CARDTRONICS INC
Form 10-K
February 24, 2015

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, 2014

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: 001-33864

CARDTRONICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	76-0681190
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3250 Briarpark Drive, Suite 400 Houston, TX (Address of principal executive offices)	77042 (Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	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 Securities 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
	(Do not check if a smaller reporting company)		

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 stock held by non-affiliates as June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, based on the reported last sale price of common stock on that date: $1,495,458,277.

Number of shares outstanding as of February 20, 2015: 44,806,955 shares of Common Stock, par value $0.0001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive proxy statement for the 2015 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2014, are incorporated by reference into Part III of this Annual Report on Form 10-K.

CARDTRONICS, INC.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (the “2014 Form 10-K”) contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements are identified by the use of the words “project,” “believe,” “expect,” “anticipate,” “intend,” “contemplate,” “foresee,” “would,” “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 our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our estimates for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Known material factors that could cause actual results to differ materially from those in the forward-looking statements are those described in: Part I, Item 1A. Risk Factors.

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 2014 Form 10-K. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

Overview

Cardtronics, Inc. provides convenient automated consumer financial services through its network of automated teller machines (“ATMs”) and multi-function financial services kiosks. As of December 31, 2014, we were the world’s largest retail ATM owner, providing services to approximately 110,200 devices throughout the United States (“U.S.”) (including the U.S. territories of Puerto Rico and the U.S. Virgin Islands), the United Kingdom (“U.K.”), Germany, Canada, and Mexico. During 2014, 68.5% of our total revenues were derived from our operations in the U.S., 27.7% from our operations in Europe, and 3.8% from our operations in other international locations. In the U.S., certain of our devices are multi-function financial services kiosks that, in addition to traditional ATM functions such as cash dispensing and bank account balance inquiries, perform other consumer financial services, including bill payments, check cashing, remote deposit capture (which is deposit taking at ATMs using electronic imaging), and money transfers. Also included in the number of devices in our network as of December 31, 2014 were approximately 32,000 ATMs to which we provided various forms of managed services. 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 or fee per service provided.

We often partner with large, nationally and regionally-known retail merchants under multi-year contracts to place our ATMs and kiosks within their store locations. In doing so, we provide our retail partners with a compelling automated financial services solution that helps attract and retain customers, and in turn increases the likelihood that our devices will be utilized. We also own and operate an electronic funds transfer (“EFT”) transaction processing platform that provides transaction processing services to our network of ATMs and financial services kiosks, as well as to ATMs owned and operated by third-parties.

We generally deploy and operate devices under three distinct arrangements with our retail partners: Company-owned ATM placements, merchant-owned ATM placements, and managed services. Under Company-owned arrangements, we provide the physical device (ATM) and are typically responsible for all aspects of its 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 or an independent distributor owns the device and is usually responsible for providing cash and performing simple maintenance tasks, while we 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 services 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 services. As of December 31, 2014, 49% of our devices operated were Company-owned, 22% were merchant-owned and 29% of our devices were 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 national financial institutions to brand selected ATMs and financial services kiosks within our network, including Citibank, N.A., Santander Bank, N.A., PNC Bank, N.A., and Frost Bank, in the U.S., The Bank of Nova Scotia (“Scotiabank”) in Canada, Mexico, and Puerto Rico, Grupo Financiero Banorte, S.A. de C.V. in Mexico, and Canadian Imperial Bank of Commerce (“CIBC”) in Canada. As of December 31, 2014, approximately 22,800 of our devices were under contract with 413 financial institutions to place their logos on those machines, and to provide convenient surcharge-free access for their banking customers.

We also own and operate the Allpoint network (“Allpoint”), the largest surcharge-free ATM network within the U.S. (based on the number of participating ATMs). Allpoint, which has approximately 55,000 participating ATMs globally, provides surcharge-free ATM access to customers of participating financial institutions that lack a significant ATM network in exchange for either a fixed monthly fee per cardholder or a set fee per transaction that is paid by the financial institutions who are members of the network. Allpoint includes a majority of our ATMs in the U.S., and a number of locations in the U.K., Canada, and Mexico. Allpoint also works with financial institutions 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 financial institutions pay Allpoint a fee per issued stored-value card or per transaction in return for allowing the users of those cards surcharge-free access to Allpoint’s participating ATM network.

Our revenues are recurring in nature, and historically have been derived primarily from convenience transaction fees, which are paid by cardholders, and transaction fees, including interchange fees, which are paid by the cardholder’s financial institution for the use of the devices serving their customers and the connectivity to the applicable EFT network that transmits data between the device and the cardholder’s financial institution. Other revenue sources include: (1) branding our devices with the logos of leading national and regional banks and other financial institutions, (2) providing managed services solutions to retailers and financial institutions, (3) collecting fees from financial institutions that participate in our Allpoint surcharge-free network, and (4) selling ATM-related equipment and other ancillary services.

Organizational and Operational History

We were formed as a Texas corporation in 1993 and originally operated under the name of Cardpro, Inc. In June 2001, Cardpro, Inc. was converted into a Delaware limited partnership and renamed Cardtronics, LP. Also, in June 2001, Cardtronics Group, Inc. was incorporated under the laws of the state of Delaware to act as a holding company for Cardtronics, LP, with Cardtronics Group, Inc. indirectly owning 100% of the equity of Cardtronics, LP. In January 2004, Cardtronics Group, Inc. changed its name to Cardtronics, Inc. In December 2007, we completed the initial public offering of 12,000,000 shares of our common stock. In December 2008, Cardtronics, LP was converted into a corporation under the laws of Delaware and changed its name to Cardtronics USA, Inc. Cardtronics USA, Inc. is the primary domestic operating subsidiary of Cardtronics, Inc.

Since May 2001, we have acquired 26 ATM portfolios, which expanded our operations both domestically and internationally in multi-unit retail chains and individual merchant locations. We have also made other strategic acquisitions including the acquisition of Allpoint, our surcharge-free network, i-design group plc ("i-design"), a Scotland-based provider and developer of marketing and advertising software and services for ATM owners, and more recently in November 2014, Sunwin Services Group ("Sunwin"), a U.K. based provider of secure cash logistics, ATM maintenance, and other services.

From 2001 to 2014, the total number of annual transactions processed within our network increased from approximately 19.9 million to approximately 1.13 billion.

Additional Company Information

General information about us can be found on our website at http://www.cardtronics.com. We file annual, quarterly, and current reports as well as other information electronically with the SEC under the Exchange Act. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports are available free of charge on our website as soon as reasonably practicable after the reports are filed or furnished electronically with the SEC. You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. You may also request an electronic or paper copy of our SEC filings at no cost by writing or telephoning us at the following: Cardtronics, Inc., Attention: Chief Financial Officer, 3250 Briarpark Drive, Suite 400, Houston, Texas 77042; (832) 308-4000. Information on our website is not incorporated into this 2014 Form 10-K or our other securities filings.

Our Strategy

Our strategy is to leverage the expertise and scale we have built in our two largest markets, the U.S. and U.K., to continue to expand in those markets as well as to drive expansion into new international markets in order to enhance our position as a leading provider of automated consumer financial services. To do so, we will continue to partner with leading financial institutions and retailers to expand our network of conveniently located ATMs and financial services kiosks. Additionally, we will seek to deploy additional products and services that will further incentivize consumers to utilize our network of devices. In order to execute this strategy, we endeavor to:

Increase our Number of Deployed Devices with Existing and New Merchant Relationships. We believe that there are opportunities to deploy additional ATMs with our existing retail customers in locations that currently do not have ATMs. Furthermore, many of our retail customers continue to expand their number of active store locations, either through acquisitions or through new store openings, thus providing us with additional ATM deployment opportunities. Additionally, we are actively pursuing 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 position us to successfully market to, and enter into long-term contracts with, additional leading merchants. In addition, we believe our existing relationships with leading U.S.- and U.K.-based retailers positions us to expand into international locations where these existing partners have operations.

Expand our Relationships with Leading Financial Institutions. Through our merchant relationships as well as our diverse product and service offerings, we believe we can provide our existing financial institution customers with convenient solutions to fulfill their growing ATM and automated consumer financial services requirements. Further, we believe we can leverage these offerings to attract additional financial institutions as customers. Our services currently offered to financial institutions include branding our ATMs with their logos, on-screen advertising and content management, providing remote deposit capture, providing surcharge-free access to their customers through our Allpoint network, and providing managed services for their ATM portfolios. Our EFT transaction processing capabilities provide us with the ability 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 that we are able to offer to financial institutions. We also plan to continue growing the number of machines and financial institutions participating in our Allpoint network, which drives higher transaction counts and profitability on our existing ATMs and increases our value to the retailers where our ATMs are located through increased foot traffic.

Work with Non-Traditional Financial Institutions and Card Issuers to Further Leverage our Extensive ATM and Financial Services Kiosk Network. We believe that there are opportunities to develop or expand relationships with non-traditional financial institutions and card issuers, such as reloadable prepaid card issuers and alternative payment networks, which are seeking an extensive and convenient ATM network to complement their new card offerings. Additionally, we believe that many of the prepaid debit card issuers that exist today in the U.S. can benefit by providing their cardholders with access to our ATM network on a discounted or fee-free basis. For example, through our Allpoint network, we have sold access to our ATM network to issuers of stored-value prepaid debit cards to provide the customers of these issuers with convenient and surcharge-free access to cash.

Increase Transaction Levels at our Existing Locations. We believe that 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 customers that enter our retail customers' locations utilize our ATMs and financial services kiosks. 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 potentially drive incremental transactions to our existing ATM locations. Examples of this effort are our 2011 acquisition of LocatorSearch, which helps consumers find our ATMs, and the launch of FeeAlert in the third quarter of 2012, which enables financial institutions to help their customers save money by steering them toward nearby in-network ATMs and away from ATM fees. We also have developed data analysis technology that we refer to as SightLine to analyze the transaction patterns at our various ATMs, which we believe has value to retailers and financial institutions alike by enabling them to better understand their customers' behavior. We are also developing additional and broader programs to steer the 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, rewards, and other offers that tend to provide motivation for customers to visit our ATMs within our existing retail footprint. While we are in various stages of developing and implementing many of these programs, we believe that these programs, when properly structured, can serve to benefit each party (i.e. the retailer, the financial institution, and the cardholder.) These various initiatives are intended to drive increased transaction volumes, which would in turn drive increased revenues to us and would also be beneficial to our retail and financial institution partners.

Develop and Provide Additional Services at our Existing ATMs. Service offerings by ATMs continue to evolve over time. Certain ATM models are capable of providing numerous automated consumer financial services, including check cashing, remote deposit capture, money transfer, bill payment services, and stored-value card reload services. Certain of our devices are capable of, and currently provide, these types of services. We believe these additional consumer financial services offered by our devices, and other machines that we or others may develop, could provide a compelling and cost-effective solution for financial institutions and stored-value prepaid debit card issuers looking to provide convenient broader financial services to their customers at well-known retail locations. We also allow advertisers to place their messages on our ATMs equipped with advertising software in the U.S., Canada and the U.K. Offering additional services at our devices, such as advertising, 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 plan to develop additional products and services that can be delivered through our existing ATM network.

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

Pursue Acquisition Opportunities. We have historically generated a large part of our growth through acquisitions, and expect to continue to pursue select acquisition opportunities in the future. Since 2011, we have completed several acquisitions including the acquisitions of: (1) eight domestic ATM operators, expanding our fleet in both multi-unit regional retail chains and individual merchant ATM locations in the U.S. by approximately 57,950 ATMs, inclusive of our acquisition of Welch ATM ("Welch") in 2014, (2) two Canadian ATM operators for a total of approximately 1,400 ATMs, which allowed us to enter into and expand our international presence in Canada, (3) Cardpoint Limited ("Cardpoint") in August 2013, which further expanded our U.K. ATM operations by approximately 7,100 ATMs and also allowed us to enter into the German market with approximately 800 ATMs and (4) Sunwin in November of 2014, which further expanded our cash-in-transit and maintenance servicing capabilities in the U.K. and allowed us to acquire and operate approximately 1,950 existing high-transacting ATMs located at Co-op Food stores and the opportunity to install and operate new ATMs in up to 800 stores that do not currently have ATMs. In addition to ATM acquisitions, we have also made strategic acquisitions including (1) LocatorSearch in August 2011, a domestic leading provider of location search technology deployed by financial institutions to help customers and members find the nearest, most appropriate and convenient ATM location based on the service they seek, and (2) i-design in March 2013, which is a Scotland-based provider and developer of marketing and advertising software and services for ATM operators.

Pursue International Growth Opportunities. We have invested significant amounts of capital in our U.K., Canada, and Mexico businesses, and we plan to continue to grow our business in these markets, as well as in the recently entered German market, applying many of the aforementioned strategies. Additionally, we expect to expand our operations into selected other international markets where we believe we can leverage our operational expertise, EFT transaction processing platform, and scale advantages. Our future international expansion, if any, will depend on a number of factors, including the estimated economic opportunity to us, the business and regulatory environment in the international market, our ability to identify suitable business partners in the market, and other risks associated with international expansion.

For additional information on 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 in the ATM and Financial Services Industry.

Our Products and Services

Under our Company-owned arrangement type, we typically provide our merchant customers with all of the services required to operate ATMs and financial services kiosks, which include monitoring, maintenance, cash management, customer service, and transaction processing. We believe our merchant customers value our high level of service and our 24-hour per day monitoring and accessibility. In connection with the operation of our devices under our traditional ATM services model, we generate revenue on a per-transaction basis from the surcharge fees charged to cardholders for the convenience of using our devices and from interchange fees charged to these cardholders' financial institutions for processing the related transactions conducted on those devices. As further described below, we also earn revenues on these devices based on our relationships with certain financial institutions and our Allpoint network.

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 with the merchant.

For ATMs under managed services arrangements, we typically receive a fixed monthly management fee and/or fixed rate 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 receive other revenues, such as dynamic currency conversion fees, on-screen advertising fees, and other transaction fees, across our various arrangement types.

The following table provides detail relating to the number of devices we owned and operated under our various arrangements as of December 31, 2014:

	ATM Operations				
	Company- Owned	Merchant- Owned	Subtotal	Managed Services	Total
Number of devices at period end	53,436	24,781	78,217	31,989	110,206
Percentage	48.5%	22.5%	71.0%	29.0%	100.0%

We have found that the primary factor affecting transaction volumes at a given ATM or financial services kiosk is its location. Therefore, our strategy in deploying our devices, particularly those placed under Company-owned arrangements, is to identify and deploy them 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 and a combination of convenience stores and gas stations, grocery stores, drug stores, transportation hubs (e.g., airports), and other major regional and national retail outlets. We have entered into multi-year agreements with many well-known merchants, including 7-Eleven, Inc. ("7-Eleven"), CVS Caremark Corporation ("CVS"), Cumberland Farms, Inc., Hess Corporation, The Kroger Co., HEB Grocery Company, L.P., The Pantry, Inc. ("Pantry"), Safeway, Inc., Bi-Lo Holdings, LLC, Speedway LLC ("Speedway"), Sunoco, Inc., Target Corporation, Valero Energy Corporation ("Valero"), Rite Aid Corporation, and Walgreen Co. ("Walgreens") in the U.S.; Bank of Ireland Group, BP p.l.c., BT Group plc, Martin McColl Ltd., Network Rail Infrastructure Limited, Royal Dutch Shell plc, Southern Railway Ltd., Tates Ltd., Waitrose Ltd., Welcome Break Holdings Ltd., and Co-op Group in the U.K.; Cadena Comercial OXXO S.A. de C.V. in Mexico; and 7-Eleven as well as Suncor Energy's retail and wholesale marketing brand ("Petro-Canada") in Canada.

We generally operate our ATMs and kiosks under multi-year contracts that provide a recurring and stable source of revenue and typically have an initial term of five to seven years. As of December 31, 2014, our contracts with our top five merchant customers (based on 2014 pro-forma revenues) accounted for 31% of our pro-forma revenues and had a weighted average remaining life of 2.7 years.

Additionally, we enter into arrangements with financial institutions to brand certain of our Company-owned ATMs with their logos. These branding arrangements allow a financial institution to expand its geographic presence for a fraction of the cost of building a branch location and typically for less than the cost of placing one of its own ATMs at that location. These arrangements allow a financial institution to rapidly increase its number of branded ATM sites and improve its competitive position. Under these arrangements, the branding institution's customers are allowed to use the branded ATMs without paying a surcharge fee to us. In return, we receive monthly fees on a per-ATM basis from the branding institution, while retaining our standard fee schedule for other cardholders using the branded ATMs. In addition, our branded machines typically generate higher interchange revenue as a result of the increased usage of our ATMs by the branding institution's customers and others who prefer to use a bank-branded ATM. In 2013, we introduced a new approach to bank branding by launching "preferred branding," where additional financial institutions (aside from the "principal branding" partner on the ATM) can add

their logos to the ATM's screen and safe door. We intend to continue pursuing additional branding arrangements as part of our growth strategy. As of December 31, 2014, we had bank branding on approximately 22,800 ATMs with 413 financial institutions including Citibank, N.A., Citizens Financial Group, Inc., Cullen/Frost Bankers, Inc., BBVA Compass Bancshares, Inc., Santander Bank, N.A., and PNC Bank, N.A. in the U.S.; Bansí, S.A. Institución de Banca Multiple ("Bansi") and Grupo Financiero Banorte, S.A. de C.V. ("Banorte") in Mexico; and The Bank of Nova Scotia ("Scotiabank") and Canadian Imperial Bank of Commerce ("CIBC") in Canada.

In addition to our bank branding arrangements, we offer financial institutions another type of surcharge-free program through our Allpoint nationwide surcharge-free ATM network. Under the Allpoint network, financial institutions who are members of the network pay us either a fixed monthly fee per cardholder or a set fee per transaction in exchange for us providing their cardholders with surcharge-free access to ATMs in the Allpoint network, which includes ATMs throughout the U.S., U.K., Mexico, Canada, and Puerto Rico. We believe our Allpoint network offers an attractive alternative to financial institutions that lack their own extensive ATM network.

