Cardtronics Annual Report 2020

Form 10-K (NASDAQ:CATM)

Published: March 2nd, 2020

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

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from____ to____

Commission file number: 001-37820

Cardtronics plc

(Exact name of registrant as specified in its charter)

England and Wales	**98-1304627**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2050 West Sam Houston Parkway South, Suite 1300	77042
Houston Texas	(Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code: **(832) 308-4000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, nominal value $0.01 per share	CATM	The NASDAQ Stock Market LLC

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding twelve months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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 the 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 ☑	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐		Emerging growth company ☐

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. ☐

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

Aggregate market value of common shares held by non-affiliates as June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter, based on the reported last sale price of common shares on that date: $1,247,016,838.

Number of shares outstanding as of February 27, 2020: 44,914,118 Ordinary Shares, nominal value $0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive proxy statement for the 2020 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2019, are incorporated by reference into Part III of this Annual Report on Form 10-K.

CARDTRONICS PLC

TABLE OF CONTENTS

When we refer to "us," "we," "our," "ours," "the Company," or "Cardtronics," we are describing Cardtronics plc and/or our subsidiaries, unless the context indicates otherwise.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the year ended December 31, 2019 (this “2019 Form 10-K”) contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and are intended to be covered by the safe harbor provisions thereof. Forward-looking statements can be identified by words such as “project,” “believe,” “estimate,” “expect,” “future,” “anticipate,” “intend,” “contemplate,” “foresee,” “would,” “could,” “plan,” and similar expressions that are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on management’s current expectations and beliefs concerning future developments and their potential effect on the Company. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting the Company will be those that are anticipated. All comments concerning the Company’s expectations for future revenues and operating results are based on its estimates for its existing operations and do not include the potential impact of any future acquisitions. The Company’s forward-looking statements involve significant risks and uncertainties (some of which are beyond its control) and assumptions that could cause actual results to differ materially from its historical experience and present expectations or projections. Known material factors that could cause actual results to differ materially from those in the forward-looking statements include:

- the Company’s financial outlook and the financial outlook of the automated teller machines and multi-function financial services kiosks (collectively, “ATMs”) industry and the continued usage of cash by consumers at rates near historical patterns;
- the Company’s ability to respond to recent and future network and regulatory changes;
- the Company’s ability to manage cybersecurity risks and protect against cyber-attacks and manage and prevent cyber incidents, data breaches or losses, or other business disruptions;
- the Company’s ability to respond to changes implemented by networks and how they determine interchange, scheduled and potential reductions in the amount of net interchange that it receives from global and regional debit networks due to pricing changes implemented by those networks as well as changes in how issuers route their ATM transactions over those networks;
- the Company’s ability to renew its existing merchant relationships on comparable or improved economic terms and add new merchants;
- changes in interest rates and foreign currency rates;
- the Company’s ability to successfully manage its existing international operations and to continue to expand internationally;
- the Company’s ability to manage concentration risks with and changes in the mix of key customers, merchants, vendors, and service providers;
- the Company’s ability to prevent thefts of cash and maintain adequate insurance;
- the Company’s ability to provide new ATM solutions to retailers and financial institutions including the demand for any such new ATM solutions as well as its ability to place additional banks’ brands on ATMs currently deployed;
- the Company’s ATM vault cash rental needs, including potential liquidity issues with its vault cash providers and its ability to continue to secure vault cash rental agreements in the future and once secured, on reasonable economic terms;
- the Company’s ability to manage the risks associated with its third-party service providers failing to perform their contractual obligations;
- the Company’s ability to renew its existing third-party service provider relationships on comparable or improved economic terms;
- the Company’s ability to successfully implement and evolve its corporate strategy;
- the Company’s ability to compete successfully with new and existing competitors;
- the Company’s ability to meet the service levels required by its service level agreements with its customers;
- the additional risks the Company is exposed to in its United Kingdom (“U.K.”) armored transport business;
- the Company’s ability to pursue, complete, and successfully integrate acquisitions, strategic alliances, or joint ventures;
- the impact of changes in laws, including tax laws that could adversely affect the Company’s business and profitability;
- the impact of, or uncertainty related to, the U.K.’s exit from the European Union, including any material adverse effect on the tax, tax treaty, currency, operational, legal, human, and regulatory regime and macro-economic environment to which it will be subject to as a U.K. company;
- the Company’s ability to adequately maintain and upgrade its ATM fleet to address changes in industry standards, regulations and consumer behavior patterns;
- the Company’s ability to retain its key employees and maintain good relations with its employees; and
- the Company’s ability to manage the fluctuation of its operating results, including as a result of the foregoing and other risk factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

For additional information regarding known material factors that could cause the Company's actual results to differ from its projected results, see *Part I. Item 1A. Risk Factors* in this 2019 Form 10-K. Readers are cautioned not to place undue reliance on forward-looking statements contained in this document, which speak only as of the date of this 2019 Form 10-K. Except as required by applicable law, the Company undertakes no obligation to update or revise any forward-looking statements publicly after the date they are made, whether as a result of new information, future events, or otherwise.

