$ (5,138)	$ (26,644)
Net realized loss reclassified into earnings [a]	6,342	2,711	(837)	1,874	(496)	1,378	7,720
Net change	$ (15,164)	$ (7,406)	$ 2,291	$ (5,115)	$ 1,355	$ (3,760)	$ (18,924)
Six Months Ended June 30, 2017							
Net change in fair value recorded in accumulated OCI	$ (17,819)	$ (251)	$ 85	$ (166)	$ 43	$ (123)	$ (17,942)
Net realized loss reclassified into earnings [a]	11,622	7,320	(2,275)	5,045	(1,301)	3,744	15,366
Net change	$ (6,197)	$ 7,069	$ (2,190)	$ 4,879	$ (1,258)	$ 3,621	$ (2,576)
Six Months Ended June 30, 2016							
Net change in fair value recorded in accumulated OCI	$ (14,336)	$ (24,211)	$ 7,466	$ (16,745)	$ 4,437	$ (12,308)	$ (26,644)
Net realized loss reclassified into earnings [a]	5,132	5,087	(1,568)	3,519	(931)	2,588	7,720
Net change	$ (9,204)	$ (19,124)	$ 5,898	$ (13,226)	$ 3,506	$ (9,720)	$ (18,924)

[a] The reclassification adjustment on cash flow hedge derivatives affected the following lines in the accompanying consolidated statements of income:

OCI Component	Affected line in the accompanying consolidated statements of income
Pretax activity[1]	Interest expense-net
Tax effect	Income tax expense
OCI attributable to non-controlling interests	Net income attributable to non-controlling interests

[1] The three and six months ended June 30, 2017 and 2016 reflect amounts of gain (loss) reclassified from AOCI into earnings, representing the effective portion of the hedging relationships, and are recorded in interest expense-net.

11. SEGMENT INFORMATION

The Company’s segments consist of the Merchant Services segment and the Financial Institution Services segment, which are organized by the products and services the Company provides. The Company’s Chief Executive Officer (“CEO”), who is the chief operating decision maker (“CODM”), evaluates the performance and allocates resources based on the operating results of each segment. The Company’s reportable segments are the same as the Company’s operating segments and there is no aggregation of the Company’s operating segments. Below is a summary of each segment:

- *Merchant Services*—Provides merchant acquiring and payment processing services to large national merchants, regional and small-to-mid sized businesses. Merchant services are sold to small to large businesses through diverse distribution channels. Merchant Services includes all aspects of card processing including authorization and settlement, customer service, chargeback and retrieval processing and interchange management.

- *Financial Institution Services*—Provides card issuer processing, payment network processing, fraud protection, card production, prepaid program management, ATM driving and network gateway and switching services that utilize the Company's proprietary Jeanie debit payment network to a diverse set of financial institutions, including regional banks, community banks, credit unions and regional personal identification number ("PIN") networks. Financial Institution Services also provides statement production, collections and inbound/outbound call centers for credit transactions, and other services such as credit card portfolio analytics, program strategy and support, fraud and security management and chargeback and dispute services.

Segment operating results are presented below (in thousands). The results reflect revenues and expenses directly related to each segment. The Company does not evaluate performance or allocate resources based on segment asset data, and therefore such information is not presented.

Segment profit reflects total revenue less network fees and other costs and sales and marketing costs of the segment. The Company's CODM evaluates this metric in analyzing the results of operations for each segment.

	Three Months Ended June 30, 2017		
	Merchant Services	Financial Institution Services	Total
Total revenue	$ 886,675	$ 112,089	$ 998,764
Network fees and other costs	437,532	31,201	468,733
Sales and marketing	162,647	5,616	168,263
Segment profit	$ 286,496	$ 75,272	$ 361,768

	Three Months Ended June 30, 2016		
	Merchant Services	Financial Institution Services	Total
Total revenue	$ 762,593	$ 128,624	$ 891,217
Network fees and other costs	374,820	35,916	410,736
Sales and marketing	139,108	5,736	144,844
Segment profit	$ 248,665	$ 86,972	$ 335,637

	Six Months Ended June 30, 2017		
	Merchant Services	Financial Institution Services	Total
Total revenue	$ 1,698,711	$ 228,255	$ 1,926,966
Network fees and other costs	863,676	63,149	926,825
Sales and marketing	311,606	11,697	323,303
Segment profit	$ 523,429	$ 153,409	$ 676,838

	Six Months Ended June 30, 2016		
	Merchant Services	Financial Institution Services	Total
Total revenue	$ 1,457,173	$ 252,667	$ 1,709,840
Network fees and other costs	728,154	69,995	798,149
Sales and marketing	268,444	12,038	280,482
Segment profit	$ 460,575	$ 170,634	$ 631,209

A reconciliation of total segment profit to the Company's income before applicable income taxes is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Total segment profit	$ 361,768	$ 335,637	$ 676,838	$ 631,209
Less: Other operating costs	(78,941)	(73,599)	(154,865)	(147,302)
Less: General and administrative	(50,727)	(49,120)	(140,025)	(93,104)
Less: Depreciation and amortization	(78,378)	(65,234)	(154,464)	(133,464)
Less: Interest expense—net	(29,750)	(26,118)	(58,920)	(53,847)
Less: Non-operating expenses	(3,411)	(4,664)	(7,535)	(10,316)
Income before applicable income taxes	$ 120,561	$ 116,902	$ 161,029	$ 193,176

12. SUBSEQUENT EVENTS

Share Purchase

On August 7, 2017, the Company entered into a transaction agreement with Fifth Third Bank (the "Purchase Agreement") pursuant to which Fifth Third Bank has agreed to exercise its right to exchange 19,790,000 Class B Units in Vantiv Holding, LLC ("Holding") for 19,790,000 shares of the Company's Class A common stock and immediately thereafter, the Company will purchase those newly issued shares of Class A common stock (the "Share Purchase") directly from Fifth Third Bank at a price of $64.04 per share, the closing share price of the Company's Class A common stock on the New York Stock Exchange on August 4, 2017. The purchased shares would be cancelled and no longer outstanding following the completion of the Share Purchase. The Share Purchase is conditioned on the Company publishing a firm offer to acquire Worldpay Group plc ("Worldpay") and is subject to termination, if among other things, the firm offer is not made by August 31, 2017. The Share Purchase will close on the date the firm offer is published or on the following business day. As a result of the Share Purchase, Fifth Third Bank will beneficially own approximately 8.6% of the equity in the Company and Holding and if the acquisition of Worldpay is consummated, Fifth Third will beneficially own 4.9% of the equity interests in the Company and Holding following completion of the acquisition.

Pursuant to the Purchase Agreement and effective solely if the Company's acquisition of Worldpay is completed, Section 2.4(b) of the Second Amended and Restated LLC Agreement of Holding will be amended to provide that in the event the Company proposes to engage in new activities requiring Fifth Third to obtain regulatory approval and Fifth Third Bank is not able to obtain the required regulatory approvals or such approvals require a sale by Fifth Third Bank of some or all of its equity interests in the Company or Holding, then either party may require Fifth Third Bank to sell additional equity interests in the Company and Holding.

Additionally, the Company and Fifth Third Bank have agreed in the Purchase Agreement to certain accommodations under the tax receivable agreements between the parties to minimize the effects of the Company's ownership of a foreign entity and/or foreign operations.

In connection with the Purchase Agreement, the Company also executed an amendment, dated August 7, 2017 (the "Purchase Incremental Amendment"), to the Company's existing credit facility with various financial institutions and their affiliates. The Purchase Incremental Amendment contemplates an amendment of the Company's existing credit facility to, among other things, permit the Company to obtain approximately $1.3 billion of additional seven-year term B loans (which will be used to fund the Share Purchase). The obligations of the lenders party to the Purchase Incremental Amendment to provide the increased debt financing contemplated thereunder are subject to limited conditions.

In connection with the Share Purchase, the Company expects to record a liability of approximately $650 million during the quarter ending September 30, 2017 under the tax receivable agreements the Company entered into with Fifth Third Bank at the time of its initial public offering. This approximate liability is based on the closing share price of the Company's Class A common stock on August 4, 2017 and will not have an impact on the Company's statements of income.

Since Fifth Third Bank is a significant stockholder, a special committee of the Company's board of directors and the Company's audit committee, each of which is comprised of independent, disinterested directors, authorized the Share Purchase.

Firm Offer for Worldpay Group PLC

On August 9, 2017, the Company issued an announcement (the “Rule 2.7 Announcement”) pursuant to Rule 2.7 of the United Kingdom City Code on Takeovers and Mergers (the “Code”) disclosing the terms of a recommended offer (the “Offer”) by the Company to acquire the entire issued and to be issued shares of Worldpay, a public limited company registered in England and Wales, in a cash and stock transaction (the “Business Combination”). In connection with the Offer, the Company entered into a co-operation agreement (the “Co-operation Agreement”) and the agreements described below under “Financing Documents.”