For additional information on 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

As of December 31, 2014, our operations consisted of our U.S., Europe, and Other International segments. Our U.S. segment includes our operations in all 50 states, Puerto Rico and the U.S. Virgin Islands, and accounted for approximately 68.5% of our total revenues for the year ended December 31, 2014. Our Europe segment includes our operations in the U.K. and Germany, and accounted for approximately 27.7% of our total revenues for the year ended December 31, 2014. Our Other International segment includes our operations in Mexico and Canada, and accounted for approximately 3.8% of our total revenues for the year ended December 31, 2014. While each of these reporting segments provides similar kiosk-based and/or ATM-related services, each segment is currently managed separately, as they require 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 20, Segment Information. Additionally, for a discussion of the risks associated with our international operations, see Item 1A. Risk Factors — Our international operations, including any future international operations, involve special risks and may not be successful, which would result in a reduction of our gross and net profits.

Sales and Marketing

In the U.S., our sales and marketing teams are organized by customer type. We have a team principally 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 to the merchant-focused sales and marketing group, we have a sales and marketing group that is focused on developing and managing our branding relationships with financial institutions. Finally, we have a sales and marketing team that is focused on developing and managing our Allpoint relationships with financial institutions and stored-value debit card issuers, as we look to expand the types of services that we offer to such institutions. Our sales and marketing teams also focus on identifying potential managed services opportunities with financial institutions and retailers alike. Additionally, we maintain sales teams in each of the international 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 established and recently-acquired merchants. We seek to identify growth opportunities within each merchant account by analyzing the merchant's sales at each of its locations. We also analyze foot traffic and various demographic data to determine the best opportunities for new ATM and financial services kiosk placements, as well as the optimum drivers for increasing same-store ATM transactions that will positively impact merchant point-of-sale ("POS") levels. The employees that focus on sales are typically compensated with a combination of incentive-based compensation and base salary.

Technology

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

Equipment. We purchase our ATMs from global manufacturers, including, but not limited to, NCR Corporation ("NCR"), Triton Systems of Delaware, Inc. ("Triton"), Diebold Incorporated ("Diebold"), and Nautilus Hyosung, Inc. ("Hyosung"), and place them in our customers' locations. The wide range of advanced technology available from these ATM manufacturers provides our customers with advanced features and reliability through sophisticated diagnostics and self-testing routines. The different machine types can all perform basic functions, such as dispensing cash and displaying account information. However, our technology is also capable of providing additional services in response to changing consumer demand. Additionally, some of our devices provide enhanced financial services transactions, including bill payments, check cashing, remote deposit capture, and money transfers.

Transaction Processing. We place significant emphasis on providing quality service with a high level of security and minimal interruption. We have carefully selected support vendors and systems, as well as developed internal professional staff to optimize the performance of our network. In 2006, we implemented an EFT transaction processing operation, which is based in Frisco, Texas. This operation enables us to process and monitor transactions on our devices and to control the flow and content of information appearing on the screens of such devices. We have also implemented new products and services such as currency conversion services and have introduced targeted marketing campaigns through on-screen advertising. As with our existing network operation, we have carefully selected support vendors and developed internal professional staff to help provide sophisticated security analysis and monitoring 24 hours a day to ensure the continued performance of our ATMs. With our acquisitions of ATM portfolios over the past few years, we are actively converting the transaction processing of the acquired ATMs to our in-house solution as previous contractual processing relationships expire or are terminated.

Internal Systems. Our internal systems, including our EFT transaction processing operation, include multiple layers of security to help protect the systems from unauthorized access. Protection from external sources is provided by the use of hardware- and software-based security features that prevent and report unauthorized access attempts. We employ user authentication and security measures at multiple levels. These systems are protected by detailed security rules to only allow appropriate access to information based on the employee’s job responsibilities. All changes to the systems are controlled by policies and procedures, with automatic prevention and reporting controls that are placed within our processes. Our real-time connections to the various financial institutions’ authorization systems that allow withdrawals, balance inquiries, transfers, and advanced functionality transactions are accomplished via gateway relationships or direct connections. We have installed these communications circuits with backup connectivity to help protect us from telecommunications interruption in any particular circuit. We use commercially-available and custom software that continuously monitors the performance of the devices in our network, including details of transactions at each device and expenses relating to those devices, further allowing us to monitor our on-line availability and financial profitability at each location. We analyze transaction volume and profitability data to determine whether to continue operating at a given site, to determine how to price various operating arrangements with merchants and branding partners, and to create a profile of successful locations to assist us in deciding the best locations for additional deployments.

Product Development. In recent years we have made investments to develop new technology which we anticipate will drive transaction volume at our ATMs. In March 2013, we acquired i-design, a Scotland-based company providing technology and services for ATM operators to enable custom screens, graphical receipt content, advertising and marketing data capture on the ATM. We expect to continue to grow and leverage the products and services of this business within our own network of ATMs and with select external parties. A number of products that have been under development are in various stages of pilot and rollout, including FeeAlert, which allows financial institutions to direct their customers to our surcharge-free ATMs for future transactions when they pay a surcharge at an ATM; Allpoint Deposits, a new capability for Allpoint member customers to make check image-deposits and cash deposits into select Cardtronics advanced functionality ATMs; and the ALLTM, a new ATM concept with a digital screen atop the ATM in a vibrant structure that provides users with access to special retail coupons and special offers digitally through their mobile phone.

Cash Management. Our cash management department uses commercially-available software and proprietary analytical models to determine the necessary fill frequency and cash load amount for each ATM. We project cash requirements for each ATM on a daily basis, taking into consideration its location, the day of the week, the timing of holidays, and other factors such as specific events occurring in the vicinity of the ATM. After receiving a cash order from us, the cash provider forwards the request to its vault location nearest to the applicable ATM. Personnel at the vault location then arrange for the requested amount of cash to be set aside and made available for the designated armored courier to access and subsequently transport to the ATM. Our cash management department utilizes data generated by the cash providers, internally-generated data, and a proprietary methodology to confirm daily orders, audit delivery of cash to armored couriers and ATMs, monitor cash balances for cash shortages, coordinate and manage emergency cash orders, and audit costs from both armored couriers and cash providers.

In the U.K., we operate our own armored courier operation, Green Team Services Limited (“Green Team”) and recently further expanded this internal capability through the acquisition of Sunwin in November 2014. As of December 31, 2014, this operation was servicing over 9,500 of our ATMs in the U.K.

Customer Service. We believe one of the factors that differentiates us from our competitors is our customer service responsiveness and proactive approach to managing any downtime experienced by our devices. We use an advanced software package that monitors the performance of our devices 24 hours a day for service interruptions and notifies our maintenance engineers and vendors for prompt dispatch of necessary service calls.

Finally, we use proprietary software systems to maintain a database of transactions made on, and performance metrics for, each of our devices. This data is aggregated into individual merchant customer profiles that are readily accessible by our customer service representatives and managers. We believe our proprietary databases enable us to provide superior quality and accessible and reliable customer support, along with information on trends that is valuable to our retail and financial institution partners.

Primary Vendor Relationships

To maintain an efficient and flexible operating structure, we outsource certain aspects of our operations, including cash supply and cash delivery, maintenance, and certain transaction processing services. Due to the large number of devices we operate, we believe we have obtained favorable pricing terms from most of our major vendors. We contract for the provision of the services described below in connection with our operations.

Transaction Processing. Although we have our own EFT processing platform that utilizes commercially available software, our processing efforts are primarily focused on controlling the flow and content of information on the ATM screen. We refer to this process as terminal driving. As such, we mostly rely on third-party service providers to handle our connections to the EFT networks and to perform certain funds settlement and reconciliation procedures on our behalf. These third-party transaction processors communicate with the cardholder's financial institution through various EFT networks to obtain transaction authorizations and to provide us with the information we need to ensure that the related funds are properly settled. In addition, we have developed a capability to connect to major financial institutions on a direct basis and expect to expand this direct model, thus controlling fees and interchange on a negotiated basis with our financial institution customers. As a result of our recent acquisitions, a portion of our withdrawal transactions are currently processed through other third-party processors, with whom the acquired businesses had existing contractual relationships. We plan to convert transaction processing services to our EFT processing platform as these contracts expire or are terminated.

EFT Network Services. Our transactions are routed over various EFT networks to obtain authorization for cash disbursements and to provide account balances. EFT networks set the interchange fees that they charge to the financial institutions, as well as the amount paid to us. We attempt to maximize the utility of our ATMs to cardholders by participating in as many EFT networks as practical. Additionally, we own the Allpoint network, the largest surcharge-free network in the U.S. Having this network further enhances our ATM utility by providing certain cardholders surcharge-free access to our ATMs, as well as allowing us to receive network-related economic benefits such as receiving additional transaction-based revenue and setting interchange rates on transactions over this network.

Equipment. We purchase substantially all of our ATMs from a number of global ATM manufacturers, including NCR, Diebold, Triton, and Hyosung. The large quantity of machines that we purchase from these manufacturers enables us to receive favorable pricing and payment terms. In addition, we maintain close working relationships with these manufacturers in the course of our business, allowing us to stay informed about product updates and to receive prompt attention for any technical problems with purchased equipment. The favorable pricing we receive from these manufacturers also allows us to offer certain of our customers an affordable solution to replace their ATMs to be compliant with new regulatory requirements as they arise.

Although we currently purchase the majority of our devices from NCR, we regularly purchase devices from other suppliers. In the event of a device supply shortage from one supplier, we can shift purchases to another supplier.

Maintenance. We typically contract with third-party service providers for on-site maintenance services, except for in the U.K., where maintenance services are mostly performed by our in-house technicians.

Cash Management. We obtain cash to fill our Company-owned devices, and in some cases merchant-owned and managed services ATMs, under arrangements with various cash providers. We pay a monthly fee based on the average amount outstanding to our primary vault cash providers under a formula, which is generally based on various benchmark interest rates such as London Interbank Offered Rates (“LIBOR”). In the significant majority of cases, beneficial ownership of the cash is retained by the cash providers, and we have no right to the cash and no access except for those ATMs that are serviced by our wholly-owned armored courier operations in the U.K. While our U.K. armored courier operations have physical access to the cash loaded in those machines, beneficial ownership of that cash remains with the cash provider at all times. We also contract with third-parties to provide us with certain cash management services, which varies by geography, which may include reporting, armored courier coordination, cash ordering, cash insurance, reconciliation of ATM cash balances, and claims processing with armored couriers, financial institutions, and processors.

For the quarter ended December 31, 2014, we had an average of approximately $1.9 billion in cash in our domestic ATMs under these arrangements, with Bank of America, N.A. (“Bank of America”), Wells Fargo, N.A. (“Wells Fargo”), Elan (which is a business of U.S. Bancorp), and Capital One Financial Corp. (“Capital One”). In the U.K. and Germany, the average balance of cash held in our ATMs was $968.1 million for the quarter ended December 31, 2014, which was primarily supplied by The Santander Group and Barclays. For the quarter ended December 31, 2014, our average vault cash balances in Mexico and Canada, totaled approximately $103.7 million. For additional information on our vault cash agreements and the related risks, see Item 1A. Risk Factors – We rely on third-parties to provide us with the cash we require to operate many of our devices. If these third-parties were unable or unwilling to provide us with the necessary cash to operate our devices, we would need to locate alternative sources of cash to operate our devices or we would not be able to operate our business.

The vault cash that we are contractually responsible for in all of the jurisdictions in which we operate is insured up to certain per location loss limits and subject to per incident and annual aggregate deductibles through a syndicate of multiple Lloyd’s of London and U.S.-based underwriters.

Cash Replenishment. We contract with armored courier services to transport and transfer most of the cash to our devices. We use leading third-party armored couriers in all of our jurisdictions except for in the U.K., where we primarily utilize Green Team and Sunwin, our own armored courier operations. Under these arrangements, the armored couriers pick up the cash in bulk, and using instructions received from us and our cash providers, prepare the cash for delivery to each ATM on the designated fill day. Following a predetermined schedule, the armored couriers visit each location on the designated fill day, load cash into each ATM by either adding additional cash into a cassette or by swapping out the remaining cash for a new fully loaded cassette, and then balance each machine and provide cash reporting to the applicable cash provider. Green Team and Sunwin currently provide cash replenishment services to over 9,500 of our ATMs in the U.K..

Merchant Customers

In each of our markets, we typically deploy our Company-owned devices under long-term contracts with major national and regional merchants, including convenience stores, supermarkets, drug stores, and other high-traffic locations. Our merchant-owned ATMs are typically deployed under arrangements with smaller independent merchants.

The terms of our merchant contracts vary as a result of negotiations at the time of execution. In the case of Company-owned devices, the contract terms vary, but typically include the following:

· a multi-year term, typically five to seven years;

· exclusive deployment of devices at locations where we install a device;

· the right to increase surcharge fees, with merchant consent required in some cases;

· in the U.S., our right to terminate or remove devices or renegotiate the fees payable to the merchant if surcharge fees or interchange fees are reduced or eliminated as a result of regulatory action; and

· provisions that make the merchant’s fee dependent on the number of device transactions.

Our contracts under merchant-owned arrangements typically include similar terms, as well as the following additional terms:

- in the U.S., provisions prohibiting in-store check cashing by the merchant and, in the U.S. and the U.K., the operation of any other cash-back devices; and

- provisions requiring the merchant to operate the ATMs at any time its stores are open for business.

Finally, our managed services contracts are tailored to the needs of the merchant and therefore vary in scope and terms. Under these types of arrangements, our customers determine the location, the surcharge fee, and the services offered while we typically receive a fixed management fee on a per machine basis and/or a fixed rate per transaction.

7-Eleven in the United States is the largest merchant customer in our portfolio, representing approximately 17.5% of our pro forma revenues for the year ended December 31, 2014. The underlying merchant agreement with 7-Eleven, which had an initial term of 10 years from the effective date of the acquisition, expires in July 2017 unless it is renewed or extended. We are currently in discussions with 7-Eleven about an extension or replacement contract. After 7-Eleven, our next four largest merchant customers (based on revenues) during 2014 were CVS, Walgreens, Speedway, and Pantry, none of which individually generated in excess of 5% of our pro forma revenues in 2014. Our pro forma revenues for 2014 were calculated based on actual 2014 revenues plus an estimate of the revenues from our late 2014 acquisitions for the period of time during the year that they were not included in our reported results. For a discussion of the risks associated with our customer mix, see Item 1A. Risk Factors – We derive a substantial portion of our revenue from devices placed with a small number of merchants. If one or more of our top merchants were to suffer a material deterioration of their business and cease doing business with us, or to substantially reduce its dealings with us, our revenues could decline.

Seasonality

Our overall business is somewhat seasonal in nature with generally fewer transactions occurring in the first quarter of the fiscal year. Transaction volumes at our devices located in regions affected by strong winter weather patterns typically experience declines in volume during the first and fourth quarters as a result of decreases in the amount of consumer traffic through such locations. These declines, however, have been partially offset somewhat by increases in the number of our devices located in retail locations that benefit from increased consumer traffic during the holiday buying season. With all of our ATMs located in the northern hemisphere, we usually see an increase in transactions in the warmer summer months from May through August, which are also aided by increased vacation and holiday travel. We expect these fluctuations in transaction volumes to continue in the future.

Competition

Historically, we have competed with financial institutions and other independent ATM deployers (commonly referred to as “IADs”) for additional ATM placements, new merchant accounts, branding, and acquisitions. However, we also have established relationships with leading national and regional financial institutions through our bank branding program and our Allpoint network. Both of these programs can be cost-efficient alternatives to banks and other financial service providers in lieu owning and operating extensive ATM networks. We believe the scale of our extensive network, our EFT transaction processing services and our focus on customer service provide us with competitive advantages for providing services to leading financial institutions. However, our devices do compete with the devices owned and operated by financial institutions and other IADs for underlying consumer transactions. In certain merchant location types with very high foot traffic, such as airports or major train stations, large arenas or stadiums, we often will see competition from large financial institutions as the institutions may contemplate utilizing such locations for marketing and advertising purposes and in some cases are willing to subsidize the operations of the ATM.

Through our Allpoint surcharge-free network, we have significantly expanded our relationships with local and regional financial institutions as well as large issuers of stored-value debit card programs. With regard to our Allpoint network, we encounter competition from other organizations’ surcharge-free networks who are seeking to both sell their network to retail locations and offer surcharge-free ATM access to issuers of stored-value debit cards, as well as smaller financial institutions that lack large ATM footprints.

As previously noted, we are increasing the types of services we provide to financial institutions and merchants, including providing services to manage their ATMs. With respect to our managed services offering, we believe we are well-positioned to offer a comprehensive ATM outsourcing solution with our breadth of services, in-house expertise, and network of existing locations, that can leverage the economies of the physical services required to operate an ATM portfolio. There are several large financial services companies, equipment manufacturers, and service providers that currently offer some of the services we provide, with whom we expect to compete directly in this area. In spite of this, we believe that we have unique advantages that will allow us to offer a compelling solution to financial institutions and retailers alike.

We also compete for acquisition opportunities in each of the markets in which we operate. Acquisitions have been a consistent part of our strategy and we expect to continue to seek acquisition opportunities in our existing markets and new markets. Typically competition for acquisitions is from other IADs, financial service or payments businesses, or private equity sponsors for ATM portfolios.

We also face indirect competition from alternative payment mechanisms, such as smart phones. While we have not experienced or been able to detect significant direct effects from alternative payment sources on our transaction volumes to date, expansion in electronic payment forms such as Apple Pay, could cause reduced demand for cash at merchant locations, and we expect to continue to face competition from emerging payments technology in the future.

Government and Industry Regulation

Our principal business, ATM network ownership and operation, is subject to government (federal, state or local) regulation and industry regulations. Our failure to comply with applicable laws and regulations could result in restrictions on our ability to provide our products and services in such jurisdictions, as well as the imposition of civil fines. Recent regulatory matters that have impacted our operations or are expected to impact us in the future are discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Events, including financial regulatory reform in the U.S., the Europay, MasterCard, Visa ("EMV") standard financial regulatory reform in the U.K. and the European Union including the establishment of new governmental agencies, and other matters.