PART I

ITEM 1. BUSINESS

Overview

Cardtronics plc provides convenient automated consumer financial services through its global network of automated teller machines and multi-function financial services kiosks (collectively referred to as “ATMs”). As of December 31, 2019, we were the world’s largest ATM owner/operator, providing various services to approximately 285,000 ATMs globally.

During 2019, approximately 64% of our revenues were derived from our operations in North America (including our ATM operations in the U.S., Canada, and Mexico), approximately 29% of our revenues were derived from our operations in Europe and Africa (including our ATM operations in the U.K., Ireland, Germany, Spain, and South Africa), and approximately 7% of our revenues were derived from our operations in Australia and New Zealand. As of December 31, 2019, we owned and operated approximately 74,000 ATMs, many located in well-known retail locations across our markets. These company-owned ATMs accounted for approximately 87% of our total ATM operating revenues during 2019.

Also included within our network as of December 31, 2019 were approximately 198,000 ATMs to which we provided processing services or various forms of managed services solutions. Under a managed services arrangement, retailers, financial institutions, and ATM distributors rely on us to handle some or all of the operational aspects associated with operating and maintaining ATMs, typically in exchange for a monthly service fee, a fee per transaction, a fee per service provided, or a combination of these fees.

We provide various ATM-based financial services at retail locations and other high-traffic locations, such as shopping malls, airports, train stations, and casinos. In doing so, we provide our retail partners with a compelling automated financial services solution that helps attract and retain customers. We also partner with financial institutions and other providers of consumer financial services to enable convenient and fee-free access to our ATMs via our surcharge-free solutions. Finally, we provide managed service ATM solutions for retailers and financial institutions with a complete range of service offerings related to ATMs, including electronic funds transfer (“EFT”) transaction processing services, along with many other ATM-related services, depending on the needs of the customer.

We generally operate ATMs under three arrangement types with our retail partners: Company-owned ATM placements, merchant-owned ATM placements, and managed services (which includes transaction processing services). Under Company-owned arrangements, we provide the physical ATM and are typically responsible for all aspects of the ATM’s operations, including transaction processing, managing cash and cash delivery, supplies, and telecommunications, as well as routine and technical maintenance. Under merchant-owned arrangements, the retail merchant, financial institution or an independent distributor owns the ATM and is usually responsible for providing cash and performing simple maintenance tasks, while we generally provide more complex maintenance services, transaction processing, and connection to the EFT networks. We also offer various forms of managed services depending on the needs of our customers. Each managed service arrangement is a customized ATM management solution that can include any combination of the following services: monitoring, maintenance, cash management, cash delivery, customer service, transaction processing, and other types of related services. As of December 31, 2019, approximately 26% of our ATMs operated were Company-owned, and approximately 74% of our ATMs were merchant-owned or operated under a managed services solution. Each of the arrangement types described above are attractive to us and we plan to continue growing our revenues under each arrangement type.

In addition to our retail merchant relationships, we also partner with leading financial institutions to brand selected ATMs within our network, including but not limited to BBVA Compass Bancshares, Inc. (“BBVA”), Citibank, N.A. (“Citibank”), Citizens Financial Group, Inc. (“Citizens”), Cullen/Frost Bankers, Inc. (“Cullen/Frost”), Discover Bank (“Discover”), PNC Bank, N.A. (“PNC Bank”), Santander Bank, N.A. (“Santander”), TD Bank, N.A. (“TD Bank”), United Services Automobile Association ("USAA") in the U.S.; BMO Bank of Montreal (“BMO”), the Bank of Nova Scotia (“Scotiabank”), Canadian Imperial Bank Commerce (“CIBC”), and TD Bank in Canada; the Bank of Queensland Limited (“BOQ”) and HSBC Holdings plc (“HSBC”) in Australia; and Capitec Bank ("Capitec"), Mercantile Bank ("Mercantile") and Old Mutual ("Old Mutual") in South Africa. In Mexico, we partner with Scotiabank and Banco Multiva by putting their brands on our ATMs in exchange for certain services provided by them. As of December 31, 2019, approximately 21,000 of our ATMs were under a bank-branding contract with approximately 500 financial institutions to place their logos on the ATMs and to provide convenient surcharge-free access for their banking customers. We also provide managed service offerings for financial institutions, which generally include full outsourcing of a portion or all of the financial institution's ATMs.