Rule 2.7 Announcement

Pursuant to the Offer, for each Worldpay share, Worldpay shareholders will receive 55 pence in cash and 0.0672 of a new share of the Company’s Class A common stock (“Company Stock”) by means of a court-sanctioned scheme of arrangement (the “Scheme”) between Worldpay and Worldpay shareholders under the UK Companies Act of 2006, as amended (the “Companies Act”). The transaction values each Worldpay share at 397 pence based on the Company’s closing share price of $65.06 as of 5:00 p.m. on August 8, 2017, and an exchange rate of U.S. $1.2967:£1 on that date, representing an enterprise value of Worldpay of $12.0 billion. The Company and Worldpay shareholders would be expected to own approximately 57% and 43%, respectively, of all outstanding shares of the Company Stock upon closing of the Business Combination.

In addition, Worldpay shareholders would also be entitled to receive an interim dividend of 0.8 pence per share of Worldpay, which would be paid to Worldpay shareholders on September 29, 2017, and a special dividend of 4.2 pence per Worldpay ordinary share, which would be conditional on completion of the Business Combination and would be paid to Worldpay shareholders on the register of members of Worldpay at the scheme record time. The Company would also seek a secondary standard listing on the Main Market of the London Stock Exchange in relation to the new shares of Company Stock following completion of the Business Combination. The Business Combination would also include a mix and match facility allowing Worldpay shareholders to elect, subject to offsetting elections, to vary the proportions in which they receive shares of Company Stock and cash in respect of their holdings in Worldpay shares.

Following completion of the Business Combination, Cincinnati, Ohio will be the global and corporate headquarters of the combined company, and London, UK will be the combined company’s international headquarters. Effective upon completion of the Business Combination, the combined company will amend its governance documents to adopt the “Worldpay” name.

Upon completion of the Business Combination, Charles Drucker will be the Executive Chairman and Co-Chief Executive Officer of the combined company, and reporting to Mr. Drucker will be Co-Chief Executive Officer Philip Jansen and Chief Financial Officer Stephanie Ferris. Additional members of the Combined Company’s executive team reporting to Mr. Drucker and Mr. Jansen will be announced at a later date. Also upon completion of the Business Combination, Sir Michael Rake, Worldpay’s current Chairman, will be the Lead Director of the combined company’s board of directors, and Jeffrey Stiefler, the Company’s current Chairman, will continue to serve as an independent director on the combined company’s board. At the effective time of the Business Combination, the board of directors of the combined company will consist of eight persons currently serving on the Company board of directors (including Messrs. Drucker and Stiefler) and five persons currently serving on the Worldpay board of directors (including Mr. Jansen and Sir Michael Rake).

The Business Combination will be subject to conditions and certain further terms, including, among other things: (i) the approval of the Scheme by a majority in number of Worldpay shareholders also representing not less than 75% in value of the Worldpay shareholders, in each case present at the Worldpay shareholders’ meeting; (ii) the sanction of the Scheme by the High Court of Justice in England and Wales; (iii) the Scheme becoming effective no later than March 31, 2018; (iv) the issuance of the new shares of Company Stock to Worldpay shareholders in connection with the Business Combination being duly approved by the affirmative vote of the majority of the votes cast at the Company’s stockholder’s meeting; and (v) the receipt of certain required antitrust, regulatory and other approvals. The conditions to the Business Combination are set out in full in the Rule 2.7 Announcement. It is expected that, subject to the satisfaction or waiver of all relevant conditions, the Business Combination will be completed in the first quarter of 2018.

The Company reserves the right, subject to the prior consent of the U.K. Panel on Takeovers and Mergers (the “Panel”) and the Co-operation Agreement, to elect to implement the Business Combination by way of a takeover offer (as such term is defined in the Companies Act).

Co-operation Agreement

On August 9, 2017, Vantiv, Vantiv UK and Worldpay entered into the Co-operation Agreement, pursuant to which the parties agreed to jointly determine the strategy for obtaining the regulatory and other clearances necessary for, and satisfying the regulatory conditions to the Business Combination (the “Clearances”).

The parties agree to provide each other with such information and assistance as each may reasonably require for the purposes of obtaining all Clearances and making any submission, filing or notification to any regulatory authority.

Pursuant to the Co-operation Agreement, the Company is required to use all reasonable endeavors in order to obtain the Clearances as soon as reasonably practicable. However, neither Vantiv nor Vantiv UK is required to agree to any undertaking, commitment and/or assurance as a condition of obtaining any Clearance or divest, sell or otherwise dispose of any of its existing assets or businesses.

The Co-operation Agreement addresses certain other matters, as set forth therein.

Financing Documents

On October 14, 2016, Vantiv LLC entered into the Original Loan Agreement by and among Vantiv LLC and the lenders thereunder, effected pursuant to an amendment and restatement agreement, dated as of October 14, 2016, by and among Vantiv LLC, Vantiv Holding, certain other subsidiaries of Vantiv LLC, as guarantors, JPMorgan Chase Bank, N.A. as the administrative agent (the “Administrative Agent”) and the other lenders party thereto, which governs Vantiv LLC’s existing $2.4 billion term A loans, $761 million term B loans and $650 million revolving credit facility. The Original Loan Agreement was further amended on August 7, 2017 to provide Vantiv LLC with commitments to fund an additional $1.270 billion seven-year term B loans, the proceeds of which will be used to fund the Fifth Third share purchase described above (the Original Loan Agreement, as so amended, the “Existing Loan Agreement”).

On August 9, 2017, Vantiv LLC executed an amendment, dated August 9, 2017 (the “Incremental Amendment”), to the Existing Loan Agreement (as amended by the Incremental Amendment, the “Loan Agreement”) with various financial institutions and their affiliates. The Incremental Amendment provides Vantiv LLC with commitments to fund $1.605 billion of additional five-year term A loans, $1.129 billion of additional seven-year term B loans, and $350.0 million of additional revolving credit commitments. The proceeds of the commitments provided under the Incremental Amendment will be used to, among other things, provide the cash consideration for the Business Combination, to refinance existing debt of Worldpay, to pay fees and expenses in connection with the foregoing and for working capital and general corporate purposes. The obligations of the lenders party to the Incremental Amendment to provide the increased debt financing contemplated thereunder are subject to the consummation of the Business Acquisition and the customary “certain funds” conditions.

Borrowings under the Incremental Agreement will be subject to customary “certain funds” provisions consistent with the United Kingdom City Code on Takeovers and Mergers. Such provisions apply until the date that is the earlier of (i) March 31, 2018 or (ii) the date on which the scheme or offer under the United Kingdom City Code on Takeovers and Mergers with respect to the Business Combination has lapsed or been terminated or withdrawn (the “Certain Funds Period”). During the Certain Funds Period, if certain material events of default under the Loan Agreement occur, the commitments under the Incremental Amendment may be terminated.

Borrowings under the Loan Agreement will bear interest at a rate per annum equal to, at Vantiv LLC’s option, (i) the 1-week, 1, 2, 3 or 6 month, or, subject to availability, 12 month LIBOR rate plus a margin or (ii) a base rate plus a margin. With respect to its term A loans and its revolving credit loans, the margin added to LIBOR or the base rate will depend on Vantiv LLC’s leverage ratio from time to time.

The Loan Agreement contains customary representations and warranties, events of default and covenants for a transaction of this type, including, among other things, covenants that restrict the ability of Vantiv LLC and its subsidiaries to incur certain additional indebtedness, create or prevent certain liens on assets, engage in certain mergers or consolidations, engage in asset dispositions, declare or pay dividends and make equity redemptions or restrict the ability of its subsidiaries to do so, make loans and investments, enter into transactions with affiliates, enter into sale-leaseback transactions or make voluntary payments, amendments or modifications to subordinate or junior indebtedness. The Loan Agreement also requires Vantiv LLC to maintain for the benefit of the holders of the term A loans and revolving credit commitments only, a maximum leverage ratio of 5.50 to 1.00 prior to December 31, 2017, 4.75 to 1.00 on and after December 31, 2017 and 4.25 to 1.00 on and after December 31, 2018, and a minimum interest coverage ratio of 4.00 to 1.00 at all times.

If an event of default under the Loan Agreement occurs, the commitments under the Loan Agreement may be terminated and the principal amount outstanding thereunder, together with all accrued unpaid interest and other amounts owed thereunder, may be declared immediately due and payable, subject to limitations with regard to the rights of the holders of the term B loans in the event of a violation of the financial covenants described above.

In addition, on August 9, 2017, Vantiv LLC, Morgan Stanley Senior Funding, Inc. and/or an affiliate thereof ("Morgan Stanley"), as administrative agent for the Bridge Lenders, Credit Suisse AG (acting through such of its affiliates or branches as it deems appropriate, "CS"), Credit Suisse Securities (USA) LLC ("CS Securities" and, together with CS and their respective affiliates, "Credit Suisse") and The Bank of Tokyo-Mitsubishi UFJ, Ltd., a member of MUFG, a global financial group ("MUFG") entered into a Bridge Commitment Letter and that certain Bridge Fee Letter (together, the "Bridge Documents"), pursuant to which, subject to the satisfaction of the conditions set forth therein, the lenders thereunder (the "Bridge Lenders") agreed to provide an up to $1.13 billion bridge term loan facility for the benefit of Vantiv LLC and certain of its subsidiaries.