Risk Management

We have adopted a formalized Enterprise Risk Management ("ERM") program that seeks to identify and manage the major risks we face. The major risks are prioritized and assigned to a member of the management team who develops mitigation plans, monitors the risk activity, and is responsible for implementation of the mitigation plan, if necessary. The risks, plans, and activities are monitored by our management team and Board of Directors on a regular basis.

Employees

As of December 31, 2014, we had approximately 2,683 employees, 389 of which were represented by a union or covered by a collective bargaining agreement. We currently believe our relationships with employees represented by unions are good and we have not experienced any work stoppages.

ITEM 1A. RISK FACTORS

Risks associated with our industry

The proliferation of payment options other than cash, including credit cards, debit cards, stored-value cards, and mobile payments options could result in a reduced need for cash in the marketplace and a resulting decline in the usage of our ATMs.

The U.S. and other developed markets have seen a shift in consumer payment trends since the late 1990's, with more customers now opting for electronic forms of payment (e.g., credit cards and debit cards) for their in-store purchases over traditional paper-based forms of payment (e.g., cash and checks). Additionally, some merchants offer free cash back at the point-of-sale ("POS") for customers that utilize debit cards for their purchases, thus providing an additional incentive for consumers to use these cards. According to the Nilson Report issued in December 2014, the percentage of cash transaction counts in the U.S. declined from approximately 33% of all payment transactions in 2008 to approximately 28% in 2013, with declines also seen in check and credit usage as debit and stored-value card transactions increased. However, in terms of absolute dollar value, the volume of cash used in payment transactions actually increased from $1.5 trillion in 2008 to $1.6 trillion in 2013. While we saw an increase in the number of cash withdrawal transactions conducted on our domestic ATMs over the past several years, in part due to the proliferation of stored-value cards, thus implying continued demand for convenient and reliable access to cash, we have seen a lower transaction growth rate in recent periods. Additionally, the continued growth in electronic payment methods could result in a reduced need for cash in the marketplace and ultimately, a decline in the usage of ATMs. New payment technology and adoption of such technology such as Apple Pay or Square® mobile payment technology, virtual currencies such as Bitcoin, or other new payment method preferences by consumers could reduce the general population's need or demand for cash and negatively impact our transaction volumes in the future.

Interchange fees, which comprise a substantial portion of our transaction revenues, may be lowered in some cases at the discretion of the various EFT networks through which our transactions are routed, or through potential regulatory changes, thus reducing our future revenues.

Interchange fees, which represented approximately 34% of our total ATM operating revenues for the year ended December 31, 2014, are in some cases set by the various EFT networks through which transactions conducted on our devices are routed, and typically vary from one network to the next. As of December 31, 2014, approximately 5% of our total ATM operating revenues were subject to pricing changes by U.S. networks over which we currently have limited influence or where we have no ability to offset pricing changes through lower payments to merchants. Approximately 15% of our total ATM operating revenues during the year ended December 31, 2014 were derived from interchange revenues from our U.K. operation, where the significant majority of the interchange revenues we earn are based on rates set by the major interbank network in that market, LINK, based on an annual cost-based study performed by an independent third-party organization. The remainder of reported interchange revenue reflects transaction-based revenues whereby we have contractually agreed to the rate with a financial institution or network.

Accordingly, if some of the networks through which our ATM transactions are routed were to reduce the interchange rates paid to us or increase their transaction fees charged to us for routing transactions across their network, our future transaction revenues could decline.

In past years, certain networks have reduced the net interchange rates paid to ATM deployers for ATM transactions in the U.S. routed across their debit networks through a combination of reducing the transaction rates charged to financial institutions and higher per transaction fees charged by the networks to ATM operators. In addition to the impact of the net interchange rate decrease, we saw certain financial institutions migrate their volume away from some networks to take advantage of the lower pricing offered by other networks, resulting in lower net interchange rates per transaction to us.

Additionally, some consumer groups in the U.S. have expressed concern that consumers using an ATM may not be aware that, in addition to paying the surcharge fee that is disclosed to them at the ATM, their financial institution may also assess an additional fee to offset any interchange fee assessed to the financial institution by the EFT networks with regard to that consumer's transaction. These fees are sometimes referred to as "foreign bank fees" or "out of network fees." While there are currently no pending legislative actions calling for limits on the amount of interchange fees that can be charged by the EFT networks to financial institutions for ATM transactions or the amount of fees that financial institutions can charge to their customers to offset their interchange expense, there can be no assurance that such legislative actions will not occur in the future. Any potential future network or legislative actions that affect the amount of interchange fees that can be assessed on a transaction may adversely affect our revenues.

Finally, interchange rates in the U.K., most of which are set by LINK, using a cost-based methodology that incorporates average operating costs, interest rates, and cash costs from two years back (i.e., average operating costs, interest rates, and other costs from 2013 are considered for determining the 2015 interchange rate) can vary year-to-year based on the output of the cost-based study. We have seen this LINK rate move both up and down based on the results of the cost study. While over time, we think this methodology generally enables us to recover our costs and earn a reasonable profit margin, large spikes in costs within a particular time period could adversely impact our profitability in this market as the interchange rates are currently fixed on a calendar year basis. In addition to LINK transactions, certain card issuers in the U.K. have issued cards that are not affiliated with the LINK network, and instead carry the Visa or MasterCard network brands. Transactions conducted on our ATMs from these cards, which currently represent less than 2% of our annual withdrawal transactions in the U.K., receive interchange fees that are set by Visa or MasterCard, respectively. The interchange rates set by Visa and MasterCard have historically been less than the rates that have been established by LINK. Accordingly, if any major financial institutions in the U.K. were to decide to leave the LINK network in favor of Visa or MasterCard, such a move could further reduce the interchange revenues that we receive from the related withdrawal transactions conducted on our ATMs in that market.

We operate in a changing and unpredictable regulatory environment. If we are subject to new legislation regarding the operation of our ATMs, we could be required to make substantial expenditures to comply with that legislation, which may reduce our net income and our profit margins.

With its initial roots in the banking industry, the U.S. ATM industry is regulated by the rules and regulations of the federal Electronic Funds Transfer Act, which establishes the rights, liabilities, and responsibilities of participants in EFT systems. The vast majority of states have few, if any, licensing requirements. However, legislation related to the U.S. ATM industry is periodically proposed at the state and local level. In past years, certain members of the U.S. Congress called for a re-examination of the interchange and surcharge fees that are charged for an ATM transaction, although no legislation was passed relative to that matter. As a part of the Dodd-Frank Act, the Consumer Financial Protection Bureau was created, and it is possible that this governmental agency could enact new or modify existing regulations that could have a direct or indirect impact on our business. For further discussion on this topic, see the risk factor below entitled: The passage of legislation banning or limiting the fees we receive for transactions conducted on our ATMs would severely impact our revenues.

The Americans with Disabilities Act ("ADA") requires that ATMs be accessible to and independently usable by individuals with disabilities, such as visually-impaired or wheel-chair bound persons. The U.S. Department of Justice has issued accessibility regulations under the ADA that became effective in March 2012. Leading up to this deadline, we took measures to achieve compliance with the ADA for our ATMs, which required us to upgrade and replace a portion of our ATM fleet. It is possible that future similar regulations may require us to make more substantial expenditures and we may be forced to replace and or stop operating such ATMs until such time as compliance has been achieved.

In the U.K., the ATM industry is largely self-regulating. Most ATMs in the U.K. are part of the LINK network and must operate under the network rules set forth by LINK, including complying with rules regarding required signage and screen messages. However, in March 2013, the U.K. Treasury department issued a formal recommendation to further regulate the U.K. payments industry, including LINK, the nation's formal ATM scheme. In October 2013, the U.K. government responded by establishing the new Payment Systems Regulator ("PSR") to oversee any payment system operating in the U.K. and its participants. The new PSR will become active in April 2015. We are currently uncertain of the effect the new regulator will have on LINK, its rules and its interchange rate setting process, or on our business.

In July 2013, the European Commission put forward a new draft directive (the "draft Directive") to regulate payment service providers operating in the European Union ("PSD2"). Broadly, PSD2 seeks to harmonize rules for the licensing of payment institutions and introduces certain common rules affecting all payment service providers (“PSPs”) throughout the European Union. The draft Directive sets out the rights and obligations of payment service users and PSPs together with transparency and security requirements to facilitate safe, efficient payment transactions. Whereas the current Payment Services Directive exempts independent ATM deployers, PSD2 (as currently drafted) will apply to businesses of this nature. The draft Directive is currently still in Committee stage in the European Parliament and has not yet been properly considered by the Council. At this time, we are uncertain what impact, if any, these proposed regulatory changes will have on our business.

We are also subject to various regulations in other jurisdictions that we operate in, including Germany, Mexico and Canada. Legislation proposed in any of the jurisdictions that we operate in, or adverse changes in the laws that we are subject to, may materially affect our business through the requirement of additional expenditures to comply with that legislation. We will continue to monitor all such legislation and attempt, to the extent possible, to prevent the passage of such laws that we believe are needlessly burdensome or unnecessary. If regulatory legislation is passed in any of the jurisdictions in which we operate, we could be required to make substantial expenditures which would reduce our net income.

On December 4, 2007, the U.S. District Court for the District of Massachusetts (“District Court”) granted final approval of a class action settlement agreement (“Settlement Agreement”) in regard to Civil Action No. 03-11206-NMG (the “Lawsuit”) wherein the National Federation of the Blind, the Commonwealth of Massachusetts, et. al. and certain individuals (“Class Members”) representing a class of similarly situated persons (collectively the "Plaintiffs") sought to require, among other things, that ATMs deployed by Cardtronics be voice-guided.

The parties subsequently had a number of disputes concerning performance of the Settlement Agreement by Cardtronics. The parties ultimately resolved these disputes through a revised agreement called a Remediation Plan, which was granted final approval by the Court on November 3, 2010. The Remediation Plan extended some of the deadlines in the Settlement Agreement and also obligated Cardtronics to install customized voice-guidance software on the vast majority of its owned machines by December 31, 2010.

On July 29, 2011, and again in August 2012, Plaintiffs moved for contempt sanctions, alleging that Cardtronics was not in compliance with the Settlement Agreement and Remediation Plan. On March 21, 2013, the Court issued an Order finding that contempt sanctions against Cardtronics were warranted, but stating further that the extent of Cardtronics’ violations remained to be ascertained. After extensive negotiations, and with the assistance of a Court-appointed Special Master, the parties have now entered into an Amended and Restated Class Action Settlement Agreement (“Proposed Amended Agreement”) to resolve all remaining disputes concerning Cardtronics’ alleged noncompliance with the Settlement Agreement and Remediation Plan. This Proposed Amended Agreement is subject to approval by the District Court, following a notice and comment period provided to the Class Members. A copy of the Proposed Amended Agreement is available on Cardtronics' website: http://www.cardtronics.com/about/legal.asp and the website of the National Federation of the Blind, Inc: https://nfb.org/images/nfb/documents/pdf/cardtronics_settlement_agreement.pdf. The net impact of the Proposed Amended Agreement will require us to incur costs to ensure compliance with the agreement, but it is not expected to have a material adverse impact on our financial results in the future. However, should we fail to comply with the terms of the Proposed Amended Agreement, we could incur significant costs, including penalties and fines.

Security breaches, including the occurrence of a cyber-incident or a deficiency in our cybersecurity, could harm our business by compromising merchant and cardholder information and disrupting our transaction processing services, thus damaging our relationships with our merchant customers and exposing us to liability.

As part of our transaction processing services, we electronically process and transmit cardholder information. In recent years, companies that process and transmit this information have been specifically and increasingly targeted by sophisticated criminal organizations in an effort to obtain the information and utilize it for fraudulent transactions. We also maintain a proprietary database of merchant customer profiles. The technical and procedural controls we and our partners use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data security breaches. The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers. Unauthorized access to our computer systems, or those of our third-party service providers, could result in the theft or publication of the information or the deletion or modification of sensitive records, and could cause interruptions in our operations. Any inability to prevent security breaches could damage our relationships with our merchant and financial institution customers, cause a decrease in transactions by individual cardholders, expose us to liability including claims for unauthorized purchases, and subject us to network fines. These claims also could result in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices. Further, a significant data security breach could lead to additional regulation, which could impose new and costly compliance obligations. Any material increase in our costs resulting from additional regulatory burdens being imposed upon us or litigation could have a material adverse effect on our operating revenues and profitability. We maintain insurance intended to cover some of these risks; however, this insurance may not be sufficient to cover all of our losses from any future breaches of our systems.

Computer viruses or unauthorized software (malware) could harm our business by disrupting our transaction processing services, causing noncompliance with network rules and damaging our relationships with our merchant customers, causing a decrease in transactions by individual cardholders.

Computer viruses or malware could infiltrate our systems, thus disrupting our delivery of services and making our applications unavailable. Although we utilize several preventative and detective security controls in our network, they may be ineffective in preventing computer viruses or malware that could damage our relationships with our merchant customers, cause a decrease in transactions by individual cardholders, or cause us to be in non-compliance with applicable network rules and regulations.

The ATM industry is highly competitive and such competition may increase, which may adversely affect our profit margins.

The ATM business is and can be expected to remain highly competitive. Our principal competition comes from independent ATM companies and financial institutions in all of the countries in which we operate. Our competitors could prevent us from obtaining or maintaining desirable locations for our devices, cause us to reduce the surcharge revenue generated by transactions at our devices, or cause us to pay higher merchant fees, thereby reducing our profits. In addition to our current competitors, additional competitors may enter the market. We can offer no assurance that we will be able to compete effectively against these current and future competitors. Increased competition could result in transaction fee reductions, reduced gross margins and loss of market share.

The passage of legislation banning or limiting the fees we receive for transactions conducted on our ATMs would severely impact our revenues.

Despite the nationwide acceptance of surcharge fees at ATMs in the U.S. since their introduction in 1996, consumer activists have from time to time attempted to impose local bans or limits on surcharge fees. Even in the few instances where these efforts have passed the local governing body (such as with an ordinance adopted by the city of Santa Monica, California), federal courts have overturned these local laws on federal preemption grounds. Although Section 1044 of the Dodd-Frank Act passed in July 2010 contains a provision that will limit the application of federal preemption with respect to state laws that do not discriminate against national banks, federal preemption will not be affected by local municipal laws, where such proposed bans or limits often arise. More recently, some federal officials have expressed concern that surcharge fees charged by banks and non-bank ATM operators are unfair to consumers. To that end, in 2010, an amendment proposing limits on the fees that ATM operators, including financial institutions, can charge consumers was introduced in the U.S. Senate, but was not ultimately included in the final version of the Dodd-Frank Act that was signed into law. Additionally, we rely on transaction based revenues in each of our international markets and any regulatory fee limits that could be imposed on our transactions may have an adverse impact on our revenues and profits. If legislation were to be enacted in the future in any of our markets, and the amount we were able to charge for consumers to use our ATMs was reduced, our revenues and related profitability would be negatively impacted. Furthermore, if such limits were set at levels that are below our current or future costs to operate our ATMs, it would have a material adverse impact on our ability to continue to operate under our current business model.

Potential new currency designs may require modifications to our ATMs that could severely impact our cash flows.

In that action styled: American Council of the Blind, et. al., v. Timothy F. Geithner, Secretary of the Treasury (Case #1:02-cv-00864) in the U.S. District Court for the District of Columbia (the "Court") an order was entered that found that U.S. currencies (as currently designed) violated the Rehabilitation Act, a law that prohibits discrimination in government programs on the basis of disability, as the paper currencies issued by the U.S. are identical in size and color, regardless of denomination. As a consequence of this ruling, the U.S. Treasury stated in its semi-annual status report filed with the Court in September 2012, that the Bureau of Engraving and Printing ("BEP") was making progress towards implementing the Secretary's decision to provide meaningful access to paper currency by: "(1) adding a raised tactile feature to each Federal Reserve note that the BEP may lawfully redesign; (2) continuing the BEP's program of adding large high-contrast numerals and different colors to each denomination that it may lawfully redesign; and (3) implementing a supplemental currency reader distribution program for blind and other visually impaired U.S. citizens and legal residents." Of these three steps only the first materially affects the ATM industry. In its 12th semi-annual status report dated September 16, 2014, the U.S. Treasury stated that the BEP expects to select the technology for the tactile feature in March 2015. Until that selection is made and until it is disclosed by the BEP, and how the tactile feature will be applied to the notes is disclosed by the BEP, what impact, if any, this raised tactile feature on the notes will have on the ATM industry (including us), remains unknown. However, it is possible that such a change could require us to incur additional costs, which could be substantial, to modify our ATMs in order to store and dispense notes with raised tactile features.

Risks associated with our business

We depend on ATM and financial services transaction fees for substantially all of our revenues, and our revenues and profits would be reduced by a decline in the usage of our ATMs and financial services kiosks or a decline in the number of devices that we operate, whether as a result of global economic conditions or otherwise.

Transaction fees charged to cardholders and their financial institutions for transactions processed on our ATMs and financial services kiosks, including surcharge and interchange transaction fees, have historically accounted for most of our revenues. We expect that transaction fees, including fees we receive through our bank branding and surcharge-free network offerings, will continue to account for a substantial majority of our revenues for the foreseeable future. Consequently, our future operating results will depend on many factors, including: (1) the market acceptance of our services in our target markets, (2) the level of transaction fees we receive, (3) our ability to install, acquire, operate, and retain more devices, (4) usage of our devices by cardholders, and (5) our ability to continue to expand our surcharge-free and other consumer financial services offerings. If alternative technologies to our services are successfully developed and implemented, we may experience a decline in the usage of our devices. Surcharge rates, which are largely market-driven and are negotiated between us and our merchant partners, could be reduced over time.