We also own and operate the Allpoint network (“Allpoint”), the largest surcharge-free ATM network (based on the number of participating ATMs). Allpoint, with approximately 58,000 participating ATMs, provides surcharge-free ATM access to nearly 1,200 participating credit unions, banks, digital banks, financial technology companies, and stored-value debit card issuers that are principally located in North America. For participants, Allpoint provides scale, density, and convenience of surcharge-free ATMs that surpasses the largest banks in the U.S. In exchange, Allpoint earns a fixed monthly fee per cardholder and/or a fixed fee per transaction that is paid by participants. Allpoint includes a majority of our Company’s ATMs in the U.S., and certain ATMs in the U.K., Canada, Mexico, and Australia. Allpoint also provides services to organizations that manage stored-value debit card programs on behalf of corporate entities and governmental agencies, including general-purpose, payroll, and electronic benefits transfer (“EBT”) cards. Under these programs, the issuing organizations pay us a fee per issued stored-value debit card or per transaction in return for allowing the users of those cards surcharge-free access to Allpoint’s ATM network.

Our revenues are generally recurring in nature and historically have been mainly derived from convenience transaction fees, which are paid by cardholders, as well as other transaction-based fees, including interchange fees, which are paid by the cardholder’s financial institution or card issuer for the use of the ATMs serving their customers and connectivity to the applicable EFT network that transmits data between the ATM and the cardholder’s financial institution. Other revenue sources include: (i) fees from financial institutions that participate in Allpoint, (ii) fees for bank-branding ATMs and providing financial institution cardholders with surcharge-free access, (iii) revenues earned by providing managed services (including transaction processing services) solutions to retailers and financial institutions, (iv) fees earned from foreign currency exchange transactions at the ATM, known as dynamic currency conversion (“DCC”), and (v) revenues from the sale of ATMs and ATM-related equipment and other ancillary services.

Our Strategy

Our strategy is to leverage the expertise, scale, and network we have built in our largest markets and to continue to expand in those markets. We believe there are significant growth opportunities for our business as the consumer financial services industry transforms with new consumer payment options, changes in consumer payments behavior and the evolution of traditional retail banking. These dynamics and trends have caused banks to continue to reduce their physical branch locations across the markets in which we operate, making our ATMs more attractive as digital-to-physical solutions for the customers of both traditional banks and new emerging consumer financial services companies. With our significant network of ATM locations, comprehensive solutions, extensive expertise, and operating history, we believe we can provide value to consumer financial services organizations of all sizes and grow our revenues and profits.

We plan to drive additional transactions at our existing ATMs by making them increasingly attractive to use by banks and their customers by promoting the convenience of our network and offering additional services and capabilities. We also intend to expand our capabilities and service offerings to financial institutions and digital financial service providers, with whom we are seeing increasing demand for outsourcing of ATM-related services, including, in some cases, management of in-branch ATMs. Additional demand for our products and services is, in part, being driven by banks reducing the number of physical branches they operate and bank initiatives to lower their operating and capital costs. Furthermore, many start-up or challenger banks and providers of consumer financial services are increasingly valuing our convenient ATM network to provide physical cash-related services to their customers. Additionally, we seek to deploy additional products and services that will further incentivize consumers to utilize our network of ATMs. We also plan to continue partnering with leading financial institutions and retailers to expand our network of conveniently located ATMs. In the future, we may seek to diversify our revenues beyond the services provided by our ATMs. We seek to capitalize on opportunities to expand our operations through the following efforts:

Expand our relationships with leading financial institutions. Through our extensive network of ATMs as well as our diverse product and service offerings, we believe we can provide financial institution customers with convenient solutions to fulfill their growing ATM and automated consumer financial services requirements. Services currently offered to financial institutions include bank-branding, deposit solutions, surcharge-free access provided to their cardholders, managed services for their ATM portfolios and on-screen marketing and content management. Our EFT transaction processing platforms enable us to provide customized control over the content of the information appearing on the screens of our ATMs and ATMs we process for financial institutions, which increases the types of products and services we are able to offer to financial institutions. We also plan to continue growing the number of ATMs and financial institutions participating in our Allpoint network, which drives higher transaction volumes and profitability on our existing ATMs and increases our value to the retailers where our ATMs are located through increased foot traffic at their stores. We are seeing increasing demand from financial institutions for the outsourcing of ATM-related services, as recent industry trends have caused many banks to reduce their physical footprints and transform their existing branches to focus less on human tellers and increasingly utilize automation, through ATMs and other digital channels, for serving their customers.