Pursuant to the Bridge Documents, to the extent funded, the bridge loans that will be made available will mature on the first anniversary of the initial funding thereof, which such initial funding will not occur until the closing of the Business Combination. If any bridge loans are not repaid on the maturity date (the "Rollover Date"), such bridge loans will be automatically converted into rollover senior unsecured term loans which mature on the seventh anniversary of the Rollover Date. At any time on or after the Rollover Date, Bridge Lenders may elect to exchange rollover senior unsecured term loans for exchange notes of Vantiv LLC.

Vantiv LLC will use the proceeds from the bridge loan to repay or redeem existing third party debt of Worldpay and pay transaction fees and expenses in connection with the Business Combination. Prior to the one-year maturity date thereof, the bridge term loans will bear interest at a rate per annum equal to, at Vantiv LLC's option, the 1, 2, 3 or 6 month LIBOR rate, in each case, plus an increasing margin, and subject to a fixed rate interest cap. Any rollover unsecured term loans and exchange notes will bear interest at such fixed rate interest cap.

The credit agreements documenting the bridge loans and rollover senior unsecured term loans will each contain customary representations and warranties, events of default and covenants for transactions of this type. The indenture governing the exchange notes will contain customary events of default and covenants for transactions of this type.

Each lender under the Loan Agreement and each Bridge Lender and their affiliates have engaged, and may in the future engage, in commercial banking, investment banking or financial advisory transactions with Vantiv LLC and its affiliates in the ordinary course of business, including as underwriters in connection with certain outstanding debt securities of Vantiv LLC. Such lenders, Bridge Lenders and their affiliates have received customary compensation and expenses for these commercial banking, investment banking or financial advisory transactions.

JPMorgan Chase Bank, N.A. is administrative agent and collateral agent under the Loan Agreement.

In addition, on August 9, 2017, Vantiv LLC, MSSF, Credit Suisse, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., a member of MUFG, a global financial group ("MUFG"; and, together with MSSF and Credit Suisse, the "Backstop Lenders") entered into the Backstop Commitment Letter and that certain Backstop Fee Letter (collectively, the "Backstop Commitment Documents"), pursuant to which, subject to the conditions set forth therein, the Backstop Lenders agreed severally, and not jointly, to provide an up to $1.0 billion revolving credit facility, an up to $4.10 billion term A loan facility, and an up to $3.2 billion term B loan facility for the benefit of Vantiv LLC and certain of its subsidiaries. Pursuant to the terms of the Backstop Commitment Documents, the Backstop Lenders committed to (i) enter into a backstop credit agreement (the "Backstop Credit Agreement") in the event that the Loan Agreement is not otherwise amended to effect certain changes thereto (the "Required Amendment"), and (ii) to make the committed amounts available under the Backstop Credit Agreement.

The commitments of the Backstop Lenders to enter into the Backstop Credit Agreement and provide the commitments thereunder expire upon the earliest of (i) the date of the consummation of Business Combination with or without the funding of any loans under the Backstop Credit Agreement, (ii) the date on which the incremental term loans under the Incremental Amendment are funded, (iii) the date of effectiveness of the Required Amendment, (iv) the valid termination of the Business Combination and (v) 11:59 p.m., New York City time, on March 31, 2018.

Other than with respect to certain economic terms described in the Backstop Commitment Documents, the terms of the Backstop Credit Agreement shall be no less favorable to Vantiv LLC than the terms in the Loan Agreement. Vantiv LLC will pay certain customary fees and expenses as described in the Backstop Commitment Documents.

Vantiv, Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis provides a review of the results of operations, financial condition and liquidity and capital resources of Vantiv, Inc. ("Vantiv", "we", "us", "our", or the "company" refer to Vantiv, Inc. and its consolidated subsidiaries) and outlines the factors that affected recent results, as well as factors that may affect future results. Our actual results in the future may differ materially from those anticipated in these forward looking statements as a result of many factors, including those set forth under "Risk Factors," "Forward Looking Statements" and elsewhere in this report, as well as in our 10-K filed with the SEC on February 8, 2017. The following discussion should be read in conjunction with our unaudited consolidated financial statements and related notes appearing elsewhere in this report, as well as management's discussion and analysis and consolidated financial statements for the year ended December 31, 2016 included in our most recent Annual Report on Form 10-K.

General

We are the largest merchant acquirer and PIN debit acquirer by number of transactions, according to the Nilson Report, and a leading payment processor in the United States differentiated by our integrated technology platform, breadth of distribution and superior cost structure. Our integrated technology platform enables us to efficiently provide a comprehensive suite of services to both merchants and financial institutions of all sizes as well as to innovate, develop and deploy new services, while providing us with significant economies of scale. Our broad and varied distribution provides us with a growing and diverse client base of merchants and financial institutions.

We offer a broad suite of payment processing services that enable our clients to meet their payment processing needs through a single provider, including in omni-channel environments that span point-of-sale, ecommerce and mobile devices. We enable merchants of all sizes to accept and process credit, debit and prepaid payments and provide them supporting value-added services, such as security solutions and fraud management, information solutions, and interchange management. We also provide mission critical payment services to financial institutions, such as card issuer processing, payment network processing, fraud protection, card production, prepaid program management, ATM driving and network gateway and switching services that utilize our proprietary Jeanie PIN debit payment network.

Our integrated technology platform provides our merchant and financial institution clients with differentiated payment processing solutions and provides us with significant strategic and operational benefits. Small and mid-sized merchants are able to easily connect to our integrated technology platform using our application process interfaces, or APIs, software development kits, or SDKs, and other tools we make available to technology partners, which we believe enhances our capacity to sell to such merchants. Our integrated technology platform allows us to collect, manage and analyze data across both our Merchant Services and our Financial Institution Services segments that we can then package into information solutions for our clients. It provides insight into market trends and opportunities as they emerge, which enhances our ability to innovate and develop new value-added services, including security solutions and fraud management, and it allows us to easily deploy new solutions that span the payment processing value chain, such as ecommerce and mobile services, which are high growth market opportunities. It is highly scalable, which enables us to efficiently manage, update and maintain our technology, increase capacity and speed, and realize significant operating leverage. We believe our integrated technology platform is a key differentiator from payment processors that operate on multiple technology platforms and provides us with a significant competitive advantage.

We distribute our services through multiple sales channels that enable us to efficiently and effectively target a broad range of merchants and financial institutions. Our sales channels include direct and indirect sales forces, which include our referral partner relationships, which provide us with a growing and diverse client base of merchants and financial institutions. We have a national sales force that targets financial institutions and large national merchants, a regional and mid-market sales team that sells solutions to merchants and third-party reseller clients and a telesales operation that targets small and mid-sized merchants. Our indirect sales force includes Independent Sales Organizations, or ISOs, that target small and mid-sized merchants. We have referral partner relationships with merchant banks, independent software vendors, or ISVs, value-added resellers, or VARs, payment facilitators, and trade associations that target a broad range of merchants, including difficult to reach small and mid-sized merchants. We also have relationships with third-party reseller partners and arrangements with core processors that target small and mid-sized financial institutions.

Executive Overview

Revenue for the three months ended June 30, 2017 increased 12% to $998.8 million from $891.2 million in 2016. Revenue for the six months ended June 30, 2017 increased 13% to $1,927.0 million from $1,709.8 million in 2016.

Income from operations for the three months ended June 30, 2017 increased to $153.7 million from $147.7 million in 2016. Income from operations for the six months ended June 30, 2017 decreased to $227.5 million from $257.3 million in 2016.

Net income for the three months ended June 30, 2017 increased to $86.9 million from $78.5 million in 2016. Net income attributable to Vantiv, Inc. for the three months ended June 30, 2017 increased to $68.8 million from $59.3 million in 2016. Net income for the six months ended June 30, 2017 decreased to $122.2 million from $130.9 million in 2016. Net income attributable to Vantiv, Inc. for the six months ended June 30, 2017 decreased to $97.7 million from $99.1 million in 2016. See the “Results of Operations” section of this Management’s Discussion and Analysis for a discussion of our financial results.

In October 2016, our board of directors authorized a program to repurchase up to $250 million of our Class A common stock. We currently have approximately $243 million of share repurchase authority remaining as of June 30, 2017 under this authorization.

See Note 12 - Subsequent Events in the Notes to Unaudited Consolidated Financial Statements for details of the Fifth Third Bank (“Fifth Third”) share purchase and the firm offer for Worldpay Group plc.

Paymetric Acquisition

On May 25, 2017, we acquired Paymetric Holdings, Inc. (“Paymetric”) for $532 million in cash, which is net of cash acquired. We funded the acquisition with cash on hand and borrowings under our revolving credit facility. Paymetric automates business-to-business payment workflows within enterprise systems and tokenizes payments data within these systems in order to enable secure storage of customer information and history. This acquisition helps to further accelerate our growth. The operations of Paymetric are included in our Merchant Services segment operating results.