Further, growth in surcharge-free ATM networks and widespread consumer bias toward these networks could adversely affect our revenues, even though we maintain our own surcharge-free offerings. Many of our devices are utilized by consumers that frequent the retail establishments in which our devices are located, including convenience stores and gas stations, malls, grocery stores, drug stores, airports, and other large retailers. If there is a significant slowdown in consumer spending, and the number of consumers that frequent the retail establishments in which we operate our devices declines significantly, the number of transactions conducted on those devices, and the corresponding transaction fees we earn, may also decline. A decline in usage of our devices by cardholders or in the levels of fees received by us in connection with this usage, or a decline in the number of devices that we operate, would have a negative impact on our revenues and gross profits and would limit our future growth potential. For further discussion on interchange fees, see the risk factor above entitled Interchange fees, which comprise a substantial portion of our transaction revenues, may be lowered in some cases at the discretion of the various EFT networks through which our transactions are routed, or through potential regulatory changes, thus reducing our future revenues.

We derive a substantial portion of our revenue from devices placed with a small number of merchants. If one or more of our top merchants were to suffer a material deterioration of their business and cease doing business with us, or to substantially reduce its dealings with us, our revenues could decline.

For the year ended December 31, 2014, we derived 31% of our pro forma revenues from ATMs and financial services kiosks placed at the locations of our five largest merchant customers. Pro forma revenues are our actual total revenues for 2014 and the pro forma effect of the revenues from our acquisitions completed in 2014 for the entire year. For the year ended December 31, 2014, our top five merchants (based on our total revenues) were 7-Eleven, CVS, Walgreens, Speedway, and Pantry. Our contract with 7-Eleven in the United States, which is the single largest merchant customer in our portfolio, comprised approximately 17.5% of our pro forma revenues for the year ended December 31, 2014 and also accounts for a significant portion of our income. Accordingly, a significant percentage of our future revenues and operating income will be dependent upon the successful continuation of our relationship with 7-Eleven as well as our other top merchants.

The loss of any of our largest merchants or a decision by any one of them to reduce the number of our devices placed in their locations would result in a decline in our revenues. Furthermore, if their financial conditions were to deteriorate in the future, and as a result, one or more of these merchants was required to close a significant number of their store locations, our revenues would be significantly impacted. Additionally, these merchants may elect not to renew their contracts when they expire. As of December 31, 2014, the contracts we have with our top five merchants had a weighted average remaining life of 2.7 years, and our current contract with 7-Eleven expires in July 2017. We are currently in discussions with 7-Eleven regarding a potential contract term renewal or extension, but there can be no assurance that we will be successful in our efforts. Even if this contract or any other major contracts are extended or renewed, the renewal terms may be less favorable to us than the current contracts. If any of our largest merchants enters bankruptcy proceedings and rejects its contract with us, fails to renew its contract upon expiration, or if the renewal terms with any of them are less favorable to us than under our current contracts, it could result in a decline in our revenues and profits.

Deterioration in global credit markets, as well as changes in legislative and regulatory requirements, could have a negative impact on financial institutions that we conduct business with.

We have a significant number of customer and vendor relationships with financial institutions in all of our key markets, including relationships in which those financial institutions pay us for the right to place their brands on our devices. Additionally, we rely on a small number of financial institution partners to provide us with the cash that we maintain in our Company-owned devices and some of our merchant-owned ATMs. Volatility in the global credit markets, such as that experienced in 2008 to 2009, may have a negative impact on those financial institutions and our relationships with them. In particular, if the liquidity positions of the financial institutions with which we conduct business deteriorate significantly, these institutions may be unable to perform under their existing agreements with us. If these defaults were to occur, we may not be successful in our efforts to identify new branding partners and cash providers, and the underlying economics of any new arrangements may not be consistent with our current arrangements. Furthermore, if our existing bank branding partners or cash providers are acquired by other institutions with assistance from the Federal Deposit Insurance Corporation (“FDIC”), or placed into receivership by the FDIC, it is possible that our agreements may be rejected in part or in their entirety.

We rely on third-parties to provide us with the cash we require to operate many of our devices. If these third-parties were unable or unwilling to provide us with the necessary cash to operate our devices, we would need to locate alternative sources of cash to operate our devices or we would not be able to operate our business.

In the U.S., including Puerto Rico, we rely on Bank of America, Wells Fargo, Elan, and Capital One to provide us with the cash that we use in approximately 35,500 of our domestic devices where cash is not provided by the merchant. In the U.K., we rely on Santander and Barclays to provide us with the vault cash that we use in over 13,000 of our ATMs. We also rely on various third-parties to provide us with the vault cash used in our ATMs located in other international markets. Under our vault cash rental agreements with these providers, we pay a vault cash rental fee based on the total amount of vault cash that we are using at any given time. For the quarter ended December 31, 2014, we had an average balance of vault cash of $1.9 billion held in our domestic ATMs, $968.1 million in our ATMs in the U.K and Germany, and $103.7 million in our other international subsidiaries.

Under our vault cash rental agreements, at all times during this process, beneficial ownership of the cash is retained by the cash providers, and we have no access or right to the cash except for those ATMs that are serviced by Green Team or Sunwin, our wholly-owned armored courier operations in the U.K. While our armored courier operations have physical access to the cash loaded in those machines, beneficial ownership of that cash remains with the cash provider at all times.

Our existing vault cash rental agreements expire at various times through December 2017. However, each provider has the right to demand the return of all or any portion of its cash at any time upon the occurrence of certain events beyond our control, including certain bankruptcy events of us or our subsidiaries, or a breach of the terms of our cash provider agreements. Other key terms of our agreements include the requirement that the cash providers provide written notice of their intent not to renew. Such notice provisions typically require a minimum of 180 to 360 days' notice prior to the actual termination date. If such notice is not received, then the contracts will typically automatically renew for an additional one-year period. Additionally, our contract with one of our vault cash providers contains a provision that allows the provider to modify the pricing terms contained within the agreement at any time with 60 days prior written notice. However, in the event both parties do not agree to the pricing modifications, then either party may provide 180 days prior written notice of its intent to terminate.

If our vault cash providers were to demand return of their cash or terminate their arrangements with us and remove their cash from our devices, or if they fail to provide us with cash as and when we need it for our operations, our ability to operate our devices would be jeopardized, and we would need to locate alternative sources of vault cash. In the event this was to happen, the terms and conditions of the new or renewed agreements could potentially be less favorable to us, which would negatively impact our results of operations. Furthermore, restrictions on our access to cash to fill our devices could severely restrict our ability to keep our devices operating, and could subject us to performance penalties under our contracts with our customers.

We rely on EFT network providers, transaction processors, armored courier providers, and maintenance providers to provide services to our ATMs. If some of these providers that service a significant number of our ATMs fail or otherwise cease or no longer agree to provide their services, we could suffer a temporary loss of transaction revenues, incur significant costs or suffer the permanent loss of any contract with a merchant or financial institution affected by such disruption in service.

We rely on EFT network providers and have agreements with various transaction processors, armored courier providers, and maintenance providers. These providers enable us to provide card authorization, data capture, settlement, cash management and delivery, and maintenance services to our ATMs. Typically, these agreements are for periods of two or three years each. If we improperly manage the renewal or replacement of any expiring vendor contracts, or a key vendor fails or otherwise ceases to provide the services for which we have contracted and disruption of service to our ATMs occurs, our relationship with those merchants and financial institutions affected by the disrupted ATM service could suffer.

While we have more than one provider for each of the critical services that we rely on third-parties to perform, certain of these providers currently provide services to or for a significant number of our ATMs. Although we believe we would be able to transition these services to alternative service providers, this could be a time-consuming and costly process. In the event one of such service providers was unable to deliver services to us, we could suffer a significant disruption in our business, which could result in a material adverse impact to our financial results. Furthermore, any disruptions in service in any of our markets, whether caused by us or by third-party providers, may result in a loss of revenues under certain of our contractual arrangements that contain minimum service-level requirements.

If we, our transaction processors, our EFT networks or other service providers experience system failures, the products and services we provide could be delayed or interrupted, which would harm our business.

Our ability to provide reliable service largely depends on the efficient and uninterrupted operations of our EFT transaction processing platform, third-party transaction processors, telecommunications network systems, and other service providers. Accordingly, any significant interruptions could severely harm our business and reputation and result in a loss of revenues. Additionally, if any interruption is caused by us, especially in those situations in which we serve as the primary transaction processor, such interruption could result in the loss of the affected merchants and financial institutions, or damage our relationships with them. Our systems and operations and those of our transaction processors and our EFT network and other service providers could be exposed to damage or interruption from fire, natural disaster, unlawful acts, terrorist attacks, power loss, telecommunications failure, unauthorized entry, and computer viruses, among other things. We cannot be certain that any measures we and our service providers have taken to prevent system failures will be successful or that we will not experience service interruptions.

Our armored transport business exposes us to additional risks beyond those currently experienced by us in the ownership and operation of ATMs.

During 2008, we commenced our own armored courier operation in the U.K. which delivers cash to and collects residual cash from our ATMs in that market. Our acquisition of Sunwin in November of 2014 further expanded our armored courier operations in the U.K. As of December 31, 2014, we were providing armored courier services to over 9,500 of our ATMs in that market and we currently intend to further expand that operation to service additional ATMs. As a result of the acquisition of Sunwin, we now provide expanded cash transportation services for third-party customers. The armored transport business exposes us to significant risks, including the potential for cash-in-transit losses, employee theft, as well as claims for personal injury, wrongful death, worker's compensation, punitive damages, and general liability. While we seek to maintain appropriate levels of insurance to adequately protect us from these risks, there can be no assurance that we will avoid significant future claims or adverse publicity related thereto. Furthermore, there can be no assurance that our insurance coverage will be adequate to cover potential liabilities or that insurance coverage will remain available at costs that are acceptable to us. The availability of quality and reliable insurance coverage is an important factor in our ability to successfully operate this aspect of our operations. A loss claim for which insurance coverage is denied or that is in excess of our insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

Operational failures in our EFT transaction processing facilities could harm our business and our relationships with our merchant and financial institution customers.

An operational failure in our EFT transaction processing facilities could harm our business and damage our relationships with our merchant and financial institution customers. Damage or destruction that interrupts our transaction processing services could also cause us to incur substantial additional expense to repair or replace damaged equipment. We have installed back-up systems and procedures to prevent or react to such disruptions. However, a prolonged interruption of our services or network that extends for more than several hours (i.e., where our backup systems are not able to recover) could result in data loss or a reduction in revenues as our devices would be unable to process transactions. In addition, a significant interruption of service could have a negative impact on our reputation and could cause our present and potential merchant and financial institution customers to choose alternative service providers, as well as subject us to fines or penalties related to contractual service agreements.

Errors or omissions in the settlement of merchant funds could damage our relationships with our merchant customers and expose us to liability.

We are responsible for maintaining accurate bank account information for certain of our merchant customers and accurate settlements of funds into these accounts based on the underlying transaction activity. This process relies on precise and authorized maintenance of electronic records. Although we have controls in place to help ensure the safety and accuracy of our records, errors or unauthorized changes to these records could result in the erroneous or fraudulent movement of funds, thus damaging our relationships with our merchant customers and exposing us to liability.

Changes in interest rates could increase our operating costs by increasing interest expense under our credit facilities and our vault cash rental costs.

Interest on amounts borrowed under our revolving credit facility is based on a floating interest rate, and our vault cash rental expense is based primarily on floating interest rates. As a result, our interest expense and cash management costs are sensitive to changes in interest rates. We pay rental fees on the average amount of vault cash outstanding in our ATMs under floating rate formulas based on a spread above various LIBOR rates in the U.S., U.K., and Germany. In Mexico, we pay a monthly rental fee to one of our vault cash providers under a formula based on the Interbank Equilibrium Interest Rate (commonly referred to as the "TIIE") and in Canada, the rate is based on the Bankers Acceptance Rate. Although we currently hedge a portion of our vault cash interest rate risk related to our operations in the U.S. through December 31, 2018 by using interest rate swap agreements, we may not be able to enter into similar arrangements for similar amounts in the future. Furthermore, we have not currently entered into any derivative financial instruments to hedge our variable interest rate exposure in our international subsidiaries. Any significant future increases in interest rates could have a negative impact on our earnings and cash flow by increasing our operating costs and expenses. For additional information, see Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk, Interest Rate Risk.

We maintain a significant amount of cash within our Company-owned devices, which is subject to potential loss due to theft or other events, including natural disasters.

For the quarter ended December 31, 2014, there was an average of approximately $3.0 billion in vault cash held in our domestic and international ATMs. Any loss of cash from our ATMs is generally our responsibility. We typically require that our service providers, who either transport the cash or otherwise have access to the ATM safe, maintain adequate insurance coverage in the event cash losses occur as a result of theft, misconduct, or negligence on the part of such providers. Cash losses at the ATM occur in a variety of ways, such as natural disaster (hurricanes, tornadoes, etc.), fires, vandalism, and physical removal of the entire ATM, defeating the interior safe or by compromising the ATM's technology components. Because our ATMs are often installed at retail sites, they face exposure to attempts of theft and vandalism. Thefts of cash may be the result of an individual acting alone or as a part of a crime group. In recent periods, we have seen an increase in theft of cash from our ATMs across the geographic regions in which we operate. For instance, during the fourth quarter of 2013, in response to increased physical ATM theft attempts and lower profitability on certain ATMs in Mexico, we took a number of ATMs out of service for a period of time to enhance some security features. While we maintain insurance policies to cover a significant portion of any losses that may occur that are not covered by the insurance policies maintained by our service providers, such insurance coverage is subject to deductibles, exclusions and limitations that may leave us bearing some or all of those losses.

Any increase in the frequency and/or amounts of theft and other losses could negatively impact our operating results by causing higher deductible payments and increased insurance premiums. Additionally, any damage sustained to our merchant customers' store locations in connection with any ATM-related thefts, if extensive and frequent enough in nature, could negatively impact our relationships with those merchants and impair our ability to deploy additional ATMs in those existing or new locations of those merchants. Certain merchants have requested, and could request in the future, that we remove ATMs from store locations that have suffered damage as a result of ATM-related thefts, thus negatively impacting our financial results. Finally, we have in the past, and may in the future, voluntarily remove cash from certain ATMs on a temporary or permanent basis to mitigate further losses arising from theft or vandalism. Depending on the magnitude and duration of any cash removal, our revenues and profits could be materially and adversely affected.

The election of our merchant customers to not participate in our surcharge-free network offerings could impact the effectiveness of our offerings, which would negatively impact our financial results.

Financial institutions that are members of the Allpoint network pay a fee in exchange for allowing their cardholders to use selected Company-owned and/or managed ATMs on a surcharge-free basis. The success of the Allpoint network is dependent upon the participation by our merchant customers in that network. In the event a significant number of our merchants elect not to participate in that network, the benefits and effectiveness of the network would be diminished, thus potentially causing some of the participating financial institutions to not renew their agreements with us, and thereby negatively impacting our financial results.

We may be unable to integrate our future acquisitions in an efficient manner and inefficiencies would increase our cost of operations and reduce our profitability.

We have been an active business acquirer both in the U.S. and internationally, and expect to continue to be active in the future. The acquisition and integration of businesses involves a number of risks. The core risks are in the areas of valuation (negotiating a fair price for the business based on inherently limited due diligence) and integration (managing the complex process of integrating the acquired company’s personnel, products, processes, technology, and other assets so as to realize the projected value of the acquired company and the synergies projected to be realized in connection with the acquisition).

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of our combined businesses and the possible loss of key personnel. The diversion of management’s attention and any delays or difficulties encountered in connection with acquisitions and the integration of the companies’ operations could have an adverse effect on our business, results of operations, financial condition or prospects.

In addition, acquired businesses may not achieve anticipated revenues, earnings or cash flows. Any shortfall in anticipated revenues, earnings, or cash flows could require us to write down the carrying value of the intangible assets associated with any acquired company, which would adversely affect our reported earnings.

Since May 2001, we have acquired 26 ATM portfolios, a surcharge-free ATM network, a technology product offering that complements our surcharge-free offering, an ATM installation company in the U.K., a Scotland-based provider and developer of marketing and advertising software and services for ATM owners, and a U.K.-based provider of secure cash logistics, ATM maintenance, and manned guarding services. We have made acquisitions to obtain the assets of deployed ATM networks and the related businesses and their infrastructure, as well as for strategic reasons to enhance the capability of our ATMs and expand our service offerings. We currently anticipate that our future acquisitions, if any, will likely reflect a mix of asset acquisitions and acquisitions of businesses, with each acquisition having its own set of unique characteristics. In the future, we may acquire businesses outside of our traditional areas, which could introduce new risks and uncertainties. To the extent that we elect to acquire an existing company or the operations, technology, and the personnel of the company, we may assume some or all of the liabilities associated with the acquired company and face new and added challenges integrating such acquisition into our operations.

We completed three business acquisitions in 2014, five business acquisitions in 2013, and three business acquisitions in 2012. Any inability on our part to effectively manage the acquisition integration process could limit our ability to successfully grow the revenue and profitability of our business.

Our international operations, including any future international operations, involve special risks and may not be successful, which would result in a reduction of our gross and net profits.

As of December 31, 2014, approximately 17% of our devices were located in the U.K., Germany, Mexico, and Canada. Those devices contributed 27% of our gross profits (exclusive of depreciation, accretion, and amortization) for the year ended December 31, 2014. We expect to continue to expand in the countries in which we currently operate, and potentially into other countries as opportunities arise. However, our international operations are subject to certain inherent risks, including:

- exposure to currency fluctuations, including the risk that our future reported operating results could be negatively impacted by unfavorable movements in the functional currencies of our international operations relative to the U.S. dollar, which represents our consolidated reporting currency;
- difficulties in complying with the different laws and regulations in each country and jurisdiction in which we operate, including unique labor and reporting laws;
- unexpected changes in laws, regulations, and policies of foreign governments or other regulatory bodies, including changes that could potentially disallow surcharging or that could result in a reduction in the amount of interchange or other transaction-based fees that we receive;
- unanticipated political and social instability that may be experienced;
-

rising crime rates in certain of the areas we operate in, including increased incidents of crimes on our ATMs and against store personnel where our ATMs are located;
- difficulties in staffing and managing foreign operations, including hiring and retaining skilled workers in those countries in which we operate;
- decreased ATM usage related to decreased travel and tourism in the markets that we operate in, such as our ATMs in Mexico that are located in tourist destinations; and
- potential adverse tax consequences, including restrictions on the repatriation of foreign earnings.