Work with non-traditional financial institutions and card issuers to further leverage our extensive ATM network. We believe there are opportunities to develop or expand relationships with non-traditional financial institutions and card issuers, such as reloadable stored-value debit card issuers, digital-only balances held by consumers, and alternative payment networks, which are seeking an extensive and convenient ATM network to complement their card offerings and electronic-based accounts. Additionally, we believe that many of the stored-value debit card issuers in the U.S. can benefit by providing their cardholders with access to our ATM network on a discounted or free-to-use basis. For example, through our Allpoint network, we have sold access to our ATM network to issuers of stored-value debit cards to provide their cardholders with convenient, surcharge-free access to cash. Additionally, challenger digital banks and providers of consumer financial services that lack a physical branch or ATM network of their own have partnered with us to provide their customers with convenient and free access to ATM services.

Increase transaction levels at our existing locations. We believe there are opportunities to increase the number of transactions that are occurring today at our existing ATM locations. On average, only a small fraction of the individuals that enter our retail customers' locations utilize our ATMs. In addition to our existing initiatives that tend to drive additional transaction volumes to our ATMs, such as bank-branding and network-branding, we have developed and are continuing to develop new initiatives to drive incremental transactions to our existing ATM locations. We also operate and continue to develop programs to steer cardholders of our existing financial institution partners and members of our Allpoint network to visit our ATMs in convenient retail locations. These programs may include incentives to cardholders, such as coupons and rewards, that influence customers to visit our ATMs within our existing retail footprint. We also continue to invest in data analytics to better understand the usage patterns of our ATMs to help us identify opportunities for growth. We also include growth in transaction volumes as an incentive compensation metric for our relationship managers to help drive discussions with our existing financial institution partners to implement programs to drive their customers toward our ATMs. While we are in various stages of developing and implementing many of these programs, we believe that these programs, when properly structured, benefit multiple constituents, (i.e., retailers, financial institutions, and cardholders), in addition to driving increased transaction volumes to our ATMs, creating a synergistic network.

Increase our number of deployed ATMs with existing and new merchant relationships. Certain of our retail customers continue to expand the number of active store locations they operate, either through acquisitions or through new store openings, thus providing us with additional ATM deployment opportunities. Additionally, we seek opportunities to deploy ATMs with new retailers, including retailers that currently do not have ATMs, as well as those that have existing ATM programs, but that are looking for a new ATM provider. We believe our expertise, broad geographic footprint, strong record of customer service, and significant scale positions us to successfully market to and enter into long-term contracts with additional leading merchants.

Develop and provide additional services at our existing ATMs. The majority of our ATMs in service currently offer only cash dispensing and other simple transactions, such as balance inquiries. We believe that there are opportunities to offer additional automated consumer financial services at our ATMs, such as cash and check deposit, cardless cash access, and other products which could provide a compelling and cost-effective solution for financial institutions and stored-value debit card issuers looking to provide convenient and broader financial services to their customers at well-known retail locations. During 2019, we installed nearly one thousand deposit-taking ATMs in select markets throughout the United States and reached agreements with several financial institutions to provide their customers with access to these deposit-taking ATMs. We also allow advertisers to place their messages on our ATMs equipped with on-screen advertising software in the U.S., Canada, and the U.K. Offering additional services at our ATMs, such as advertising or cardless cash access, allows us to create new revenue streams from assets that have already been deployed in addition to providing value to our customers through beneficial offers and convenient services. We are focused on developing additional products and services that can be delivered through our existing ATM network.

Pursue additional managed services opportunities. Over the last several years, we expanded the number of ATMs that are operated under managed services arrangements. Under these arrangements, retailers and financial institutions generally pay us a fixed management fee per ATM and/or a fixed fee per transaction in exchange for handling some or all of the operational aspects associated with operating and maintaining their own ATMs. Surcharge and interchange fees under these arrangements are generally earned by the retailer or the financial institution rather than by us. As a result, in this arrangement type, our revenues are partially protected from fluctuations in transaction levels of these ATMs and changes in network interchange rates. We continue to pursue additional managed services opportunities with leading merchants and financial institutions in the markets in which we operate.