Our Segments, Revenue and Expenses

Segments

We report our results of operations in two segments, Merchant Services and Financial Institution Services. We evaluate segment performance based upon segment profit, which is defined as net revenue and represents total revenue less network fees and other costs, less sales and marketing expense attributable to that segment.

Merchant Services

We have a broad and diversified merchant client base. Our merchant client base has low client concentration and is heavily weighted in non-discretionary everyday spend categories, such as grocery and pharmacy, and includes large national retailers. We provide a comprehensive suite of payment processing services to our merchant services clients. We authorize, clear, settle and provide reporting for electronic payment transactions, as further discussed below.

Acquiring and Processing. We provide merchants with a broad range of credit, debit and prepaid payment processing services. We give them the ability to accept and process Visa, Mastercard, American Express, Discover and PIN debit network card transactions originated at the point of sale as well as for ecommerce and mobile transactions. This service includes all aspects of card processing, including authorization and settlement, customer service, chargeback and retrieval processing and network fee and interchange management.

Value-added Services. We offer value-added services that help our clients operate and manage their businesses including omni-channel acceptance, prepaid services and gift card solutions. We also provide security solutions such as point-to-point encryption and tokenization both at the point of sale and for ecommerce transactions.

We provide our services to merchants of varying sizes, which provides us with a number of key benefits. Due to the large transaction volume that they generate, large national merchants provide us with significant operating scale efficiencies and recurring revenues. Small and mid-sized merchants generally generate higher per transaction fees.

We distribute our comprehensive suite of services to a broad range of merchants, including large, mid-sized and small merchants, through multiple sales channels as further discussed below.

- Direct: Includes a national sales force that targets large national merchants, a regional and mid-market sales team that sells solutions to merchants and third party reseller clients, and a telesales operation that targets small and mid-sized merchants.
- Indirect: Includes Independent Sales Organizations (ISOs) that target small and mid-sized merchants.
- Merchant Bank: Includes referral partner relationships with financial institutions that target their financial services customers as merchant referrals to us.
- Integrated Payments (IP): Includes referral partner relationships with independent software vendors (ISVs), value-added resellers (VARs), and payment facilitators that target their technology customers as merchant referrals to us.
- eCommerce: Includes a sales force that targets internet retail, online services and direct marketing merchants.

These sales channels utilize multiple strategies and leverage relationships with referral partners that sell our solutions to small and mid-sized merchants. We offer certain services on a white-label basis which enables them to be marketed under our partners' brand. We select referral partners that enhance our distribution and augment our services with complimentary offerings. We believe our sales structure provides us with broad geographic coverage and access to various industries and verticals.

Financial Institution Services

Our financial institution client base is also generally well diversified and includes regional banks, community banks, credit unions and regional PIN debit networks. We generally focus on small to mid-sized institutions with less than $15 billion in assets. Smaller financial institutions generally do not have the scale or infrastructure typical of large institutions and are more likely to outsource their payment processing needs. We provide integrated card issuer processing, payment network processing and value-added services to our financial institutions clients. These services are discussed further below.

Integrated Card Issuer and Processing. We process and service credit, debit, ATM and prepaid transactions. We process and provide statement production, collections and inbound/outbound call centers. Our card processing solution includes processing and other services such as card portfolio analytics, program strategy and support, fraud and security management and chargeback and dispute services. We provide authorization support in the form of online or batch settlement, as well as real-time transaction research capability and archiving and daily and monthly cardholder reports for statistical analysis.

Value-added Services. We provide additional services to our financial institution clients that complement our issuing and processing services. These services include fraud protection, card production, prepaid cards, ATM driving, portfolio optimization, data analytics and card program marketing. We also provide network gateway and switching services that utilize our Jeanie PIN network. Our Jeanie network offers real-time electronic payment, network bill payment, single point settlement, shared deposit taking and customer select PINs.

We distribute our services to financial institutions by utilizing direct sales forces as well as a diverse group of referral partner relationships. These sales channels utilize multiple strategies and leverage relationships with core processors that sell our solutions to small and mid-sized financial institutions. We offer certain of our services on a white-label basis which enables them to be marketed under our client's brand. We select resellers that enhance our distribution and augment our services with complementary offerings. Our relationships with core processors are necessary for developing the processing environments required by our financial institution clients. Many of our core processing relationships are non-contractual and continue for so long as an interface between us and the core processor is needed to accommodate one or more common financial institution customers.

Revenue

We generate revenue primarily by processing electronic payment transactions. Set forth below is a description of our revenues by segment and factors impacting segment revenues.

Our Merchant Services segment revenues are primarily derived from processing credit and debit card transactions. Merchant Services revenue is primarily comprised of fees charged to businesses, net of interchange fees, for payment processing services, including authorization, capture, clearing, settlement and information reporting of electronic transactions. The fees charged consist of either a percentage of the dollar volume of the transaction or a fixed fee, or both, and are recognized at the time of the transaction. Merchant Services revenue also includes a number of revenue items that are incurred by us and are reimbursable as the costs are passed through to and paid by our clients. These items primarily consist of Visa, Mastercard and other payment network fees. In addition, for sales through referral partners in which we are the primary party to the contract with the merchant, we record the full amount of the fees collected from the merchant as revenue. Associated residual payments made to referral partners are included in sales and marketing expenses. Merchant Services revenue also includes revenue from ancillary services such as fraud management, equipment sales and terminal rent. Revenue in our Merchant Services segment is impacted primarily by transaction volume, average transaction size, the mix of merchant types in our client portfolio, the performance of our merchant clients and the effectiveness of our distribution channels.

Our Financial Institution Services revenues are primarily derived from debit, credit and ATM card transaction processing, ATM driving and support, and PIN debit processing services. Financial Institution Services revenue associated with processing transactions includes per transaction and account related fees, card production fees and fees generated from our Jeanie network. Financial Institution Services revenue is impacted by the number of financial institutions using our services as well as their transaction volume. The number of financial institutions in the United States has declined as a result of prevailing economic conditions and consolidation, as well as other market and regulatory pressures. These factors have contributed to industry-wide pricing compression of the fees that financial institutions are willing to pay for payment processing.

Network Fees and Other Costs

Network fees and other costs primarily consist of pass through expenses incurred by us in connection with providing processing services to our clients, including Visa and Mastercard network association fees, payment network fees, third party processing expenses, telecommunication charges, postage and card production costs.

Net Revenue

Net revenue is revenue, less network fees and other costs and reflects revenue generated from the services we provide to our clients. Management uses net revenue to assess our operating performance. We believe that net revenue, when reviewed together with revenue, is meaningful to our investors in order to understand our performance.

Expenses

Set forth below is a brief description of the components of our expenses, aside from the network fees and other costs discussed above:

- *Sales and marketing* expense primarily consists of salaries and benefits paid to sales personnel, sales management and other sales and marketing personnel, residual payments made to referral partners and advertising and promotional costs.

- *Other operating costs* primarily consist of salaries and benefits paid to operational and IT personnel, costs associated with operating our technology platform and data centers, information technology costs for processing transactions, product development costs, software fees and maintenance costs.

- *General and administrative* expenses primarily consist of salaries and benefits paid to executive management and administrative employees, including finance, human resources, product development, legal and risk management, share-based compensation costs, equipment, occupancy and consulting costs. The six months ended June 30, 2017 includes a charge related to a settlement agreement stemming from legacy litigation of an acquired company.

- *Depreciation and amortization* expense consists of our depreciation expense related to investments in property, equipment and software as well as our amortization of intangible assets.

- *Interest expense—net* consists primarily of interest on borrowings under our senior secured credit facilities less interest income earned on our cash and cash equivalents.

- *Income tax expense* represents federal, state and local taxes based on income in multiple jurisdictions.

- *Non-operating expenses* during the three and six months ended June 30, 2017 and 2016 primarily relate to the change in the fair value of the tax receivable agreement (“TRA”) entered into as part of the acquisition of Mercury Payment Systems, LLC (“Mercury”).

Non-Controlling Interest

As a result of the non-controlling ownership interests in Vantiv Holding held by Fifth Third, our results of operations include net income attributable to non-controlling interests. Future sales or redemptions of ownership interests in Vantiv Holding by Fifth Third will continue to reduce the amount recorded as non-controlling interest and increase net earnings attributable to our Class A stockholders. In addition, net income attributable to non-controlling interests includes the non-controlling interest related to a joint venture with a bank partner. See Note 6 - Controlling and Non-Controlling Interests in “Item 1 - Unaudited Consolidated Financial Statements” for more information.

Factors and Trends Impacting Our Business and Results of Operations

We expect a number of factors will impact our business, results of operations and financial condition. In general, our revenue is impacted by the number and dollar volume of card based transactions which in turn are impacted by general economic conditions, consumer spending and the emergence of new technologies and payment types, such as ecommerce, mobile payments, and prepaid cards. In our Merchant Services segment, our net revenues are impacted by the mix of the size of merchants that we provide services to as well as the mix of transaction volume by merchant category. In our Financial Institution Services segment, our net revenues are also impacted by the mix of the size of financial institutions to which we provide services as well as consolidation and market and industry pressures, which have contributed and are expected to continue to contribute to pricing compression of payment processing fees in this segment. We also expect our results of operations to be impacted by the factors discussed below.