Any of these factors could reduce the profitability and revenues derived from our international operations and international expansion. For example, in 2013, as a result of a change in approach by the U.K. governmental entity that oversees property tax valuations and assessments, we recorded additional estimated property tax expense of $8.7 million related to some of our ATM sites, most of which related to periods prior to 2013, even though we previously had no obligation to report or remit such taxes.

We derive a significant portion of our revenues and profits from branding relationships with financial institutions. A decline in these revenues as a result of changes in financial institution demand for this service may have a significant negative impact to our results.

In 2014, we received notice from one of our largest branding partners, Chase, of their intention not to renew or extend a number of ATM branding contracts with us. To the extent we are unable to find alternate branding partners for these locations or additional financial institutions do not renew their contracts with us, and we are unable to rebrand those locations, a decline in our branded ATM locations could have a significant impact to our financial results.

During the financial crisis of 2008 and 2009, an unprecedented amount of consolidation unfolded within the U.S. banking industry. For example, Washington Mutual, which had over 950 ATMs branded with us, was acquired by JPMorgan Chase, an existing branding customer of ours, in 2008. In 2009, Sovereign Bank, which currently has over 1,150 ATMs branded with us, was acquired by Banco Santander, one of the largest banks in Europe. Although our branding contracts were largely unaffected by these transactions, we cannot provide assurance that they will remain unaffected by future consolidations that may occur within the banking industry, and in particular, with our branding partners.

If we experience impairments of our goodwill or other intangible assets, we will be required to record a charge to earnings, which may be significant.

We have a large amount of goodwill and other intangible assets and are required to perform periodic assessments for any possible impairment for accounting purposes. As of December 31, 2014, we had goodwill and other intangible assets of $689.5 million, or 55% of our total assets. During the year ended December 31, 2014, we added $200.1 million in goodwill and intangible assets associated with the acquisition of three businesses in the year. We periodically evaluate the recoverability and the amortization period of our intangible assets under accounting principles generally accepted in the U.S. ("U.S. GAAP"). Some of the factors that we consider to be important in assessing whether or not impairment exists include the performance of the related assets relative to the expected historical or projected future operating results, significant changes in the manner of our use of the assets or the strategy for our overall business, and significant negative industry or economic trends. These factors and assumptions, and any changes in them, could result in an impairment of our goodwill and other intangible assets. In the event we determine our goodwill or amortizable intangible assets are impaired, we may be required to record a significant charge to earnings in our financial statements, which would negatively impact our results of operations and that impact could be material. For example, during the year ended December 31, 2008, we recorded a $50.0 million goodwill impairment charge related to our U.K. operations. Other impairment charges in the future may also adversely affect our results of operations.

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business, remain in compliance with debt covenants, and make payments on our indebtedness.

As of December 31, 2014, our outstanding indebtedness was $612.7 million, which represents 68.1% of our total book capitalization of $899.2 million. Our substantial indebtedness could have important consequences. For example, it could:

· make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including financial and other restrictive covenants, could result in an event of default under the indentures governing our senior subordinated notes and the agreements governing our other indebtedness;
· require us to dedicate a substantial portion of our cash flow in the future to pay principal and interest on our debt, which will reduce the funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes;
· limit our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
· make us more vulnerable to adverse changes in general economic, industry and competitive conditions, and adverse changes in government regulation; and
· limit our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy, research and development costs, or other purposes.

Any of these factors could materially and adversely affect our business and results of operations. If we do not have sufficient earnings to service our debt, we may be required to refinance all or part of our existing debt, sell assets, borrow more money, or sell securities, none of which we can guarantee we will be able to do.

The terms of our credit agreement and the indentures governing our senior notes may restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions.

Our credit agreement and the indentures governing our senior notes include a number of covenants that, among other items, restrict or limit our ability to:

- sell or transfer property or assets;
- pay dividends on or redeem or repurchase stock;
- merge into or consolidate with any third-party;
- create, incur, assume, or guarantee additional indebtedness;
- create certain liens;
- make investments;
- engage in transactions with affiliates;
- issue or sell preferred stock of restricted subsidiaries; and
- enter into sale and leaseback transactions.

In addition, we are required by our credit agreement to adhere to certain covenants and maintain specified financial ratios. While we currently have the ability to borrow the full amount available under our credit agreement, as a result of these ratios, we may be limited in the manner in which we conduct our business in the future and may be unable to engage in favorable business activities or finance our future operations or capital needs. Accordingly, these restrictions may limit our ability to successfully operate our business and prevent us from fulfilling our debt obligations. A failure to comply with the covenants or financial ratios could result in an event of default. In the event of a default under our credit agreement, the lenders could exercise a number of remedies, some of which could result in an event of default under the indentures governing the senior notes. An acceleration of indebtedness under our credit agreement would also likely result in an event of default under the terms of any other financing arrangement we have outstanding at the time. If any or all of our debt were to be accelerated, we cannot assure you that our assets would be sufficient to repay our indebtedness in full. If we are unable to repay any amounts outstanding under our bank credit facility when due, the lenders will have the right to proceed against the collateral securing our indebtedness. For additional information about our credit agreement and indentures, see Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Financing Facilities.

The fundamental change and make-whole fundamental change provisions associated with our convertible notes may delay or prevent an otherwise beneficial takeover attempt of us.

The fundamental change purchase rights, which will allow holders of our convertible notes to require us to purchase all or a portion of their notes upon the occurrence of a fundamental change, and the provisions requiring an increase to the conversion rate for conversions in connection with certain other circumstances may delay or prevent a takeover of us or the removal of current management that might otherwise be beneficial to investors.

We may not have the ability to raise the funds necessary to pay the amount of cash due upon conversion of the convertible notes, if relevant, or upon the occurrence of a fundamental change as described in our convertible indentures, and our debt may contain limitations on our ability to pay cash upon conversion or required purchase of the convertible notes.

Upon the occurrence of a fundamental change, holders of our convertible notes may require us to purchase, for cash, all or a portion of their convertible notes at a fundamental change purchase price specified within the convertible note indentures. There can be no assurance that we will have sufficient financial resources, or will be able to arrange financing, to pay the fundamental change purchase price if holders submit their convertible notes for purchase by us upon the occurrence of a fundamental change or to pay the amount of cash (if any) due if holders surrender their convertible notes for conversion. In addition, the occurrence of a fundamental change may cause an event of default under agreements governing our or our subsidiaries' indebtedness. Agreements governing any future debt may also restrict our ability to make any of the required cash payments even if we have sufficient funds to make them. Furthermore, our ability to purchase the convertible notes or to pay cash (if any) due upon the conversion of the convertible notes may be limited by law or regulatory authority. In addition, if we fail to purchase the convertible notes or to pay the amount of cash (if any) due upon conversion of the convertible notes, we will be in default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which in turn may result in the acceleration of other indebtedness we may then have. If the repayment of the other indebtedness were to be accelerated, we may not have sufficient funds to repay that indebtedness and to purchase the convertible notes or to pay the amount of cash (if any) due upon conversion.

Noncompliance with established EFT network rules and regulations could expose us to fines and penalties and could negatively impact our results of operations. Additionally, new EFT network rules and regulations could require us to expend significant amounts of capital to remain in compliance with such rules and regulations.

Our transactions are routed over various EFT networks to obtain authorization for cash disbursements and to provide account balances. These networks include Star, Pulse, NYCE, Cirrus (MasterCard), and Plus (Visa) in the U.S.; LINK in the U.K.; Promoción y Operación S.A. de C.V. ("PROSA-RED") in Mexico; Interac in Canada; and Girocard in Germany. EFT networks set the interchange fees that they charge to the financial institutions, as well as the amounts paid to us. Additionally, EFT networks, including MasterCard and Visa, establish rules and regulations that ATM providers, including ourselves, must comply with in order for member cardholders to use those ATMs. Failure to comply with such rules and regulations could expose us to penalties and/or fines, which could negatively impact our financial results. For example, in the U.K. and Canada, MasterCard and Visa require compliance with the EMV security standard. This standard provides for the security and processing of information contained on microchips imbedded in certain debit and credit cards, known as "smart cards."

In 2012, MasterCard announced plans for a liability shift from the issuers of EMV-enabled cards to the party that has not made the investment in EMV equipment (acquirer) for fraudulent counterfeit card Maestro cross-border transactions in the U.S. MasterCard's liability shift on International Maestro (MasterCard) transactions occurred in April 2013, and while the majority of our U.S. ATMs are not currently EMV-compliant, we do not expect this liability shift to have a significant impact on our business or results as International Maestro transactions currently comprise less than 1% of our U.S. transaction volume. As of the Maestro liability shift date, we have implemented additional fraud monitoring methods to minimize fraud losses. To date, we have seen minimal fraud losses. In February 2013, Visa announced plans for a liability shift to occur in October 2017 for all transactions types on domestic or international EMV-issued cards in the U.S. MasterCard has also announced that a liability shift for its domestic ATM transactions on EMV-issued cards will occur in October 2016. At this time, neither MasterCard nor Visa are requiring mandatory upgrades to ATM equipment; however, all of our recent ATM deployments have been with ATMs that are EMV-ready and we plan to upgrade the majority of our U.S. fleet in advance of the October 2016 MasterCard liability shift date for domestic transactions. At this time, through a combination of ordinary replacement of equipment, routine scheduled maintenance visits to our ATMs, and evolving technology to meet compliance, we do not expect the U.S. EMV standard, being driven by MasterCard- and Visa-announced liability shifts, to have a major impact on our financial results and capital expenditure requirements. We have already commenced our plan to make our U.S. fleet EMV-compliant and currently estimate that the incremental potential cost to make our entire current Company-owned U.S. ATM fleet, inclusive of recent acquisitions, fully compliant with the EMV standard is approximately $40 million to $50 million, a portion of which was incurred during 2014. With the increased capital investments required as a direct result of EMV, our depreciation expense may increase in the future. Additionally, there is a possibility that we could incur asset write-offs or accelerated depreciation expense on certain ATM units. We also may experience a higher rate of unit count attrition for our merchant-owned ATMs in the future as a result of this standard.

The majority of the electronic debit networks over which our transactions are conducted require sponsorship by a bank, and the loss of any of our sponsors may cause disruptions to our operations.

In each of the geographic segments in which we operate, bank sponsorship is required in order to process transactions over certain networks. In the U.S., our largest geographic segment by revenues, bank sponsorship is required on the significant majority of our transactions and we primarily rely on one sponsor bank for access to the applicable networks, and, in lesser part, on two other sponsor banks. In our U.K. segment, only international transactions require bank sponsorship. In Mexico, all ATM transactions require bank sponsorship, which is currently provided by our banking partners in the country. In Canada and Germany, bank sponsorships are also required and are obtained through our relationships with third-party processors. If our current sponsor banks decide to no longer provide this service, or are no longer financially capable of providing this service as may be determined by certain networks, it may be difficult to find an adequate replacement at a cost similar to what we incur today, or potentially, we could incur a temporary service disruption for certain transactions in the event we lose or do not retain bank sponsorship, which may negatively impact our profitability.

If we lose key personnel or are unable to attract additional qualified personnel as we grow, our business could be adversely affected.

We are dependent upon the ability and experience of a number of key personnel who have substantial experience with our operations, the rapidly changing automated consumer financial services industry, and the geographical segments in which we operate. It is possible that the loss of the services of one or a combination of several of our senior executives would have an adverse effect on our operations. Our success also depends on our ability to continue to attract, manage, and retain other qualified management, as well as technical and operational personnel as we grow. We may not be able to continue to attract and retain such personnel in the future, which could adversely impact our business.

We are subject to laws and regulations worldwide, changes to which could increase our costs and individually or in the aggregate adversely affect our business.

We currently conduct a portion of our business outside the U.S. Thus, we are subject to a number of laws and regulations which affect our international operations in a number of areas. These foreign laws and regulations affect our business including, but not limited to, areas of labor, advertising, consumer protection, real estate, billing, e-commerce, promotions, quality of services, intellectual property ownership and infringement, tax, import and export requirements, anti-corruption, foreign exchange controls and cash repatriation restrictions, data privacy requirements, anti-competition, environmental, health, and safety.

Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation could have a material adverse effect on our business, financial condition and results of operations. We have implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that our employees, contractors, or agents will not violate such laws and regulations or our policies and procedures.

We operate in several jurisdictions and we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and other similar anti-corruption laws.

Our business operations in countries outside the U.S. are subject to anti-corruption laws and regulations, including restrictions imposed by the U.S. Foreign Corrupt Practices Act ("FCPA"). The FCPA and similar anti-corruption laws in other jurisdictions, such as the U.K. Bribery Act, generally prohibit companies and their intermediaries from paying or promising to pay government officials, political parties, or political party officials for the purpose of obtaining, retaining, influencing, or directing business. We operate in parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, compliance with anti-corruption laws may conflict with local customs and practices.

Our employees and agents may interact with government officials on our behalf, including interactions necessary to obtain licenses and other regulatory approvals necessary to operate our business, import or export equipment and resolve tax disputes. These interactions create a risk that actions may occur that could violate the FCPA or other similar laws.

Although we have implemented policies and procedures designed to ensure compliance with local laws and regulations as well as U.S. laws and regulations, including the FCPA, there can be no assurance that all of our employees, consultants, contractors and agents will abide by our policies. If we are found to be liable for violations of the FCPA or similar anti-corruption laws in international jurisdictions, either due to our own acts or out of inadvertence, or due to the acts or inadvertence of others, we could suffer from criminal or civil penalties which could have a material and adverse effect on our business, results of operations, financial condition, and cash flows.

Risks associated with our common stock

Our operating results have fluctuated historically and could continue to fluctuate in the future, which could affect our ability to maintain our current market position or expand.

Our operating results have fluctuated in the past and may continue to fluctuate in the future as a result of a variety of factors, many of which are beyond our control, including the following:

- changes in general economic conditions and specific market conditions in the ATM and financial services industries;
- changes in payment trends and offerings in the markets in which we operate;
- changes in consumers' preferences for cash as a payment vehicle;
- competition from other companies providing the same or similar services that we offer;
- the timing and magnitude of operating expenses, capital expenditures, and expenses related to the expansion of sales, marketing, and operations, including as a result of acquisitions, if any;
- the timing and magnitude of any impairment charges that may materialize over time relating to our goodwill, intangible assets or long-lived assets;
- changes in the general level of interest rates in the markets in which we operate;
- changes in regulatory requirements associated with the ATM and financial services industries;
- changes in the mix of our current services;
- changes in the financial condition and credit risk of our customers; and
- changes in the financial condition and operational execution of our key vendors and service providers.

Any of the foregoing factors could have a material adverse effect on our business, results of operations, and financial condition. Although we have experienced revenue growth in recent years, this growth rate is not necessarily indicative of future operating results. A relatively large portion of our expenses are fixed in the short-term, particularly with respect to personnel expenses, depreciation and amortization expenses, and interest expense. Therefore, our results of operations are particularly sensitive to fluctuations in revenues. As such, comparisons to prior periods should not be relied upon as indications of our future performance.

We may issue additional shares of our common stock or instruments convertible into shares of our common stock, which may materially and adversely affect the market price of our common stock and the trading price of our convertible notes.

We may conduct future offerings of our common stock, preferred stock or other securities convertible into our common stock to fund acquisitions, finance operations or for general corporate purposes. In addition, we may also issue common stock under our equity awards programs. The market price of shares of our common stock or the trading price of the convertible notes could decrease significantly if we conduct such future offerings, if any of our existing stockholders sells a substantial amount of our common stock or if the market perceives that such offerings or sales may occur. Moreover, any issuance of additional common stock will dilute the ownership interest of our existing common stockholders, and may adversely affect the ability of holders of the notes to participate in any appreciation of our common stock.

The accounting method for convertible debt securities that may be settled in cash could have a material effect on our reported financial results.

Under U.S. GAAP, an entity must separately account for the debt component and the embedded conversion option of convertible debt instruments that may be settled entirely or partially in cash upon conversion, such as our convertible notes, in a manner that reflects the issuer's economic interest cost. The effect of the accounting treatment for such instruments is that the value of such embedded conversion option is treated as an original issue discount for purposes of accounting for the debt component of the convertible notes, and that original issue discount is amortized into interest expense over the term of the convertible notes using an effective yield method. As a result, we were initially required to record a greater amount of non-cash interest expense as a result of the amortization of the original issue discount to the convertible notes' face amount over the term of the notes and as a result of the amortization of the debt issuance costs. Accordingly, we will report lower net income in our financial results because of the recognition of both the current period's amortization of the debt discount and the convertible notes' coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the convertible notes.

Under certain circumstances, convertible debt instruments that may be settled entirely or partially in cash are evaluated for their impact on earnings per share utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the notes are accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be certain that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the notes, then our diluted earnings per share could be adversely affected.

In addition, if the conditional conversion feature of the notes is triggered, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located at 3250 Briarpark Drive, Suite 400, Houston, Texas 77042, and our telephone number is (832) 308-4000. We lease approximately 62,249 square feet of space under our Houston headquarters office leases. In addition, we lease approximately 44,258 square feet of office and warehouse space in north Houston. Furthermore, we lease approximately 26,751 square feet in Frisco, Texas, where we manage our EFT transaction processing operations. We also lease spaces in Whippany, New Jersey; Minnetonka, Minnesota; Portland, Oregon; Rohnert Park, California; Chandler, Arizona; Peoria, Illinois and St. Louis, Missouri, where we maintain several regional offices. Finally, we lease office space in Bethesda, Maryland, where we manage our Allpoint network operations.

In addition to our domestic office space, we lease office and storage spaces in the foreign countries in which we operate. In the U.K., we lease office spaces in Hatfield, England, for our ATM operations and in Dundee, Scotland, for our i-design operations. Additionally, we lease spaces in various locations throughout the U.K. to support our cash-in-transit operations and other business activities. In Mexico, we lease office and warehouse space in Mexico City. In Canada, we lease office space in Lethbridge, Alberta and Ottawa, Ontario. In Germany, we lease office space in Trier.