Additionally, we may grow in other markets and potentially expand into new international markets over time in order to enhance our position as a leading global provider of automated consumer financial services. For additional information related to items that may impact our strategy, see *Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Developing Trends and Recent Events*.

Our Products and Services

Under our Company-owned arrangement type, we typically provide all of the services required to operate ATMs, which include monitoring, maintenance, cash management, customer service, and transaction processing. We believe our customers, including our retail and financial institution customers, value our high level of service, industry expertise, and established operating history. In connection with the operation of our ATMs under our traditional ATM services model, we earn revenue on a per transaction basis from the surcharge fees charged to cardholders for the convenience of using our ATMs and from interchange fees charged to cardholders' financial institutions for processing the transactions conducted on our ATMs. As further described below, we also earn revenues on these ATMs from branding with certain financial institutions and from our surcharge-free network, Allpoint. The Company-owned arrangement currently accounts for approximately 87% of our total ATM operating revenues.

Under our merchant-owned arrangement type, we typically provide transaction processing services, certain customer support functions, and settlement services. We generally earn interchange revenue on a per transaction basis in this arrangement. In some cases, the surcharge is earned completely by the merchant, in which case our revenues are derived solely from interchange revenues. In other arrangements, we also share a portion of the surcharge revenues.

For ATMs under managed services arrangements (including transaction processing arrangements), we typically receive a fixed monthly management fee and/or a fixed fee per transaction in return for providing the agreed-upon service or suite of services. We do not generally receive surcharge and interchange fees in these arrangements, but rather those amounts are earned by our customer.

We also earn revenues from other services at our ATMs, such as DCC fees, on-screen advertising, and other transaction-based fees across our various arrangement types.

The following table summarizes the number of ATMs under our various arrangement types as of December 31, 2019:

	ATM Operations		
	Company - Owned	Merchant - Owned, Managed Services and Processing	Total
Number of ATMs at period end	74,482	212,291	286,773
Percentage of Total ATMs	26%	74%	100%
Percentage of ATM Operating Revenue	87%	13%	100%

We have found that the primary factor affecting transaction volumes at a given ATM is its location. Therefore, our strategy in deploying ATMs, particularly those placed under Company-owned arrangements, is to identify and deploy ATMs at locations that provide high visibility and high retail transaction volume. Our experience has demonstrated that the following locations often meet these criteria: convenience stores, gas stations, grocery stores, drug stores, transportation hubs (e.g., airports and train stations), casinos, and other major regional and national retail outlets.

We have entered into multi-year agreements with many well-known merchant retailers, including Bi-Lo Holdings, LLC, Circle K Procurement and Brands Limited ("Couche-Tard"), Cumberland Farms, Inc., CVS Caremark Corporation ("CVS"), HEB Grocery Company, L.P., The Kroger Co., The Pantry, Inc., Rite Aid Corporation, Safeway, Inc., Speedway LLC ("Speedway"), Target Corporation, and Walgreens Boots Alliance, Inc. ("Walgreens") in the U.S., BP p.l.c., BT Group plc, Co-operative Food ("Co-op Food"), Martin McColl Ltd., Royal Dutch Shell plc, Southern Railway Ltd., Tates Ltd., Waitrose Ltd., and Welcome Break Holdings Ltd. in the U.K.; 7-Eleven, Inc. in Canada and Australia as well as Coles Supermarket Australia Pty Ltd. in Australia; Massmart Holdings Ltd. and Shoprite Holdings Ltd. in South Africa; and Total in Germany.