Pro Forma Adjusted Net Income

We use pro forma adjusted net income for financial and operational decision making as a means to evaluate period-to-period comparisons of our performance and results of operations. Pro forma adjusted net income is also incorporated into performance metrics underlying certain share-based payments issued under the 2012 Vantiv, Inc. Equity Incentive Plan and our annual incentive plan. We believe pro forma adjusted net income provides useful information about our performance and operating results, enhances the overall understanding of past financial performance and future prospects and allows for greater transparency with respect to key metrics used by management in its financial and operational decision making.

In calculating pro forma adjusted net income, we make certain non-GAAP adjustments, as well as pro forma adjustments, to adjust our GAAP operating results for the items discussed below. This non-GAAP measure should be considered together with GAAP operating results.

Non-GAAP Adjustments

Transition, Acquisition and Integration Costs

In connection with our acquisitions, we incur costs associated with the acquisitions and related integration activities, consisting primarily of consulting fees for advisory, conversion and integration services and related personnel costs. Also included in these expenses are costs related to employee termination benefits and other transition activities. These transition, acquisition and integration costs are included in other operating costs and general and administrative expenses. Included in transition, acquisition and integration costs in the six months ended June 30, 2017 is a $38 million charge to general and administrative expense related to a settlement agreement stemming from legacy litigation of an acquired company.

Share-Based Compensation

We have granted share-based awards to certain employees and members of our board of directors and intend to continue to grant additional share-based awards in the future. Share-based compensation is included in general and administrative expense.

Intangible Amortization Expense

These expenses represent amortization of intangible assets acquired through business combinations and customer portfolio and related asset acquisitions.

Non-operating Expense

Non-operating expenses for the three and six months ended June 30, 2017 and 2016 primarily related to the change in fair value of the Mercury TRA.

Pro Forma Adjustments

Income Tax Expense Adjustments

Our effective tax rate reported in our results of operations reflects the impact of our non-controlling interest not being taxed at the statutory corporate tax rate. For purposes of calculating pro forma adjusted net income, income tax expense is adjusted to reflect an effective tax rate assuming conversion of Fifth Third's non-controlling interests into shares of Class A common stock, including the income tax effect of the non-GAAP adjustments described above. The adjusted effective tax rate for the three and six months ended June 30, 2017 is 34.0% and includes the impact of excess tax benefits relating to the Company's adoption of ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.* The adjusted effective tax rate is expected to remain at 34.0% for the remainder of 2017. This rate was 36% for the three and six months ended June 30, 2016.

Tax Adjustments

In addition to the adjustment described above, income tax expense is also adjusted for the cash tax benefits resulting from certain tax attributes, primarily the amortization of tax intangible assets resulting from or acquired with our acquisitions, the tax basis step up associated with our separation from Fifth Third and the purchase or exchange of units of Vantiv Holding, net of payment obligations under TRAs established at the time of our initial public offering ("IPO") and in connection with our acquisition of Mercury. The estimate of the cash tax benefits is based on the consistent and highly predictable realization of the underlying tax attributes.

The following table provides a schedule of the tax adjustments discussed above which are reflected in the pro forma adjusted net income table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Fifth Third Tax Benefit [(a)]	$ 2,268	$ 11,927	$ 4,536	$ 23,854
Mercury Tax Benefit [(b)]	3,169	4,665	6,338	9,330
Total Tax Benefits	5,437	16,592	10,874	33,184
Less: TRA payments [(c)]	(4,621)	(14,103)	(9,242)	(28,206)
TRA Tax Benefits [(d)]	816	2,489	1,632	4,978
Acquired Tax Benefits [(e)]	30,763	15,581	61,525	31,162
Pro Forma Tax Benefits [(f)]	$ 31,579	$ 18,070	$ 63,157	$ 36,140

[(a)] Represents the cash tax benefits which are shared with Fifth Third Bank pursuant to a TRA.
[(b)] Represents the cash tax benefits shared with Mercury former shareholders pursuant to a TRA.
[(c)] Represents the amount of the TRA payment to be made to Fifth Third Bank and Mercury shareholders (85% payment).
[(d)] Represents the 15% benefit that we retain for the shared tax benefits related to the TRAs.
[(e)] Represents the tax benefits wholly owned by us, acquired through acquisition or termination of TRAs in which we retain 100% of the benefit.
[(f)] Represents the net cash tax benefit retained by us from the use of the tax attributes, as reflected in the Pro forma Tax Adjustments.

The table below provides a reconciliation of GAAP income before applicable income taxes to pro forma adjusted net income for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Income before applicable income taxes	$ 120,561	$ 116,902	$ 161,029	$ 193,176
Non-GAAP Adjustments:				
Transition, acquisition and integration costs	13,236	12,408	62,770	19,571
Share-based compensation	10,881	7,940	21,461	16,292
Intangible amortization	54,294	47,242	106,200	94,907
Non-operating expenses	3,411	4,664	7,535	10,316
Non-GAAP Adjusted Income Before Applicable Taxes	202,383	189,156	358,995	334,262
Less: Pro Forma Adjustments				
Income tax expense	68,810	68,096	122,058	120,334
Tax adjustments	(31,579)	(18,070)	(63,157)	(36,140)
Total pro forma tax expense	37,231	50,026	58,901	84,194
Pro forma tax rate	18%	26%	16%	25%
JV non-controlling interest	428	692	684	1,227
Pro Forma Adjusted Net Income	$ 164,724	$ 138,438	$ 299,410	$ 248,841

Results of Operations

The following tables set forth our statements of income in dollars and as a percentage of net revenue for the periods presented.

	Three Months Ended June 30,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Revenue	$ 998,764	$ 891,217	$ 107,547	12%
Network fees and other costs	468,733	410,736	57,997	14%
Net revenue	530,031	480,481	49,550	10%
Sales and marketing	168,263	144,844	23,419	16%
Other operating costs	78,941	73,599	5,342	7%
General and administrative	50,727	49,120	1,607	3%
Depreciation and amortization	78,378	65,234	13,144	20%
Income from operations	$ 153,722	$ 147,684	$ 6,038	4%
Non-financial data:				
Transactions (in millions)	6,587	6,183		7%

As a Percentage of Net Revenue	Three Months Ended June 30,	
	2017	2016
Net revenue	100.0%	100.0%
Sales and marketing	31.7%	30.1%
Other operating costs	14.9%	15.3%
General and administrative	9.6%	10.3%
Depreciation and amortization	14.8%	13.6%
Income from operations	29.0%	30.7%

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	$ Change	% Change
	(dollars in thousands)			
Revenue	$ 1,926,966	$ 1,709,840	$ 217,126	13 %
Network fees and other costs	926,825	798,149	128,676	16 %
Net revenue	1,000,141	911,691	88,450	10 %
Sales and marketing	323,303	280,482	42,821	15 %
Other operating costs	154,865	147,302	7,563	5 %
General and administrative	140,025	93,104	46,921	50 %
Depreciation and amortization	154,464	133,464	21,000	16 %
Income from operations	$ 227,484	$ 257,339	$ (29,855)	(12)%
Non-financial data:				
Transactions (in millions)	12,862	12,003		7 %

As a Percentage of Net Revenue	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net revenue	100.0%	100.0%
Sales and marketing	32.3%	30.8%
Other operating costs	15.5%	16.2%
General and administrative	14.0%	10.2%
Depreciation and amortization	15.4%	14.6%
Income from operations	22.8%	28.2%

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016 and Six Months Ended June 30, 2017 Compared to the Six Months Ended June 30, 2016

Revenue

Revenue increased 12% to $998.8 million for the three months ended June 30, 2017 from $891.2 million for the three months ended June 30, 2016. The increase during the three months ended June 30, 2017 was due primarily to transaction growth of 7%. Additionally, growth in our Merchant Services segment as a result of our continued penetration of small and mid-sized merchants contributed to higher net revenue per transaction.

Revenue increased 13% to $1,927.0 million for the six months ended June 30, 2017 from $1,709.8 million for the six months ended June 30, 2016. The increase during the six months ended June 30, 2017 was due primarily to transaction growth of 7%. Additionally, growth in our Merchant Services segment as a result of our continued penetration of small and mid-sized merchants contributed to higher net revenue per transaction.

Network Fees and Other Costs

Network fees and other costs increased 14% to $468.7 million for the three months ended June 30, 2017 from $410.7 million for the three months ended June 30, 2016. The increase was due primarily to transaction growth of 7% and an increase in third party processing costs.

Network fees and other costs increased 16% to $926.8 million for the six months ended June 30, 2017 from $798.1 million for the six months ended June 30, 2016. The increase was due primarily to transaction growth of 7% and an increase in third party processing costs.

Net Revenue

Net revenue, which is revenue less network fees and other costs, increased 10% to $530.0 million for the three months ended June 30, 2017 from $480.5 million for the three months ended June 30, 2016 due to the factors discussed above.