Our facilities are leased pursuant to operating leases for various terms and we believe they are adequate for our current use. We believe that our leases are at competitive or market rates and do not anticipate any difficulty in leasing suitable additional space upon expiration of our current lease terms.

ITEM 3. LEGAL PROCEEDINGS

For a description of our material pending legal and regulatory proceedings and settlements, see Part II, Item 8. Financial Statements and Supplementary Data, Note 17, Commitments and Contingencies – Legal Matters.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock trades on The NASDAQ Global Select Market under the symbol "CATM." As of February 20, 2015, there were 46 stockholders of record of our common stock, excluding an indeterminate number of beneficial holders whose shares may be held of record at brokerage and clearing agencies.

Quarterly Stock Prices. The following table reflects the quarterly high and low sales prices for our common stock as reported on The NASDAQ Stock Market LLC:

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	High	Low
2014		
Fourth Quarter	$ 40.00	$ 33.04
Third Quarter	39.42	31.38
Second Quarter	39.41	28.03
First Quarter	44.00	36.97
2013		
Fourth Quarter	$ 44.46	$ 35.46
Third Quarter	38.16	27.36
Second Quarter	30.00	26.29
First Quarter	28.46	23.13

Dividend Information. We have historically not paid, nor do we anticipate paying, dividends with respect to our common stock. For information on restrictions on our ability to pay dividends, see Item 8. Financial Statements and Supplementary Data, Note 10, Long-Term Debt and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Financing Facilities.

Stock Performance Graph. The following graph compares the five-year total return to holders of Cardtronics Inc.'s common stock, the NASDAQ Composite index (the "Index"), and a customized peer group of 14 companies that includes: (i) ACI Worldwide, Inc. (ACIW), (ii) Acxiom Corporation (ACXM), (iii) CSG Systems International, Inc. (CSGS), (iv) Earthlink Inc. (ELNK), (v) Euronet Worldwide, Inc. (EEFT), (vi) Fair Isaac Corp. (FICO), (vii) Global Cash Access Holdings, Inc. (GCA), (viii) Global Payments, Inc. (GPN), (ix) Jack Henry & Associates, Inc. (JKHY),

(x) NeuStar, Inc. (NSR), (xi) Outerwall, Inc. (OUTR), (xii) Sapient Corp. (SAPE), (xiii) SS&C Technologies Holdings, Inc. (SSNC), and (xiv) WEX, Inc. (WEX) (collectively, the “Peer Group”). We selected the Peer Group companies because they are publicly traded companies that: (i) have the same Global Industry Classification Standard classification, (ii) generate a similar amount of revenues, (iii) have similar market values, and (iv) provide services that are similar to the services we provide.

The performance graph was prepared based on the following assumptions: (i) $100 was invested in our common stock, in our Peer Group and the Index on December 31, 2009; (ii) investments in the Peer Group were weighted based on the returns of each individual company within the group according to their market capitalization at the beginning of the period; and (iii) dividends were reinvested on the relevant payment dates. The stock price performance included in this graph is historical and not necessarily indicative of future stock price performance.

The following graph and related information shall not be deemed “soliciting material” or “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Exchange Act, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

	12/09	12/10	12/11	12/12	12/13	12/14
Cardtronics Inc.	$ 100.00	$ 160.04	$ 244.67	$ 214.65	$ 392.86	$ 348.82
NASDAQ Composite	$ 100.00	$ 117.61	$ 118.70	$ 139.00	$ 196.83	$ 223.74
Peer Group	$ 100.00	$ 114.36	$ 119.79	$ 141.15	$ 211.94	$ 220.12

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers. The following table provides information about purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the quarter ended December 31, 2014:

The following table provides information about purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the three months ended September 30, 2013:3

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program	Approximate Dollar Value that may Yet be Purchased Under the Plan or Program (3)
October 1 – 31, 2014	—	$ —	—	$ —
November 1 – 30, 2014	9,467	$ 38.30	—	$ —
December 1 – 31, 2014	2,841	$ 38.50	—	$ —

(1) Represents shares surrendered to us by participants in our 2007 Stock Incentive Plan to settle the participants' personal tax liabilities that resulted from the lapsing of restrictions on shares awarded to the participants under the 2007 Stock Incentive Plan.

(2) The price paid per share was based on the average high and low trading prices of our common stock on the dates on which we repurchased shares from the participants under our 2007 Stock Incentive Plan or in the open market.

(3) In connection with the lapsing of the forfeiture restrictions on restricted shares granted by us under our 2007 Stock Incentive Plan, which was adopted in December 2007 and expires in December 2017, we permitted employees to sell a portion of their shares to us in order to satisfy their tax liabilities that arose as a consequence of the lapsing of the forfeiture restrictions. In future periods, we may not permit individuals to sell their shares to us in order to satisfy such tax liabilities. Since the number of restricted shares that will become unrestricted each year is dependent upon the continued employment of the award recipients, we cannot forecast either the total amount of such securities or the approximate dollar value of those securities that we might purchase in future years as the forfeiture restrictions on such shares lapse.

Unregistered Sales of Equity Securities. None that have not previously been reported on a current report on Form 8-K.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data derived from our consolidated financial statements. As a result of acquisitions of businesses during the years presented below, our financial results are not comparable in all periods. Additionally, these selected historical results are not necessarily indicative of results to be expected in the future.

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except share and per share information and number of ATMs)				
Consolidated Statements of Operations Data:					
Revenues and Income:					
Total revenues	$ 1,054,821	$ 876,486	$ 780,449	$ 624,576	$ 532,078
Income from operations (1)	104,639	82,601	90,507	77,275	66,263
Net income (2)	35,194	20,647	43,262	70,146	41,133
Net income attributable to controlling interests and available to common stockholders (2)	37,140	23,816	43,591	70,233	40,959
Per Share Data:					
Basic net income per common share (2)	$ 0.83	$ 0.52	$ 0.97	$ 1.60	$ 0.98
Diluted net income per common share (2)	$ 0.82	$ 0.52	$ 0.96	$ 1.58	$ 0.96
Basic weighted average shares outstanding	44,338,408	44,371,313	43,469,175	42,201,491	40,347,194
Diluted weighted average shares outstanding	44,867,304	44,577,635	43,875,332	42,886,780	41,059,381
Consolidated Balance Sheets Data:					
Total cash and cash equivalents	$ 31,875	$ 86,939	$ 13,861	$ 5,576	$ 3,189
Total assets	1,255,790	1,056,203	768,892	712,801	455,315
Total long-term debt and capital lease obligations, including current portion (3)	612,697	490,514	354,819	370,949	254,833
Total stockholders’ equity	286,535	247,114	148,804	113,145	44,254
Consolidated Statements of Cash Flows Data:					
Cash flows from operating activities	$ 188,553	$ 183,557	$ 136,388	$ 113,325	$ 105,168
Cash flows from investing activities	(336,881)	(266,740)	(113,764)	(234,454)	(50,652)
Cash flows from financing activities	99,248	154,988	(14,084)	123,532	(62,150)
Operating Data (Unaudited):					
Total number of ATMs (at period end):					
ATM operations	78,217	66,984	56,395	48,105	33,116
Managed services	31,989	13,610	6,365	4,781	3,854
Total number of ATMs (at period end)	110,206	80,594	62,760	52,886	36,970

Total transactions (excluding managed services)	1,040,241	860,062	704,809	516,564	413,780
Total cash withdrawal transactions (excluding managed services)	617,419	521,282	443,312	318,615	253,890

(1) The year ended December 31, 2013 includes $8.7 million in nonrecurring property tax expense related to a change in assessment methodology in the U.K. Additionally, $18.1 and $15.4 million in acquisition-related costs were included in the results for the years ended December 31, 2014 and 2013, respectively

(2) The year ended December 31, 2013 includes $13.8 million in income tax expense related to the restructuring of our U.K. business. The years ended December 31, 2011, and 2010 include $37.0, and $27.2 million, respectively, in income tax benefits. The income tax benefit in 2011 related to a tax reporting change that was implemented in our U.K. operations, and the benefit in 2010 related to the reversal of previously-established valuation allowances on our domestic deferred tax assets. Additionally, 2010 includes a pre-tax charge of approximately $14.5 million related to certain charges associated with the refinancing of our outstanding debt obligations.

(3) Our long-term debt as of December 31, 2014 consists of outstanding borrowings under our revolving credit facility, our senior fixed rate notes, and our convertible notes that were issued in November 2013. The convertible notes are shown on our Consolidated Balance Sheet at a carrying value of $225.4 million as of December 31, 2014, which represents the principal balance of $287.5 million less the unamortized discount of $62.1 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that are based on management's current expectations, estimates, and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements. Known material factors that could cause our actual results to differ from those in the forward-looking statements are those we discuss under Part I, Item 1A. Risk Factors. Additionally, you should read the following discussion together with the financial statements and the related notes included in Item 8. Financial Statements and Supplementary Data.

Our discussion and analysis includes the following topics:

- Strategic Outlook
- Developing Trends in the ATM and Financial Services Industry
- Recent Events
- Components of Revenues, Cost of Revenues, and Expenses
- Results of Operations
- Non-GAAP Financial Measures
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates
- New Accounting Pronouncements Issued but Not Yet Adopted
- Commitments and Contingencies

Strategic Outlook

Over the past several years, we have expanded our operations both domestically and internationally through acquisitions, continued to deploy ATMs in high-traffic locations under contracts with well-known retailers, expanded our relationships with leading financial institutions through growth of our Allpoint surcharge-free ATM network and bank branding programs, and made strategic acquisitions and investments to expand new product offerings and capabilities of our ATMs.

We have completed several acquisitions since 2011, including the acquisitions of: (1) eight domestic ATM operators, expanding our fleet in both multi-unit regional retail chains and individual merchant ATM locations in the U.S. by approximately 57,950 ATMs, (2) two Canadian ATM operators for a total of approximately 1,400 ATMs, which allowed us to enter into and expand our international presence in Canada, and (3) Cardpoint in August 2013, which further expanded our U.K. ATM operations by approximately 7,100 ATMs and also allowed us to enter into the German market with approximately 800 ATMs. In addition to ATM acquisitions, we have also made strategic acquisitions including (1) LocatorSearch in August 2011, a domestic leading provider of location search technology deployed by financial institutions to help customers and members find the nearest, most appropriate and convenient ATM location based on the service they seek, (2) i-design group plc ("i-design") in March 2013, which is a Scotland-based provider and developer of marketing and advertising software and services for ATM operators and (3) Sunwin in 2014, a U.K. based provider of secure cash logistics, ATM maintenance, and other services.

While we will continue to explore potential acquisition opportunities in the future as a way to grow our business, we also expect to continue launching new products and services that will allow us to further leverage our existing ATM and financial services kiosk network. In particular, we see opportunities to expand our operations through the following:

- increase our number of deployed devices with existing as well as new merchant relationships
- expand our relationships with leading financial institutions
- work with non-traditional financial institutions and card issuers to further leverage our extensive ATM and financial services kiosk network
- increase transaction levels at our existing locations
- develop and provide additional services at our existing ATMs
- pursue additional managed services opportunities
- pursue international growth opportunities

For additional discussion of each of our strategic points above, see Part I, Item 1. Business – Our Strategy.

Developing Trends in the ATM and Financial Services Industry

Increase in Surcharge-Free Offerings. Many U.S. retail banks are aggressively competing for market share, and part of their competitive strategy is to increase their number of customer touch points, including the establishment of an ATM network to provide convenient, surcharge-free access to cash for their customers. While owning a large ATM network would be a key strategic asset for a bank, we believe it would be uneconomical for all but the largest banks to build and operate an extensive ATM network. Bank branding of ATMs and participation in surcharge-free networks allow financial institutions to rapidly increase surcharge-free ATM access for their customers at substantially lower cost than building their own ATM networks. These factors have led to an increase in bank branding and participation in surcharge-free networks, and we believe that there will be continued growth in such arrangements.

Increase in Usage of Stored-Value Prepaid Debit Cards. In the U.S., we have seen a proliferation in the issuance and acceptance of stored-value prepaid debit cards as a means for consumers to access their cash and make routine retail purchases. Based on published studies, the value loaded on stored-value prepaid cards such as open loop network-branded money and financial services cards, payroll and benefit cards and social security cards, is expected to increase in the next few years.

We believe that our network of ATMs and financial services kiosks, located in well-known retail establishments throughout the U.S., provides a convenient and cost-effective way for holders of such cards to access their cash and potentially conduct other financial services transactions. Furthermore, through our Allpoint network, we partner with financial institutions that issue and sponsor stored-value prepaid debit card programs on behalf of corporate entities and governmental organizations, and we are able to provide holders of such cards convenient, surcharge-free access to their cash. We believe that the number of prepaid cards being issued and in circulation has increased significantly over the last couple of years and represents a significant portion of the year-over-year withdrawal transaction count gains that we have seen in the U.S.

Growth in Other Automated Consumer Financial Services. Approximately 75% of all ATM transactions in the U.S. are cash withdrawals, with the remainder representing other basic banking functions such as balance inquiries, transfers, and deposits. We believe that there are opportunities for a large non-bank ATM operator to provide additional financial services to customers, such as check cashing, remote deposit capture, money transfer, bill payment services, and stored-value card reload services through self-service kiosks. These additional consumer financial services could result in additional revenue streams for us and could ultimately result in increased profitability. However, it would require additional capital expenditures on our part to offer these services more broadly than we currently do.

Managed Services. While many banks own significant networks of ATMs that serve as extensions of their branch networks and increase the level of service offered to their customers, large ATM networks are costly to operate and typically do not provide significant revenue for banks and smaller financial institutions. Similarly, there are retailers that own their own network of ATMs for added services to their customers. Operating a network of ATMs is not a core competency for the majority of banks or other financial institutions and for retailers; therefore, we believe there is an opportunity for a large non-bank ATM and financial services kiosk operator such as ourselves, with lower costs and an established operating history, to contract with financial institutions and retailers to manage their ATM networks. Such an outsourcing arrangement could reduce a financial institution's operational costs while extending their customer service. Additionally, we believe there are opportunities to provide selected services on an outsourced basis, such as transaction processing services, to other independent owners and operators of ATMs and financial services kiosks.

Growth in International Markets. In most regions of the world, ATMs are less common than in the U.S. We believe the ATM industry will grow faster in certain international markets, as the number of ATMs per capita in those markets increases and begins to approach the levels in the U.S. and, the U.K. In addition, there has been a trend toward growth of non-branch ATMs in the other international markets we operate in, including Germany, which we entered into during 2013 through the Cardpoint acquisition.

- United Kingdom. The U.K. is the largest ATM market in Europe. According to LINK (which connects the ATM networks of all U.K. ATM operators), approximately 69,100 ATMs were deployed in the U.K. as of September 2014, of which approximately 34,800 were operated by non-banks. Similar to the U.S., electronic payment alternatives have gained popularity in the U.K. in recent years. However, cash is still the primary payment method preferred by consumers, representing approximately 60% of spontaneous payments above £1.00 according to the UK Payments Council's UK Consumer Payments 2014 publication. Due to the maturing of the ATM market, we have seen both the number of ATM deployments and withdrawals slow in recent years, and there has been a shift from pay-to-use ATMs to free-to-use ATMs. We significantly expanded in the U.K. during 2013 through the acquisition of Cardpoint and in 2014 through the acquisition of Sunwin and a new ATM operating agreement with Co-op Food. We expect to further expand our operations in this market through new locations with existing merchant customers along with new merchants with whom we may acquire relationships and other growth strategies.

- Germany. We entered the German market in August 2013 through our acquisition of Cardpoint. The German ATM market is highly fragmented and may be under-deployed, based on its population's high use of cash relative to other markets in which we operate, such as the U.S. and U.K. There are approximately 58,500 ATMs in Germany that are largely deployed in bank branch locations. This fragmented and potentially under-deployed market dynamic is attractive to us, and as a result, we believe there are a number of opportunities for growth in this market. Girocard, which is the interbank network that connects the ATM network of German ATMs and banks, enabled surcharging in early 2011.

· Mexico. According to the Central Bank of Mexico, as of September 2013 (latest statistics date), Mexico had approximately 40,100 ATMs operating throughout the country, most of which were owned by national and regional banks. Due to a series of governmental and networks regulations over the past few years that have been mostly detrimental to us, along with increased theft attempts on our ATMs in this market, we have slowed our expansion in this market in recent years. However, we continue to pursue opportunities to grow profitably with large retailers and financial institutions in the region on a selective basis.

· Canada. We entered the Canadian market in October 2011 through a small acquisition, and further expanded our presence in the country through another small acquisition in December 2012. We expect to continue to grow our number of ATM locations in this market and plan to leverage our U.S. operations to support our anticipated growth in this market. We believe that we can leverage our existing relationships with merchant retailers with whom we have significant existing relationships in place in the U.S. to service their Canadian operations, such as our expansion with 7-Eleven Canada during 2012. Furthermore, in 2012, we established a relationship with Scotiabank to provide vault cash in Canada, as well as brand the ATMs in 7-Eleven locations with their logo. In 2014, we further expanded our Canadian business with new retail sites and a branding relationship with CIBC. As we expand our footprint in Canada, we plan to seek additional partnerships with financial institutions to implement bank branding and other financial services, similar to our bank branding and surcharge-free strategy in the U.S.

Increases in Surcharge Rates. As financial institutions in the U.S. increase the surcharge rates charged to non-customers for the use of their ATMs, it enables us to increase the surcharge rates charged on our ATMs in selected markets and with certain merchant customers as well. We also believe that higher surcharge rates in the market make our surcharge-free offerings more attractive to consumers and other financial institutions. In 2009 and 2010, we saw broad increases in surcharge rates in the industry. Over the last few years, we have seen a slowing of surcharge rate increases and expect to see more modest increases in surcharge rates in the near future.