We generally operate our ATMs under multi-year contracts that provide a recurring and stable source of revenue and typically have an initial term of approximately five years. For the year ended December 31, 2019, the Company's top five merchant customers were Co-op Food, Couche-Tard, CVS, Speedway, and Walgreens. No individual customer accounted for more than 6% of the Company's total revenue in 2019. Together these merchant customers accounted for approximately 22% of our total revenues and had a weighted average remaining life of approximately 3.5 years. For additional information related to the risks associated with our customer mix, see *Item 1A. Risk Factors - We derive a substantial portion of our revenue from ATMs placed with a small number of merchants. The expiration, termination or renegotiation of any of these contracts with our top merchants, or if one or more of our top merchants were to cease doing business with us, or substantially reduce their dealings with us, could cause our revenues to decline significantly and our business, financial condition and results of operations could be adversely impacted.*

Additionally, we enter into arrangements with financial institutions to brand selected Company-owned ATMs with their logos. These bank-branding arrangements allow a financial institution to expand its geographic presence for less than the cost of building a branch location or placing one of its own ATMs at a new location and can also rapidly increase the bank's number of branded

ATM sites and improve its competitive position. Under these arrangements, the financial institution's customers have access to use the bank-branded ATMs without paying a surcharge fee to us. In return, we typically receive a fixed management fee per ATM from the financial institution, while retaining our standard fee schedule for other cardholders using the bank-branded ATMs. In addition, our bank-branded ATMs typically earn higher interchange revenue as a result of the increased usage of our ATMs by the branding financial institution's customers and others who prefer to use a bank-branded ATM. In some instances, we have branded an ATM with more than one financial institution. We intend to continue pursuing additional bank-branding arrangements as part of our growth strategy.

In addition to our bank-branding arrangements, we offer credit unions, banks, digital banks, and stored-value debit card issuers and other providers of consumer financial services another type of surcharge-free solution to their customers through our Allpoint surcharge-free ATM network. Under Allpoint, participants pay us a fixed monthly fee per cardholder and/or a fixed fee per transaction in exchange for us providing their cardholders with surcharge-free ATM access to approximately 58,000 participating ATMs in Allpoint, which includes ATMs throughout the U.S., the U.K., Canada, Mexico, and Australia. We also earn interchange revenues on each transaction performed, which is paid to us by the consumer's financial institution. We believe Allpoint is an attractive option for providers of consumer financial services of all sizes to provide convenient consumer ATM-related services.

For additional information related to the amount of revenue contributed by our various service offerings, see *Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Components of Revenues, Costs of Revenues, and Expenses - Revenues*.

Segment and Geographic Information

We operate in three segments: North America, Europe & Africa, and Australia & New Zealand. Our North America segment includes ATM operations in all 50 states in the U.S., Puerto Rico, Canada, and Mexico, and accounted for approximately 64% of our total revenues for the year ended December 31, 2019. Our Europe & Africa segment includes our ATM operations in the U.K., Ireland, Germany, Spain, and South Africa, and accounted for approximately 29% of our total revenues for the year ended December 31, 2019. Our Australia & New Zealand segment includes ATM operations in Australia and New Zealand and accounted for approximately 7% of our total revenues for the year ended December 31, 2019. While each of the reporting segments provides similar kiosk-based and/or ATM-related services, each segment is managed separately and requires different marketing and business strategies.

For financial information including revenues, earnings, and total assets of our reporting segments, see *Part II. Item 8. Financial Statements and Supplementary Data, Note 22. Segment Information.* For additional information related to the risks associated with our international operations, see *Item 1A. Risk Factors - We operate in many sovereign jurisdictions across the globe and expect to continue to grow our business in new regions. Operating in different countries involves special risks, which could result in a reduction of our gross and net profits.*

Sales and Marketing

Our sales and marketing teams are typically organized by customer type across retail and financial industries. We have teams focused on developing new relationships with national, regional, and local merchants, as well as building and maintaining relationships with our existing merchants and ATM distributors. In addition, we have sales and marketing teams focused on developing and managing our relationships with financial institutions, financial technology companies, and stored-value debit card issuers as we look to expand the types of services that we offer to such organizations. Our sales and marketing teams also focus on identifying potential managed services opportunities with financial institutions and retailers alike. We maintain sales teams in each of the geographic markets in which we currently operate.

In addition to targeting new business opportunities, our sales and marketing teams support our customer retention and growth initiatives by building and maintaining relationships with our existing merchants. We seek to identify growth opportunities within merchant accounts by analyzing ATM cardholder patterns and recommending programs that will tend to increase transaction volumes. We also analyze foot traffic and various demographic data to determine the best opportunities for new ATM placements, as well as the potential drivers for increasing same-store ATM transactions that will positively impact merchant store sales. Employees who focus on sales are typically compensated with a combination of incentive-based compensation and base salary.

Technology and Operations

Our technology and operations platforms consist of ATMs, central transaction processing systems, network infrastructure components, (including hardware, software, and telecommunication circuits used to provide real-time ATM monitoring, software distribution, and transaction processing services), cash management and forecasting software tools, customer service, information