Net revenue, which is revenue less network fees and other costs, increased 10% to $1,000.1 million for the six months ended June 30, 2017 from $911.7 million for the six months ended June 30, 2016 due to the factors discussed above.

Sales and Marketing

Sales and marketing expense increased 16% to $168.3 million for the three months ended June 30, 2017 from $144.8 million for the three months ended June 30, 2016. The increase was primarily attributable to higher residual payments to referral partners as a result of increased revenue in our Merchant Services segment in connection with the continued penetration of small and mid-sized merchants.

Sales and marketing expense increased 15% to $323.3 million for the six months ended June 30, 2017 from $280.5 million for the six months ended June 30, 2016. The increase was primarily attributable to higher residual payments to referral partners as a result of increased revenue in our Merchant Services segment in connection with the continued penetration of small and mid-sized merchants.

Other Operating Costs

Other operating costs increased 7% to $78.9 million for the three months ended June 30, 2017 from $73.6 million for the three months ended June 30, 2016. When excluding transition, acquisition and integration costs, other operating costs increased 5% to $74.0 million for the three months ended June 30, 2017 from $70.1 million for the three months ended June 30, 2016. The increase is primarily attributable to an increase in information technology and operation costs, in support of our revenue growth.

Other operating costs increased 5% to $154.9 million for the six months ended June 30, 2017 from $147.3 million for the six months ended June 30, 2016. When excluding transition, acquisition and integration costs, other operating costs increased 4% to $146.6 million for the six months ended June 30, 2017 from $141.3 million for the six months ended June 30, 2016. The increase is primarily attributable to an increase in information technology and operation costs, in support of our revenue growth.

General and Administrative

General and administrative expenses increased 3% to $50.7 million for the three months ended June 30, 2017 from $49.1 million for the three months ended June 30, 2016. When excluding transition, acquisition and integration costs and share-based compensation costs, general and administrative expenses decreased 2% to $31.6 million for the three months ended June 30, 2017 from $32.3 million for the three months ended June 30, 2016.

General and administrative expenses increased 50% to $140.0 million for the six months ended June 30, 2017 from $93.1 million for the six months ended June 30, 2016. When excluding transition, acquisition and integration costs, which include a $38 million charge related to a settlement agreement stemming from legacy litigation of an acquired company, as well as share-based compensation costs, general and administrative expenses increased 1% to $64.0 million for the six months ended June 30, 2017 from $63.2 million for the six months ended June 30, 2016.

Depreciation and Amortization

Depreciation expense associated with our property, equipment and software increased to $22.3 million for the three months ended June 30, 2017 from $15.9 million for the three months ended June 30, 2016. The increase is primarily attributable to our recent acquisitions.

Depreciation expense associated with our property, equipment and software increased to $43.2 million for six months ended June 30, 2017 from $34.2 million for the six months ended June 30, 2016. The increase is primarily attributable to our recent acquisitions.

Amortization expense associated with intangible assets, which consist primarily of customer relationship intangible assets, increased to $56.1 million for the three months ended June 30, 2017 from $49.4 million for the three months ended June

30, 2016. The increase is primarily attributable to an increase in amortization of customer relationship intangible assets as a result of recent acquisitions.

Amortization expense associated with intangible assets, which consist primarily of customer relationship intangible assets, increased to $111.3 million for the six months ended June 30, 2017 from $99.3 million for the six months ended June 30, 2016. The increase is primarily attributable to an increase in amortization of customer relationship intangible assets as a result of recent acquisitions.

Income from Operations

Income from operations increased 4% to $153.7 million for the three months ended June 30, 2017 from $147.7 million for the three months ended June 30, 2016.

Income from operations decreased 12% to $227.5 million for the six months ended June 30, 2017 from $257.3 million for the six months ended June 30, 2016.

Interest Expense—Net

Interest expense—net increased to $29.8 million for the three months ended June 30, 2017 from $26.1 million for the three months ended June 30, 2016. The increase in interest expense—net is primarily attributable to our October 2016 debt refinancing, which resulted in an increase in the amount of outstanding debt, and our interest rate swaps.

Interest expense—net increased to $58.9 million for the six months ended June 30, 2017 from $53.8 million for the six months ended June 30, 2016. This increase in interest expense—net is primarily attributable to our October 2016 debt refinancing, which resulted in an increase in the amount of outstanding debt, and our interest rate swaps.

Non-Operating Expense

Non-operating expenses were $3.4 million and $7.5 million for the three and six months ended June 30, 2017, respectively, primarily relating to the change in fair value of the TRA entered into as part of the acquisition of Mercury.

Non-operating expense were $4.7 million and $10.3 million for the three and six months ended June 30, 2016, respectively, primarily relating to the change in fair value of the TRA entered into as part of the acquisition of Mercury.

Income Tax Expense

Income tax expense for the three months ended June 30, 2017 was $33.7 million compared to $38.4 million for the three months ended June 30, 2016, reflecting effective rates of 28.0% and 32.9%, respectively. Income tax expense for the six months ended June 30, 2017 was $38.9 million compared to $62.3 million for the six months ended June 30, 2016, reflecting effective rates of 24.1% and 32.2%, respectively. Our effective rate reflects the impact of our non-controlling interests not being taxed at the statutory corporate tax rates. The effective tax rate for the three and six months ended June 30, 2017, includes a $5.5 million and a $14.1 million credit, respectively, to income tax expense as a result of our adoption of ASU 2016-09, *Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting*.

Segment Results

The following tables provide a summary of the components of segment profit for our two segments for the three and six months ended June 30, 2017 and 2016.

Merchant Services

	Three Months Ended June 30,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Total revenue	$ 886,675	$ 762,593	$ 124,082	16%
Network fees and other costs	437,532	374,820	62,712	17%
Net revenue	449,143	387,773	61,370	16%
Sales and marketing	162,647	139,108	23,539	17%
Segment profit	$ 286,496	$ 248,665	$ 37,831	15%
Non-financial data:				
Transactions (in millions)	5,673	5,156		10%

	Six Months Ended June 30,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Total revenue	$ 1,698,711	$ 1,457,173	$ 241,538	17%
Network fees and other costs	863,676	728,154	135,522	19%
Net revenue	835,035	729,019	106,016	15%
Sales and marketing	311,606	268,444	43,162	16%
Segment profit	$ 523,429	$ 460,575	$ 62,854	14%
Non-financial data:				
Transactions (in millions)	11,014	10,003		10%

Net Revenue

Net revenue in this segment increased 16% to $449.1 million for the three months ended June 30, 2017 from $387.8 million for the three months ended June 30, 2016. The increase during the three months ended June 30, 2017 was due primarily to transaction growth of 10% and a 5% increase in net revenue per transaction associated with our continued penetration of small and mid-sized merchants.

Net revenue in this segment increased 15% to $835.0 million for the six months ended June 30, 2017 from $729.0 million for the six months ended June 30, 2016. The increase during the six months ended June 30, 2017 was primarily due to transaction growth of 10% and a 4% increase in net revenue per transaction associated with our continued penetration of small and mid-sized merchants.

Sales and Marketing

Sales and marketing expense increased 17% to $162.6 million for the three months ended June 30, 2017 from $139.1 million for the three months ended June 30, 2016. The increase was primarily attributable to higher residual payments to referral partners as a result of increased revenue in connection with the continued penetration of small and mid-sized merchants.

Sales and marketing expense increased 16% to $311.6 million for the six months ended June 30, 2017 from $268.4 million for the six months ended June 30, 2016. The increase was primarily attributable to higher residual payments to referral partners as a result of increased revenue in connection with the continued penetration of small and mid-sized merchants.

Financial Institution Services

	Three Months Ended June 30, 2017	2016	$ Change	% Change
	(dollars in thousands)			
Total revenue	$ 112,089	$ 128,624	$ (16,535)	(13)%
Network fees and other costs	31,201	35,916	(4,715)	(13)%
Net revenue	80,888	92,708	(11,820)	(13)%
Sales and marketing	5,616	5,736	(120)	(2)%
Segment profit	$ 75,272	$ 86,972	$ (11,700)	(13)%
Non-financial data:				
Transactions (in millions)	914	1,027		(11)%

	Six Months Ended June 30, 2017	2016	$ Change	% Change
	(dollars in thousands)			
Total revenue	$ 228,255	$ 252,667	$ (24,412)	(10)%
Network fees and other costs	63,149	69,995	(6,846)	(10)%
Net revenue	165,106	182,672	(17,566)	(10)%
Sales and marketing	11,697	12,038	(341)	(3)%
Segment profit	$ 153,409	$ 170,634	$ (17,225)	(10)%
Non-financial data:				
Transactions (in millions)	1,848	2,000		(8)%

Net Revenue

Net revenue in this segment decreased 13% to $80.9 million for the three months ended June 30, 2017 from $92.7 million for the three months ended June 30, 2016. The decrease during the three months ended June 30, 2017 was due to an 11% decrease in transactions and lower net revenue per transaction primarily driven by compression from the Fifth Third contract renewal and the de-conversion of a major client.