Decrease in Interchange Rates. The interchange rates paid to independent ATM deployers, such as ourselves, are in some cases set by the various EFT networks over which the underlying transactions are routed. In recent years, several networks in the U.S. have not only reduced the per transaction interchange paid to ATM deployers for transactions routed through their networks, but have also increased the fees they charge ATM deployers to have access to their networks. These access fees are referred to as “acquirer fees.” As a result of these actions, we have experienced a decrease in the net interchange rate we receive on transactions performed at our ATMs. During the second quarter of 2012, a major global network reduced the interchange it pays to ATM deployers and also increased the acquirer fees paid by ATM deployers. This network action also prompted some financial institutions to shift their transaction volume to lower interchange rate networks, further reducing our interchange revenues. If financial institutions move to take further advantage of lower interchange rates, or if networks reduce the interchange rates they currently pay to ATM deployers or increase their network fees, our future revenues and gross profits would be negatively impacted. We have taken measures to mitigate our exposure to interchange rate reductions by networks, including, but not limited to: (1) where possible, routing transactions through a preferred network such as the Allpoint network, where we have influence over the per transaction rate; (2) negotiating directly with our financial institution partners for contractual interchange rates on transactions involving their customers; and (3) developing contractual protection from such rate changes in our agreements with merchants and financial institution partners. As of December 31, 2014, approximately 5% of our total ATM operating revenues were subject to pricing changes by U.S. networks over which we currently have limited influence or have limited ability to offset against fees we pay to merchants in the event of a rate decrease.

Interchange rates in the U.K., are set by LINK, the U.K.'s primary ATM debit network. LINK sets the interchange rates in the U.K. annually using a cost-based methodology that incorporates interest rates and other ATM service costs from two years back (i.e., interest rates and other costs from 2013 are considered for determining the 2015 interchange rate). In addition to LINK transactions, certain card issuers in the U.K. have issued cards that are not affiliated with the LINK network, and instead carry the Visa or MasterCard network brands. Transactions conducted on our ATMs from these cards, which currently represent less than 2% of our annual withdrawal transactions in the U.K., receive interchange fees that are set by Visa or MasterCard, respectively. The interchange rates set by Visa and MasterCard have historically been less than the rates that have been established by LINK. Accordingly, if any major financial institutions in the U.K. were to decide to leave the LINK network in favor of Visa or MasterCard, such a move could further reduce the interchange revenues that we receive from the related withdrawal transactions conducted on our ATMs in that market.

Recent Events

Withdrawal Transaction and Revenue Trends – U. S. For the year ended December 31, 2014, total same-store cash withdrawal transactions conducted on our domestic ATMs increased by 0.3% over the prior year. We define same-store ATMs as all ATMs that were continuously transacting for both the current period and the comparable period in the prior year to ensure the exclusion of any new growth or mid-month installations. We believe that the small increase in same-store transactions during the year was impacted by several factors, including: (1) a continued shift in the mix of withdrawal transactions being conducted on our domestic network of ATMs (i.e., more surcharge-free and less surcharge-based withdrawal transactions) resulting from the continued evolution and growth of our surcharge-free product offerings; and (2) the continued growth in the use of network-branded stored-value cards by employers and governmental agencies for payroll and benefit-related payments. We believe these factors have been partially offset by banks, in some cases, charging their customers for using ATMs not belonging to them. We expect to continue to see a flat or low single-digit rate of increase in the number of cash withdrawal transactions being conducted on our domestic ATMs on a same-store basis in the near future.

Many banks are reducing the number of branches they operate to reduce their operating costs, giving rise to a desire for more robust automated banking solutions, such as ATMs. Over the last several years, some of the largest U.S. banks serving the market for consumer banking services have begun to aggressively compete for market share, and part of their competitive strategy is to increase their number of customer touch points, including the establishment of an ATM network to provide convenient, surcharge-free access to cash for their customers. As a result, in certain situations, we have faced direct competition from large U.S. banks for ATM placement opportunities. While a large ATM network would be a key strategic asset for a bank, we believe it would be uneconomical for all but the largest banks to build and operate an extensive ATM network. Bank branding of our ATMs and participation in our surcharge-free network allow financial institutions to rapidly increase surcharge-free ATM access for their customers at a substantially lower cost than building their own ATM network. We also believe there is an opportunity for a large non-bank ATM and financial services kiosk operator such as ourselves, with lower costs and an established operating history, to contract with financial institutions and retailers to manage their ATM networks. Such an outsourcing arrangement could reduce a financial institution's operational costs while extending its customer service. Furthermore, we believe there are opportunities to provide selected services on an outsourced basis, such as transaction processing services, to other independent owners and operators of ATMs and financial services kiosks. These factors have led to an increase in bank branding, participation in surcharge-free networks, and managed services arrangements, and we believe that there will be continued growth in such arrangements.

In 2014, we received notice from one of our largest branding partners, Chase, of their intention not to renew or extend a number of ATM branding contracts with us. While we expect this action to have a moderate negative impact on 2015 results, we do not believe that it will have a long-term adverse impact on our financial results and our ability to continue offering bank branding solutions to financial institutions. We are in advanced discussions with multiple financial institutions to replace the branding on a significant number of the ATMs previously branded by Chase.

Withdrawal Transaction and Revenue Trends – U.K. In recent periods, we have installed more free-to-use ATMs as opposed to surcharging pay-to-use ATMs in the U.K. due in part to our major corporate customer contract additions, that tend to operate mostly in high traffic locations where free-to-use ATMs are more prevalent. Although we earn less revenue per cash withdrawal transaction on a free-to-use machine, the significantly higher volume of transactions conducted on free-to-use machines has generally translated into higher overall revenues. In 2014, our overall same-store transaction growth rate in the U.K. was -2.0%.

Financial Regulatory Reform in the U.S. The Dodd-Frank Act, which contains broad measures aimed at overhauling financial regulations within the U.S., was signed into law on July 21, 2010. Among many other things, the Dodd-Frank Act includes provisions that (1) have resulted in the creation of a new Bureau of Consumer Financial Protection, (2) limit the activities that banking entities may engage in, and (3) give the Federal Reserve the authority to regulate interchange transaction fees charged by EFT networks for electronic POS debit transactions. ATM debit transactions were determined not to be subject to regulation under the Dodd-Frank Act. As a result of the Dodd-Frank

Act, we have seen networks and banks take different actions to attempt to mitigate reductions to fees that they previously earned on certain transaction types, such as POS debit interchange. As potentially an indirect consequence, certain networks over which our ATM transactions are routed have reduced the net interchange paid to us. Other possible longer-term impacts of this broad legislation are unknown to us at this time, but we have seen certain actions taken by banks that indicate debit cards are no longer considered as an attractive form of payment as they previously had been.

Europay, MasterCard, Visa ("EMV"). The EMV standard provides for the security and processing of information contained on microchips embedded in certain debit and credit cards, known as "chip cards." This standard has already been adopted in the U.K., Germany, Mexico, and Canada, and our ATMs in those markets are in compliance. In the U.S., MasterCard announced plans for a liability shift from the issuers of these cards to the party that has not made the investment in EMV equipment (acquirer) for fraudulent counterfeit card Maestro cross-border transactions. MasterCard's liability shift on International Maestro (MasterCard) transactions occurred in April 2013, and while the majority of our U.S. ATMs are not currently EMV-compliant, we do not expect this liability shift to have a significant impact on our business or results as International Maestro transactions currently comprise less than 1% of our U.S. transaction volume. As of the Maestro liability shift date of April 2013, we implemented additional fraud monitoring methods to minimize fraud losses. To date, we have seen minimal fraud losses. In February 2013, Visa announced plans for a liability shift to occur in October 2017 for all transactions types on domestic or international EMV-issued cards. MasterCard has also announced that liability shift for its domestic ATM transactions on EMV-issued cards will occur in October 2016. At this time, neither MasterCard nor Visa are requiring mandatory upgrades to ATM equipment; however, all of our recent ATM deployments have been with ATMs that are EMV-ready, and we plan to upgrade the majority of our U.S. fleet in advance of the October 2016 MasterCard liability shift date for domestic transactions. At this time, through a combination of ordinary replacement of equipment, routine scheduled maintenance visits to our ATMs, and evolving technology to meet compliance, we do not expect the U.S. EMV standard, being driven by MasterCard- and Visa-announced liability shifts, to have a major impact on our financial results and capital expenditure requirements. We have already commenced our plan to make our U.S. fleet EMV-compliant, and currently estimate that the incremental potential cost to make our entire current Company-owned U.S. ATM fleet, inclusive of recent acquisitions, fully compliant with the EMV standard is approximately $40 million to $50 million, a portion of which was incurred during 2014. With the increased capital investments required as a direct result of EMV, our depreciation expense may increase in the future. Additionally, there is a possibility that we could incur asset write-offs or accelerated depreciation expense on certain ATM units. We also may experience a higher rate of unit count attrition for our merchant-owned ATMs in the future as a result of this standard; however, we are currently developing programs to make EMV upgrades attractive to merchants that own their own ATMs.

Financial Regulatory Reform in the U.K. and the European Union. In March 2013, the U.K. Treasury department (the "Treasury") issued a formal recommendation to further regulate the U.K. payments industry, including LINK, the nation's formal ATM scheme. In October 2013, the U.K. government responded by establishing the new Payment Systems Regulator ("PSR") to oversee any payment system operating in the U.K. and its participants. The ultimate impact of the establishment of the PSR will not be known until it is officially formed in April 2015.

In July 2013, the European Commission put forward a new draft directive (the "draft Directive") to regulate payment service providers operating in the European Union ("PSD2"). Broadly, PSD2 seeks to harmonize rules for the licensing of payment institutions and introduces certain common rules affecting all payment service providers ("PSPs") throughout the European Union. The draft Directive sets out the rights and obligations of payment service users and PSPs together with transparency and security requirements to facilitate safe, efficient payment transactions. Whereas the current Payment Services Directive exempts independent ATM deployers, PSD2 (as currently drafted) will apply to businesses of this nature. The draft Directive is currently still in Committee stage in the European Parliament and has not yet been properly considered by the Council. We anticipate that the draft Directive will not be finalized until 2015 and that it will take up to an additional two years for member states to transpose it into domestic law. For additional information on regulatory risks in the U.K., see Item 1A. Risk Factors.

U.K. Property Taxes. In the U.K., there is no requirement for property owners to declare ownership and valuation to taxing authorities for property tax purposes (referred to as "business rates" in the U.K.). Rather, the U.K. government sets the valuations on all the assessable properties that it is aware of and distributes the results to the various local government councils, who then may or may not send property tax bills to property owners at their discretion. Through mid-2013, we had only received tax bills for a portion of the ATMs in the U.K. and these amounts were not significant in the past. In May 2013, we received a notice from the U.K. governmental agency in charge of property taxes stating that it had obtained location and transaction count data for all ATMs in the U.K., and that it was in the process of creating or updating the valuations on many U.K. ATMs across the industry. In 2013, we received listings of proposed valuations for our ATMs, which indicated an annual incremental assessment of approximately £1.8 million ($2.9 million), net of amounts that may be contractually recovered from merchants and potential reductions resulting from successfully challenging the assessments with the U.K. government and local authorities. Under U.K. law, these taxes may be payable retroactive to April 2010 or to the date of first occupancy, whichever is later. As a result, we believe that it is probable that we will be assessed on significantly more ATMs than in the past, and as a result, during 2013 we recorded an additional expense of $8.7 million through the Cost of ATM operating revenues line item on our Consolidated Statement of Operations to account for not only current year taxes assessable but also an estimate for taxes assessable relating to previous years. We believe there are several strategies to mitigate these property tax assessments and we have been engaged in and plan to continue to aggressively pursue these strategies, to not only reduce the retroactive portion of such assessments, but to also minimize the potential ongoing impact of this change in approach by the U.K. taxing authorities.

Expansion in Germany. As noted above in Developing Trends in the ATM and Financial Services Industry – Growth in International Markets, we entered the German market in August 2013 through our acquisition of Cardpoint. The German ATM market is highly fragmented and may be under-deployed based on its population's extensive use of cash relative to other markets in which we operate, such as the U.S. and U.K. There are approximately 58,500 ATMs in Germany that are largely deployed in bank branch locations. This fragmented and potentially under-deployed market dynamic is attractive to us, and as a result, we believe there are a number of opportunities for growth in this market and we plan to pursue many of them.

Mexico Business. A number of market forces have resulted in a reduction of the revenues and profits we earn from our ATMs in Mexico. As a result, we have reduced our ATM deployments in Mexico in recent years and we continue to evaluate each ATM's revenue and profit contributions to our Mexico operations. During the fourth quarter of 2013, in response to increased physical ATM theft attempts and lower profitability on certain ATMs in Mexico, we took a number of ATMs out of service for a period of time to enhance some security features. In spite of some of the recent challenges of operating in this market, we believe long-term opportunities remain to operate a profitable operation in this market.

Factors Impacting Comparability Between Periods

· Foreign Currency Exchange Rates. Our reported financial results are subject to fluctuations in exchange rates. With relatively minor fluctuations in the average rates between 2011 and 2014, our overall results have not been significantly impacted. However, during the second half of 2014, the U.S. dollar began to significantly appreciate in value relative to the currencies we transact business in our foreign operations. We expect that our reported results during 2015 will be moderately adversely impacted by a strengthened U.S. dollar.

· Acquisitions. The results of operations for any acquired entities during a particular year have been included in our consolidated results for that year since the respective dates of acquisition.

Components of Revenues, Cost of Revenues, and Expenses

Revenues

We derive our revenues primarily from providing ATM and automated consumer financial services bank branding, surcharge-free network offerings, and sales and services of ATM equipment. We currently classify revenues into two primary categories: (1) ATM operating revenues and (2) ATM product sales and other revenues.

ATM Operating Revenues. We present revenues from ATM and automated consumer financial services, branding arrangements, surcharge-free network offerings and managed services as "ATM operating revenues" in our Consolidated Statements of Operations. These revenues include the fees we earn per transaction on our ATMs, fees we generate from bank branding arrangements and our surcharge-free network offerings, fees we earn on managed services arrangements, and fees earned from providing certain ATM management services. Our revenues from ATM services have increased in recent years due to the acquisitions we have completed, by unit expansion with our customer base, acquisition of new merchant relationships, expansion of our bank branding programs, and the growth of our Allpoint network.

ATM operating revenues primarily consist of the four following components: (1) surcharge revenue, (2) interchange revenue, (3) branding and surcharge-free network revenue, and (4) managed services revenue.

· Surcharge revenue. A surcharge fee represents a convenience fee paid by the cardholder for making a cash withdrawal from an ATM. Surcharge fees often vary by the type of arrangement under which we place our ATMs and can vary widely based on the location of the ATM and the nature of the contracts negotiated with our merchants. Surcharge fees per surcharge-bearing transaction will vary depending upon the competitive landscape for surcharge fees at newly-deployed ATMs, the roll-out of additional branding arrangements, and future negotiations with existing merchant partners. For those ATMs that we own or operate that participate in surcharge-free networks, we do not receive surcharge fees related to withdrawal transactions from cardholders who are participants of such networks; rather we receive interchange and branding or surcharge-free network revenues, which are further discussed below. For certain ATMs owned and primarily operated by the merchant, we do not receive any portion of the surcharge but rather the entire fee is earned by the merchant. In the U.K., ATM operators must either operate ATMs on a free-to-use (surcharge-free) or on a pay-to-use (surcharging) basis. On free-to-use ATMs in the U.K., we only earn interchange revenue on withdrawal and other transactions, such as balance inquiries, that are paid to us by the customer's financial institution through the ATM network in the U.K. On our pay-to-use ATMs, we only earn a surcharge fee on withdrawal transactions and no interchange is paid to us by the cardholder's financial institution, except for non-cash withdrawal transactions such as balance inquiries for which interchange is paid to us by the cardholder's financial institution. In Germany, we collect a surcharge fee on withdrawal transactions but do not receive any interchange revenue. In Mexico, domestic surcharge fees are generally similar to those charged in the U.S., except for machines that dispense U.S. dollars, where we charge an additional foreign currency convenience fee. Finally, in Canada, surcharge fees are comparable to those charged in the U.S., and we also earn an interchange fee that is paid to us by the cardholder’s financial institution.

· Interchange revenue. An interchange fee is a fee paid by the cardholder’s financial institution for its customer’s use of an ATM owned by another operator and for the EFT network charges to transmit data between the ATM and the cardholder’s financial institution. We typically receive a majority of the interchange fee paid by the cardholder’s financial institution, with the remaining portion being retained by the EFT network. In the U.S., interchange fees are earned not only on cash withdrawal transactions but on any ATM transaction, including balance inquiries, transfers, and surcharge-free transactions. In the U.K., interchange fees are earned on all ATM transactions other than pay-to-use cash withdrawals. LINK sets the interchange rates for most ATM transactions in the U.K. annually by using a cost-based methodology that, among other costs, factors in the interest rates and cash costs from two years back (i.e., interest rates and other costs from 2013 are considered for determining the 2015 interchange rate). In Germany, there is no interchange mechanism and our primary revenue source is convenience fees paid by ATM users. Currently, we do not receive interchange revenue from domestic transactions in Mexico due to rules promulgated by the Central Bank of Mexico, which became effective in May 2010. In Canada, interchange fees are determined by Interac (the interbank network in Canada), and have remained at a constant rate over the past few years.

· Branding and surcharge-free network revenue. Under a bank branding agreement, ATMs that are owned and operated by us are branded with the logo of the branding financial institution. Cardholders of the branding institution can use those machines without paying a surcharge, and in exchange for the value associated with displaying the brand and providing surcharge-free access to their cardholders, the financial institution typically pays us a monthly per-ATM fee. Historically, this type of branding arrangement has resulted in an increase in transaction levels at branded ATMs, as existing customers continue to use the ATMs and cardholders of the branding financial institution are attracted by the service. Additionally, although we forego the surcharge fee on transactions by the branding institution’s customers, we continue to earn interchange fees on those transactions along with the monthly branding fee, and typically enjoy an increase in surcharge-bearing transactions from users who are not customers of the branding institution as a result of having a financial institution brand on the ATMs. Based on these factors, we believe a branding arrangement can substantially increase the profitability of an ATM versus operating the same machine without a brand. Fees paid for branding vary widely within our industry, as well as within our own operations, depending on the ATM location, financial institutions operating in the area, and other factors. Regardless, we typically set branding fees at levels that more than offset our anticipated lost surcharge revenue.

