

Cardtronics to Acquire Welch ATM, Boost National Presence

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Share price of Cardtronics Inc. (CATM) increased 11.9% to close at \$36.21 at yesterday's close as the automated consumer financial services provider inked a deal to acquire Welch ATM for \$160 million in cash. Following the acquisition, Cardtronics will boast of 109,600 ATMs including 92,500 retail ATMs located in the United States.

The acquisition is expected to close in the third quarter, pending regulatory approvals established by the Hart-Scott-Rodino Act, as well as other closing conditions.

Acquisition Rationale

This transaction will bring together two premier retail ATM service providers with complementary customer bases and sales capabilities.

Cardtronics has expanded both its domestic and international operations through acquisitions. This inorganic strategy has been well supported by its strong cash position and retained earnings. The company provides ATM services at well known retailers in high traffic locations.

Welch ATM for its part successfully delivers ATM services to mid-market retailers and ATM branding to mid-tier banks and credit unions.

Hence, the addition of Welch ATM will strengthen Cardtronics' market position besides giving a boost to revenue growth. This will also help the company to realize cost synergies, generate additional value for its retailer and financial institution customers as well as enhance shareholder value.

The merged entity will offer ATM services to retailers of the likes of Walgreens Co (WAG) and Rite Aid Corp. (RAD). While Walgreens' total portfolio has 5,100 ATMs across its nationwide presence, Welch ATM will add 3,100 company-owned, Rite Aid-located ATMs to Cardtronics' chain.

Needless to say, Cardtronics and Welch ATM together will offer expansive services to a wider customer base, improve operational efficiencies, provide extensive ATM services across all market segments and bring ATM branding and retailer traffic solutions. Cardtronics anticipates the acquisition to be accretive to earnings by next year.

The Zacks Consensus Estimate for 2014 and 2015 is currently pegged at \$2.07 and \$2.40, respectively. We expect the number to rise as analysts accommodate the accretion from acquisition in their estimates.

On the completion of the transaction, Welch ATM founder and CEO Hewitt will join the leadership team at Cardtronics as executive vice president, Financial Institution and Retail Sales and Relationship Management.