Net revenue in this segment decreased 10% to $165.1 million for the six months ended June 30, 2017 from $182.7 million for the six months ended June 30, 2016. The decrease during the six months ended June 30, 2017 was due to an 8% decrease in transactions and lower net revenue per transaction primarily driven by compression from the Fifth Third contract renewal and the de-conversion of a major client.

Sales and Marketing

Sales and marketing expense decreased $0.1 million to $5.6 million for the three months ended June 30, 2017 from $5.7 million for the three months ended June 30, 2016.

Sales and marketing expense decreased $0.3 million to $11.7 million for the six months ended June 30, 2017 from $12.0 million for the six months ended June 30, 2016.

Liquidity and Capital Resources

Our liquidity is funded primarily through cash provided by operations, debt and a line of credit, which is generally sufficient to fund our operations, planned capital expenditures, tax distributions made to our non-controlling interest holders, required payments under TRAs, debt service and acquisitions. As of June 30, 2017, our principal sources of liquidity consisted of $119.9 million of cash and cash equivalents and $292.0 million of availability under the revolving portion of our senior secured credit facilities. Our total indebtedness, including capital leases, was $3.5 billion as of June 30, 2017.

We have approximately $243 million of share repurchase authority remaining as of June 30, 2017 under a program authorized by the board of directors in October 2016 to repurchase up to an additional $250 million of our Class A common stock.

Purchases under the repurchase programs are allowed from time to time in the open market, in privately negotiated transactions, or otherwise. The manner, timing, and amount of any purchases are determined by management based on an evaluation of market conditions, stock price, and other factors. The share repurchase programs have no expiration date and we may discontinue purchases at any time that management determines additional purchases are not warranted.

In connection with our IPO, we entered into the Exchange Agreement with Fifth Third, under which Fifth Third has the right, from time to time, to exchange their units in Vantiv Holding for shares of our Class A common stock or, at our option, cash. If we choose to satisfy the exchange in cash, we anticipate that we will fund such exchange through cash from operations, funds available under the revolving portion of our senior secured credit facilities, equity financings or a combination thereof.

We do not intend to pay cash dividends on our Class A common stock in the foreseeable future. Vantiv, Inc. is a holding company that does not conduct any business operations of its own. As a result, Vantiv, Inc.'s ability to pay cash dividends on its common stock, if any, is dependent upon cash dividends and distributions and other transfers from Vantiv Holding. The amounts available to Vantiv, Inc. to pay cash dividends are subject to the covenants and distribution restrictions in its subsidiaries' loan agreements.

In addition to principal needs for liquidity discussed above, our strategy includes investing in and leveraging our integrated business model and technology platform, broadening and deepening our distribution channels, entry into new geographic markets and development of additional payment processing services. Our near-term priorities for capital allocation include investing in our operations to support organic growth, debt reduction and share repurchases. Long-term priorities remain unchanged and include investing for growth through strategic acquisitions and returning excess capital to shareholders.

We anticipate that to the extent that we require additional liquidity, it will be funded through the incurrence of other indebtedness, equity financings or a combination thereof. We cannot assure that we will be able to obtain this additional liquidity on reasonable terms, or at all. Additionally, our liquidity and our ability to meet our obligations and fund our capital requirements are also dependent on our future financial performance, which is subject to general economic, financial and other factors that are beyond our control. Accordingly, we cannot assure that our business will generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities or otherwise to meet our liquidity needs. If we decide to pursue one or more significant acquisitions, we may incur additional debt or sell additional equity to finance such acquisitions.

Cash Flows

The following table presents a summary of cash flows from operating, investing and financing activities for the six months ended June 30, 2017 and 2016 (in thousands).

	Six Months Ended June 30,	
	2017	2016
Net cash provided by operating activities	$ 434,918	$ 248,486
Net cash used in investing activities	(610,005)	(85,289)
Net cash provided by (used in) financing activities	155,855	(157,569)

Cash Flow from Operating Activities

Net cash provided by operating activities was $434.9 million for the six months ended June 30, 2017 as compared to $248.5 million for the six months ended June 30, 2016. The increase is due primarily to a decrease in the accounts receivable balance and changes in net settlement asset and obligations. Settlement assets and obligations can fluctuate due to seasonality as well as day of the month end.

Cash Flow from Investing Activities

Net cash used in investing activities was $610.0 million for the six months ended June 30, 2017 as compared to $85.3 million for the six months ended June 30, 2016. The increase was primarily due to the acquisition of Paymetric.

Cash Flow from Financing Activities

Net cash provided by financing activities was $155.9 million for the six months ended June 30, 2017 as compared to net cash used of $157.6 million for the six months ended June 30, 2016. Cash provided by financing activities for the six months ended June 30, 2017 consisted primarily of borrowings under our revolving credit facility partially offset by the repayment of debt and capital leases, payments under the tax receivable agreements and addendums and distributions to non-controlling interests. Cash used in financing activities for the six months ended June 30, 2016 consisted primarily of the repayment of debt and capital leases and payments under the tax receivable agreements and addendums.

Credit Facilities

In October 2016, Vantiv, LLC completed a debt refinancing by entering into a second amended and restated loan agreement (“Second Amended Loan Agreement”). The Second Amended Loan Agreement provides for senior secured credit facilities comprised of a $2.5 billion tranche A loan maturing in October 2021, a $765.0 million tranche B loan maturing in October 2023 and a $650.0 million revolving credit facility maturing in October 2021. At June 30, 2017, we have $2.4 billion and $0.8 billion outstanding under the term A and term B loans, respectively, and there was approximately $358.0 million outstanding borrowings on the revolving credit facility. See additional discussion in Note 4 – Long-term Debt to the Notes to Unaudited Consolidated Financial Statements.

The Second Amended Loan Agreement requires us to maintain a leverage ratio no greater than established thresholds (based upon the ratio of total funded debt to consolidated EBITDA, as defined in the loan agreement) and a minimum interest coverage ratio (based upon the ratio of consolidated EBITDA to interest expense), which are tested quarterly based on the last four fiscal quarters, commencing on September 30, 2016. The required financial ratios become more restrictive over time, with the specific ratios required by period set forth in the below table.

Period	Leverage Ratio (must not exceed)	Interest Coverage Ratio (must exceed)
July 1, 2016 to September 30, 2016	6.25 to 1.00	4.00 to 1.00
December 31, 2016 to September 30, 2017	5.50 to 1.00	4.00 to 1.00
December 31, 2017 to September 30, 2018	4.75 to 1.00	4.00 to 1.00
December 31, 2018 and thereafter	4.25 to 1.00	4.00 to 1.00

As of June 30, 2017, we were in compliance with these covenants with a leverage ratio of 3.60 to 1.00 and an interest coverage ratio of 9.28 to 1.00.

Interest Rate Swaps and Caps

As of June 30, 2017, we have a total of 4 outstanding interest rate swaps and 6 interest rate cap agreements that were designated as cash flow hedges of interest rate risk. See Note 5 - Derivatives and Hedging Activities in the Notes to Unaudited Consolidated Financial Statements for more information about the interest rate swaps and caps.

Tax Receivable Agreements

As of June 30, 2017, we are party to several TRAs in which we agree to make payments to various parties of 85% of the federal, state, local and foreign income tax benefits realized by us as a result of certain tax deductions. Payments under the TRAs will be based on our tax reporting positions and are only required to the extent we realize cash savings as a result of the underlying tax attributes. The cash savings realized by us are computed by comparing our actual income tax liability to the amount of such taxes we would have been required to pay had there been no deductions related to the tax attributes discussed below. We will retain the benefit of the remaining 15% of the cash savings associated with the TRAs. We currently have the following three TRAs:

- TRAs with investors prior to our IPO for its use of NPC Group, Inc. net operating losses (“NOLs”) and other tax attributes existing at the IPO date under the NPC TRA, all of which is currently held by Fifth Third.
- The Fifth Third TRA in which we realize tax deductions as a result of the increases in tax basis from the purchase of Vantiv Holding units or from the exchange of Vantiv Holding units for cash or shares of Class A common stock, as well as the tax benefits attributable to payments made under such TRAs.

- A TRA with Mercury shareholders (the “Mercury TRA”) as part of the acquisition of Mercury as a result of the increase in tax basis of the assets of Mercury resulting from the acquisition and the use of the net operating losses and other tax attributes of Mercury that were acquired as part of the acquisition.

Obligations recorded pursuant to the TRAs are based on estimates of future taxable income and future tax rates. On an annual basis, we evaluate the assumptions underlying the TRA obligations.

During 2016, the Company terminated a portion of the obligations under the Fifth Third TRA. In addition to the Fifth Third TRA settlement, the Fifth Third TRA Addendum contains the following provisions to acquire a significant portion of the remaining Fifth Third TRA:

- As of June 30, 2017, the Fifth Third TRA Addendum provides that we may be obligated to pay up to a total of approximately $140.0 million to Fifth Third to terminate and settle certain remaining obligations under the Fifth Third TRA and the NPC TRA, totaling an estimated $315.2 million, the difference of which will be recorded as an addition to paid-in capital upon the exercise of the Call Options or Put Options (as defined below).

