

DIEBOLD INC (DIEBOLD) AND WINCOR NIXDORF AG (WINCOR) MERGER INQUIRY

Summary of a call with GRGI International during the phase one inquiry on 2 August 2016

1. [REDACTED].

Independent automated teller machine deployers

2. The largest UK IAD was Cardtronics with approximately 16,400 devices, followed by NoteMachine with approximately 9,100 devices.
3. There were two IAD markets developing. The first was for IADs operating in a market with a high volume of transactions. This was partly a result of banks pulling out of their branches which allowed IADs to fill those spaces (there was scope for Direct Cash, Cardtronics and NoteMachine to expand in this market). The second was a lower transactions market at sites such as pubs and convenience stores, where there was significant competition between IADs.
4. IADs were willing to use refurbished ATMs. GRGI knew at least five suppliers who offered refurbished ATMs in the UK.

GRG International and the UK ATM market

5. GRGI had two representatives in the UK [REDACTED].
6. [REDACTED] GRGI have had involvement in the UK market over several years where GRGI had competed with NCR, Wincor and the companies that provided refurbished ATMs. [REDACTED].
7. [REDACTED].
8. During the three years that GRGI had been trading in the UK, it had received good customer feedback. [REDACTED]. GRGI expected that banks in-lobby machines (cash recycling and teller machines) would provide it with further opportunities [REDACTED].
9. [REDACTED]. This was because there were two types of software required for the ATM to operate with multi-vendor software. As an example GRGI's machines had

XFS layer capabilities so they had been certified globally to run other manufacturers multi-vendor software. However lower-end ATMs (those found in convenience stores) could not be integrated in this way because they were only capable of running on manufacturer specific software. This multivendor software was from third party providers which would come at an added cost that IADs were not usually willing to absorb. Therefore there were no IADs with a major ATM estate with multivendor software in use. Traditionally, it may have been that original equipment manufacturers (OEMs) might have made it difficult for multivendor software solutions to run on their ATMs, but the market had changed as these solutions were more common, especially for banks.

10. GRGI had participated in most of the UK tenders to which it had been invited by banks, [✂].

11. [✂].

GRG International and its future in the UK market

12. [✂].

13. GRGI did not have a specific target in terms of scale or revenues for the UK market. Their primary objective was to enter the market. In comparison to other European countries, for example Germany where the market was more fragmented, entering the UK market was considered more challenging.

14. [✂].

15. GRGI also noted that reputation was important for new suppliers entering the UK market because customers were wary about using a new supplier's machine and the possible risks should that ATM prove not be reliable.

16. Further, there could be sales opportunities in the future as banks had aging ATM estates, although some banks might consider keeping their current devices for longer. IADs may also use their current devices for as long as possible. There were also thousands of Triton devices in the market which would not be cost-effective for much longer. [✂].

17. [✂]. Traditionally OEMs might have maintained their own devices, but as there were a number of third party maintenance providers available, [✂].

18. [✂].

19. [✂]. This was because the software, hardware and maintenance markets had become separated, as it made sense for banks to choose a multivendor solution (although not all banks would want to separate their hardware and

software suppliers). This solution was less obvious for the IADs which had smaller estates and gained their revenues from dispensing cash so were looking for a solution to fit with reduced number of transactions.