  As of June 30, 2017, the following are the remaining terms under the Fifth Third TRA Addendum, beginning September 1, 2017, December 1, 2017, March 1, 2018, June 1, 2018, September 1, 2018 and December 1, 2018, and ending September 10, 2017, December 10, 2017, March 10, 2018, June 10, 2018, September 10, 2018 and December 10, 2018, respectively, we are granted call options (collectively, the “Call Options”) pursuant to which certain of our additional obligations under the Fifth Third TRA and the NPC TRA would be terminated and settled in consideration for cash payments of $16.1 million, $16.6 million, $25.6 million, $26.4 million, $27.2 million and $28.1 million, respectively.

- Under the remaining terms of the Fifth Third TRA Addendum, in the unlikely event we do not exercise the relevant Call Option, Fifth Third is granted put options beginning September 20, 2017, December 20, 2017, March 20, 2018, June 20, 2018, September 20, 2018 and December 20, 2018, and ending September 30, 2017, December 31, 2017, March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018, respectively (collectively, the “Put Options”), pursuant to which certain additional obligations of the Company would be terminated and settled in consideration for cash payments with similar amounts to the Call Options.

- In March and June 2017, we made payments of $15.1 million and $15.6 million, respectively, pursuant to the Fifth Third TRA Holders under the terms of the Fifth Third TRA Addendum. These payments resulted in a net gain recorded in equity of approximately $30.5 million after taxes.

Since Fifth Third is a significant stockholder, a special committee of the Company’s board of directors comprised of independent, disinterested directors authorized the TRA Addendum.

During 2015, we entered into the Mercury TRA Addendum with each of the pre-acquisition owners of Mercury ("Mercury TRA Holders"). The Mercury TRA Addendum contains the following provisions to acquire the remaining Mercury TRA:

- As of June 30, 2017, the following are the remaining terms under the Mercury TRA Addendum, beginning December 1st of each of 2017 and 2018, and ending June 30th of 2018 and 2019, respectively, we are granted call options (collectively, the "Call Options") pursuant to which certain of our additional obligations under the Mercury TRA would be terminated in consideration for cash payments of $38.0 million and $43.0 million, respectively.

- In the unlikely event we do not exercise the relevant Call Option, the Mercury TRA Holders are granted put options beginning July 10th and ending July 25th of each of 2018 and 2019, respectively (collectively, the "Put Options"), pursuant to which certain of our additional obligations would be terminated in consideration for cash payments with similar amounts to the Call Options.

- In June 2017 and 2016, we exercised the December 2016 and 2015 Call Options under the Mercury TRA Addendum and we made the related $38.1 million and $41.4 million payments to the Mercury TRA Holders.

Except to the extent our obligations under the Mercury TRA, the Fifth Third TRA and the NPC TRA have been terminated and settled in full in accordance with the terms of the Mercury TRA and Fifth Third TRA Addendums, the Mercury TRA, Fifth Third TRA and the NPC TRA will each remain in effect, and the parties thereto will continue to have all rights and obligations thereunder.

All TRA obligations are recorded based on the full and undiscounted amount of the expected future payments, except for the Mercury TRA which represents contingent consideration relating to an acquired business, and is recorded at fair value for financial reporting purposes (see Note 8 - Fair Value Measurements in the Notes to Unaudited Consolidated Financial Statements).

The timing and/or amount of aggregate payments due under the TRAs outside of the call/put structures may vary based on a number of factors, including the amount and timing of the taxable income we generate in the future and the tax rate then applicable, the use of loss carryovers and amortizable basis. Payments under the TRAs, if necessary, are required to be made no later than January 5th of the second year immediately following the taxable year in which the obligation occurred. We made payments under the TRA obligations of approximately $55.7 million and $53.5 million in January 2017 and January 2016, respectively. Unless settled under the terms of the repurchase addenda, the terms of the TRAs will continue until all underlying tax benefits have been utilized or expired.

If Fifth Third had exchanged its remaining Class B units of Vantiv Holding all for shares of Class A common stock on June 30, 2017, we would have recorded an additional full and undiscounted TRA obligation of approximately $1.2 billion. This estimate is subject to material change based on changes in Fifth Third’s tax basis in the partnership interest, changes in tax rates, or significant changes in our stock price.

Contractual Obligations

There have been no significant changes to contractual obligations and commitments compared to those disclosed in our Annual Report on Form 10-K as of December 31, 2016 filed with the SEC on February 8, 2017.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our unaudited consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our critical estimates giving consideration to a combination of factors, including historical experience, current conditions and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

During the six months ended June 30, 2017, we have not adopted any new critical accounting policies, have not changed any critical accounting policies and have not changed the application of any critical accounting policies from the year ended December 31, 2016. Our critical accounting policies and estimates are described fully within Management’s Discussion and Analysis of Financial Condition and Results of Operations included within our Annual Report on Form 10-K filed with the SEC on February 8, 2017.

Off-Balance Sheet Arrangements

We have no off-balance sheet financing arrangements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to interest rate risk in connection with our senior secured credit facilities, which are subject to variable interest rates. We hedge a portion of our exposure to interest rate fluctuations through the utilization of interest rate swaps and caps in order to mitigate the risk of this exposure.

As of June 30, 2017 we had a total of 4 outstanding interest rate swaps covering an exposure period from January 2017 through January 2019 and have a combined notional balance of $500 million. In addition, we have 6 interest rate cap agreements with a combined $1.0 billion notional balance and a cap strike rate of 0.75% covering an exposure period from January 2017 to January 2020.

Based on the amount outstanding under our senior secured credit facilities at June 30, 2017, a change in one percentage point in variable interest rates, after the effect of our interest rate swaps and caps effective at June 30, 2017, would cause an increase or decrease in interest expense of $20.3 million on an annual basis.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2017. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Based on the evaluation of our disclosure controls and procedures as of June 30, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various litigation matters arising in the ordinary course of our business. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, management believes none of these matters, either individually or in the aggregate, would have a material adverse effect on us, except as discussed in Note 7 - Commitments, Contingencies and Guarantees in Part I, Item 1. See the information under Legal Reserve in Note 7 - Commitments, Contingencies and Guarantees, which we incorporate herein by reference.

Item 1A. Risk Factors

You should carefully consider the risks described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016. These risks could materially affect our business, results of operations or financial condition, cause the trading price of our common stock to decline materially or cause our actual results to differ materially from those expected or those expressed in any forward looking statements made by or on behalf of Vantiv. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the risks of our businesses described elsewhere in this Quarterly Report on Form 10-Q. There have been no material changes from the risk factors disclosed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information regarding shares of Class A common stock repurchased by us during the three months ended June 30, 2017:

Period	Total Number of Shares Purchased (1)(2)	Average Price Paid per Share	Total Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (2)
April 1, 2017 to April 30, 2017	138	$ 65.74	—	$ 243.2
May 1, 2017 to May 31, 2017	—	$ —	—	$ 243.2
June 1, 2017 to June 30, 2017	1,644	$ 63.34	—	$ 243.2

(1) Includes shares of Class A common stock surrendered to us to satisfy tax withholding obligations in connection with the vesting of restricted stock awards.

(2) In October 2016, our board of directors authorized a program to repurchase up to $250 million of our Class A common stock. Purchases under the repurchase program are allowed from time to time in the open market, in privately negotiated transactions, or otherwise. The manner, timing, and amount of any purchases are determined by management based on an evaluation of market conditions, stock price, and other factors. The share repurchase program has no expiration date and we may discontinue purchases at any time that management determines additional purchases are not warranted.

Item 5. Other Information

None.

Item 6. Exhibits

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		VANTIV, INC.	
Dated:	August 9, 2017	By:	/s/ STEPHANIE L. FERRIS
			Name: Stephanie L. Ferris
			Title: Chief Financial Officer
Dated:	August 9, 2017	By:	/s/ CHRISTOPHER THOMPSON
			Name: Christopher Thompson
			Title: SVP, Controller and Chief Accounting Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101	Interactive Data Files.				

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles D. Drucker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vantiv, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 9, 2017	/s/ CHARLES D. DRUCKER
	Charles D. Drucker
	President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephanie L. Ferris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vantiv, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 9, 2017	/s/ STEPHANIE L. FERRIS
	Stephanie L. Ferris
	Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Vantiv, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company does hereby certify, pursuant to 18 U.S.C. § 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

The foregoing certification (i) is given to such officers' knowledge, based upon such officers' investigation as such officers reasonably deem appropriate; and (ii) is being furnished solely pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002) and is not being filed as part of the Report or as a separate disclosure document.

August 9, 2017	/s/ CHARLES D. DRUCKER
	Charles D. Drucker
	President and Chief Executive Officer
August 9, 2017	/s/ STEPHANIE L. FERRIS
	Stephanie L. Ferris
	Chief Financial Officer

[A signed original of this written statement required by Section 906 has been provided to Vantiv, Inc. and will be retained by Vantiv, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]