Under the Allpoint network, financial institutions that are members of the network pay us either a fixed monthly fee per cardholder or a set fee per transaction in exchange for us providing their cardholders with surcharge-free access to many of our ATMs. These fees are meant to compensate us for the loss of surcharge revenues. Although we forego surcharge revenues on those transactions, we do continue to earn interchange revenues. Allpoint also works with financial institutions that manage stored-value debit card programs on behalf of themselves, corporate entities and governmental agencies, including general purpose, payroll, and EBT cards. Under these programs, the issuing financial institutions pay Allpoint either a per transaction fee or a fee per issued stored-value card in return for allowing the users of those cards surcharge-free access to the Allpoint network.

In addition to Allpoint, the ATMs that we operate in 7-Eleven stores, as well as select other merchant locations, participate in the Co-op network, the nation's largest surcharge-free network devoted exclusively to credit unions.

- Managed services revenue. Under a managed service arrangement, we offer ATM-related services depending on the needs of our customers, including monitoring, maintenance, cash management, cash delivery, customer service, transaction processing, and other services. Our customers, who include retailers and financial institutions, may also at times request that we own the ATM fleets. Under a managed services arrangement, all of the transaction-based surcharge and interchange fees are earned by our customer, whereas we typically receive a fixed management fee per ATM and/or a set fee per transaction for the services we provide. This arrangement allows our customers to have greater flexibility to control the profitability per ATM by managing the surcharge fee levels. Currently, we offer managed services in the U.S., U.K., and Canada, and plan to grow this arrangement both domestically and internationally in the future.

In addition to the above, we also earn ATM operating revenues from the provision of other financial services transactions at certain financial services kiosks that, in addition to standard ATM services, offer bill payment, check cashing, remote deposit capture, and money transfer services.

The following table presents the components of our total ATM operating revenues for the years indicated:

	2014	2013	2012
Surcharge revenue	45.3 %	46.0 %	47.2 %
Interchange revenue	33.9	32.6	32.5
Bank branding and surcharge-free network revenues	15.5	16.6	16.1
Other ATM operating revenues, including managed services	5.3	4.8	4.2
Total ATM operating revenues	100.0 %	100.0 %	100.0 %

ATM Product Sales and Other Revenues. We present revenues from the sale of ATMs and other non-transaction-based revenues as "ATM product sales and other revenues" in our Consolidated Statements of Operations. These revenues consist primarily of sales of ATMs and related equipment to merchants operating under merchant-owned arrangements, as well as sales under our value-added reseller ("VAR") program with NCR. Under our VAR program, we primarily sell ATMs to associate VARs who in turn resell the ATMs to various financial institutions throughout the U.S. in territories authorized by the equipment manufacturer. We expect to continue to derive a portion of our revenues from sales of ATMs in the future. Additionally, effective with the completion of the Sunwin acquisition in November 2014, revenues earned from this business related to the provision of cash delivery and ATM maintenance services to third-party customers are now presented within this revenue category.

Cost of Revenues

Our cost of revenues primarily consists of those costs directly associated with transactions completed on our network of ATMs and financial services kiosks. These costs include merchant commissions, vault cash rental expense, other cost of cash, repairs and maintenance expense, communications expense, transaction processing fees, and direct operations expense. To a lesser extent, cost of revenues also includes those costs associated with the sales of ATMs. The following is a description of our primary cost of revenues categories:

· Merchant Commissions. We pay our merchants a fee for allowing us an exclusive right to place our ATM at their location and that fee amount depends on a variety of factors, including the type of arrangement under which the device is placed, the type of location, and the number of transactions on that device. For the year ended December 31, 2014, merchant commissions represented 31.4% of our ATM operating revenues.

· Vault Cash Rental Expense. We pay a fee to our vault cash providers for renting the cash that is maintained in our devices. As the fees we pay under our contracts with our vault cash providers are based on market rates of interest, changes in interest rates affect our cost of cash. In order to limit our exposure to increases in interest rates, we have entered into a number of interest rate swaps on varying amounts of our current and anticipated outstanding cash balances in our domestic operations through 2018. For the year ended December 31, 2014, vault cash rental expense, inclusive of our interest rate swap expense, represented 6.2% of our ATM operating revenues.

· Other Costs of Cash. Other costs of cash includes all costs associated with the provision of cash for our devices except for rental expense, including armored courier services, insurance, cash reconciliation, associated wire fees, and other costs. For the year ended December 31, 2014, other costs of cash represented 8.3% of our ATM operating revenues.

· Repairs and Maintenance. Depending on the type of arrangement with the merchant, we may be responsible for first and/or second line maintenance for the device. We typically use third-parties with national operations to provide these services, except for in the U.K. where we maintain an engineer team to service most of our ATMs in that market and those costs are included in the Other Expenses line described below. For the year ended December 31, 2014, repairs and maintenance expense represented 6.3% of our ATM operating revenues.

· Communications. Under our Company-owned arrangements, we are responsible for expenses associated with providing telecommunications capabilities to the devices, allowing them to connect with the applicable EFT network.

· Transaction Processing. We maintain our own EFT transaction processing platform, through which the majority of our ATMs are driven and monitored. We also utilize third-party processors to gateway transactions to the EFT networks for authorization by the cardholders' financial institutions and to settle transactions. As a result of acquisitions completed in the last few years, we have inherited transaction processing contracts with certain third-party providers that have varying lengths of remaining contractual terms. Over the next couple of years, we expect to convert the majority of ATMs currently operating under these contracts to our own EFT transaction processing platform.

· Other Expenses. Other expenses primarily consist of direct operations expenses, which are costs associated with managing our network, including expenses for monitoring the devices, program managers, technicians, cash ordering and forecasting personnel, and customer service representatives.

· Cost of ATM Product Sales. In connection with the sale of equipment to merchants and distributors, we incur costs associated with purchasing equipment from manufacturers, as well as delivery and installation expenses. Additionally, it includes costs related to our armored courier operation and maintenance operations in the U.K.

We define variable costs as those that vary based on transaction levels. The majority of merchant commissions, vault cash rental expense, and other costs of cash fall under this category. The other categories of cost of revenues are mostly fixed in nature, meaning that any significant decrease in transaction volumes would lead to a decrease in the profitability of our operations, unless there was an offsetting increase in per-transaction revenues or decrease in our fixed costs. Although the majority of our operating costs are variable in nature, an increase in transaction volumes may lead to an increase in the profitability of our operations due to the economies of scale obtained through increased leveraging of our fixed costs and incremental preferential pricing obtained from our vendors. We exclude depreciation, accretion, and amortization of ATMs and ATM-related assets from our cost of ATM revenues.

The profitability of any particular location, and of our entire ATM and financial services kiosk operation, is driven by a combination of surcharge, interchange, branding and surcharge-free network revenues, and managed services revenues, as well as the level of our related costs. Accordingly, material changes in our surcharge or interchange revenues may be offset and in some cases more than offset by branding revenues, surcharge-free network fees, managed services revenues or other ancillary revenues, or by changes in our cost structure.

Other Operating Expenses

Our other operating expenses include selling, general and administrative expenses related to salaries, benefits, advertising and marketing, professional services, and overhead. Acquisition-related costs, depreciation and accretion of the ATMs, ATM-related assets, and other assets that we own, amortization of our acquired merchant contracts, and other amortizable intangible assets are also components of our other operating expenses. We depreciate our capital equipment on a straight-line basis over the estimated life of such equipment and amortize the value of acquired intangible assets over the estimated lives of such assets.

Results of Operations

The following table sets forth line items from our Consolidated Statements of Operations as a percentage of total revenues for the years indicated. Percentages may not add due to rounding.

	2014	2013	2012
Revenues:			
ATM operating revenues	95.5 %	97.5 %	95.3 %
ATM product sales and other revenues	4.5	2.5	4.7
Total revenues	100.0	100.0	100.0
Cost of revenues:			
Cost of ATM operating revenues (excludes depreciation, accretion, and amortization of intangible assets shown separately below) (1)	62.5	65.5	64.4
Cost of ATM product sales and other revenues	4.2	2.4	4.3
Total cost of revenues	66.7	67.9	68.7
Gross profit	33.3	32.1	31.3
Operating expenses:			
Selling, general, and administrative expenses (2)	10.8	9.7	8.4
Acquisition-related expenses (3)	1.7	1.8	0.4
Depreciation and accretion expense	7.2	7.8	7.9
Amortization of intangible assets	3.4	3.1	2.8
Loss on disposal of assets	0.3	0.3	0.2
Total operating expenses	23.3	22.7	19.7
Income from operations	9.9	9.4	11.6
Other expense (income):			
Interest expense, net	2.0	2.4	2.7
Amortization of deferred financing costs and note discount	1.2	0.2	0.1
Redemption costs for early extinguishment of debt	0.9	—	—
Other income	(0.2)	(0.4)	(0.2)
Total other expense	3.9	2.3	2.6
Income before income taxes	6.0	7.1	9.0
Income tax expense (4)	2.7	4.8	3.5
Net income	3.3	2.4	5.5
Net loss attributable to noncontrolling interests	(0.2)	(0.4)	—
Net income attributable to controlling interests and available to common stockholders	3.5 %	2.7 %	5.6 %

(1)Excludes effects of depreciation, accretion, and amortization of intangible assets of $99.5 million, $87.2 million and $74.7 million for the years ended December 31, 2014, 2013, and 2012, respectively. The inclusion of this depreciation, accretion, and amortization of intangible assets in Cost of ATM operating revenues would have increased our Cost of ATM operating revenues as a percentage of total revenues by 9.4%, 9.9%, and 9.6% for the years ended December 31, 2014, 2013, and 2012, respectively.

(2)Includes stock-based compensation expense of $15.2 million, $11.4 million, and $10.2 million for the years ended December 31, 2014, 2013, and 2012, respectively. The years ended December 31, 2013 and 2012 includes the effect of $0.5 million and $1.0 million, respectively, in severance costs associated with management of our U.K. operations.

(3)Acquisition-related expenses include nonrecurring costs incurred for legal and professional fees and certain nonrecurring transition and integration-related costs, including contract termination costs, related to acquisitions.

(4)The year ended December 31, 2013 includes $13.8 in income tax expense associated with restructuring our U.K. operations.

Key Operating Metrics

We rely on certain key measures to gauge our operating performance, including total transactions, total cash withdrawal transactions, ATM operating revenues per ATM per month, and ATM operating gross profit margin. The following table sets forth information regarding certain of these key measures for the periods indicated, excluding the effect of the acquisitions during the periods presented for comparative purposes.

EXCLUDING ACQUISITIONS:	Years Ended December 31, 2014	2013
Average number of transacting ATMs:		
United States: Company - owned	29,630	28,333
United Kingdom	8,036	7,450
Mexico	2,153	2,533
Canada	1,650	1,600
Germany	344	365
Subtotal	41,813	40,281
United States: Merchant - owned	19,184	21,072
Average number of transacting ATMs - ATM operations	60,997	61,353
United States: Managed services - Turnkey	2,128	2,191
United States: Managed services - Processing Plus	9,281	8,220
United Kingdom: Managed services	21	21
Canada: Managed services	535	306
Average number of transacting ATMs - Managed services	11,965	10,738
Total average number of transacting ATMs	72,962	72,091
Total transactions (in thousands):		
ATM operations	933,509	860,062
Managed services	68,130	60,027
Total transactions	1,001,639	920,089
Total cash withdrawal transactions (in thousands):		
ATM operations	551,973	521,282
Managed services	45,539	40,223
Total cash withdrawal transactions	597,512	561,505
Per ATM per month amounts (excludes managed services):		
Cash withdrawal transactions	754	708
ATM operating revenues	$ 1,207	$ 1,127
Cost of ATM operating revenues (1)	794	744
ATM operating gross profit (1)(2)	$ 413	$ 383
ATM operating gross profit margin (1)(2)	34.2 %	34.0 %

(1)Amounts presented exclude the effect of depreciation, accretion, and amortization of intangible assets, which is presented separately in our consolidated statements of operations. Additionally, excludes the effect of $8.7 million of nonrecurring expense related to U.K. retroactive property taxes on certain ATM locations in the U.K in the year ended December 31, 2013.

(2)ATM operating gross profit and ATM operating gross profit margin are measures of profitability that are calculated based on only the revenues and expenses that relate to operating ATMs in our portfolio. Revenues and expenses relating to managed services and ATM equipment sales and other ATM-related services are not included.

The following table sets forth information regarding certain of these key measures for the periods indicated, including the effect of the acquisitions in the periods presented:

INCLUDING ACQUISITIONS:	Years Ended December 31,	
	2014	2013
Average number of transacting ATMs:		
United States: Company - owned	32,330	28,333
United Kingdom	12,098	7,450
Mexico	2,153	2,533
Canada	1,650	1,600
Germany	878	365
Subtotal	49,109	40,281
United States: Merchant - owned	22,590	21,072
Average number of transacting ATMs - ATM operations	71,699	61,353
United States: Managed services - Turnkey	2,128	2,191
United States: Managed services - Processing Plus	17,057	8,220
United Kingdom: Managed services	21	21
Canada: Managed services	535	306
Average number of transacting ATMs - Managed services	19,741	10,738
Total average number of transacting ATMs	91,440	72,091
Total transactions (in thousands):		
ATM operations	1,040,241	860,062
Managed services	87,338	60,027
Total transactions	1,127,579	920,089
Total cash withdrawal transactions (in thousands):		
ATM operations	617,419	521,282
Managed services	59,938	40,223
Total cash withdrawal transactions	677,357	561,505
Per ATM per month amounts (excludes managed services):		
Cash withdrawal transactions	718	708
ATM operating revenues	$ 1,136	$ 1,127
Cost of ATM operating revenues (1)	743	744
ATM operating gross profit (1)(2)	$ 393	$ 383
ATM operating gross profit margin (1)(2)	34.6 %	34.0 %

(1)Amounts presented exclude the effect of depreciation, accretion, and amortization of intangible assets, which is presented separately in our consolidated statements of operations. Additionally, excludes the effect of $8.7 million of nonrecurring expense related to U.K. retroactive property taxes on certain ATM locations in the U.K in the year ended December 31, 2013.

(2)ATM operating gross profit and ATM operating gross profit margin are measures of profitability that are calculated based on only the revenues and expenses that relate to operating ATMs in our portfolio. Revenues and expenses relating to managed services and ATM equipment sales and other ATM-related services are not included.

Analysis of Results of Operations

Revenues

	For the Years Ended December 31,				
	2014	% Change	2013	% Change	2012
	(In thousands, excluding percentages)				
ATM operating revenues	$ 1,007,765	18.0 %	$ 854,196	14.9 %	$ 743,662
ATM product sales and other revenues	47,056	111.1 %	22,290	(39.4) %	36,787
Total revenues	$ 1,054,821	20.3 %	$ 876,486	12.3 %	$ 780,449

ATM operating revenues. ATM operating revenues generated during December 31, 2014 and 2013 increased $153.6 million and $110.5 million, respectively, from the prior years. Below is the detail, by segment, of changes in the various components of ATM operating revenues:

	2013 to 2014 Variance				
	U.S.	Europe	Other International	Eliminations	Total
	Increase (decrease) (In thousands)				
Surcharge revenues	$ 17,935	$ 47,924	$ (2,644)	$ —	$ 63,215
Interchange revenues	15,507	48,940	(973)	—	63,474
Bank branding and surcharge-free network revenues	13,698	—	735	(26)	14,407
Managed services revenues	2,143	12	1,872	—	4,027
Other revenues	5,459	4,111	(145)	(979)	8,446
Total increase (decrease) in ATM operating revenues	$ 54,742	$ 100,987	$ (1,155)	$ (1,005)	$ 153,569

	2012 to 2013 Variance				
	U.S.	Europe	Other International	Eliminations	Total
	Increase (decrease)				
	(In thousands)				
Surcharge revenues	$ 11,987	$ 30,765	$ (880)	$ —	$ 41,872
Interchange revenues	8,195	25,618	2,841	—	36,654
Bank branding and surcharge-free network revenues	20,520	—	2,311	(55)	22,776
Managed services revenues	4,302	(3)	—	—	4,299
Other revenues	7,685	4,564	(163)	(7,153)	4,933
Total increase in ATM operating revenues	$ 52,689	$ 60,944	$ 4,109	$ (7,208)	$ 110,534

United States. During the years ended December 31, 2014 and 2013, our U.S. operations experienced an increase in ATM operating revenues when compared to the prior years, driven in part by contributions from acquired businesses which accounted for approximately $25.4 million and $11.8 million of the increase for 2014 and 2013, respectively. In 2014, the remaining increase was due to growth achieved from a combination of revenue sources, including: (1) increased surcharge revenue primarily as a result of a higher machine count and total transaction count; (2) an increase in bank branding and surcharge-free network revenues that resulted from the continued growth of participating banks and other financial institutions in our bank branding program and our Allpoint network; and (3) an increase in managed services revenue as a result of increasing the number of customers operating under this contract arrangement. In 2013, the remaining increase was due to growth achieved from a combination of revenue sources, including: (1) increased surcharge and interchange revenues primarily as a result of a higher machine count and total transaction count; (2) an increase in bank branding and surcharge-free network revenues that resulted from the continued growth of participating banks and other financial institutions in our bank branding program and our Allpoint network; and (3) an increase in managed services revenue as a result of increasing the number of customers operating under this contract arrangement.

For additional information on recent trends that have impacted, and may continue to impact, the revenues generated by our U.S. operations, see Recent Events - Withdrawal Transaction and Revenue Trends – U.S. above.

Europe. During the year ended December 31, 2014, our Europe segment, which includes both the U.K. and Germany, experienced an increase of approximately $101.0 million in ATM operating revenues when compared to the prior year. In 2014, approximately $69.2 million of the increase was attributable to the contribution of the acquisition of Cardpoint, which was completed in August 2013. The remaining increase was primarily driven by higher interchange revenues, mainly as a result of an increase in the number of total ATMs in our U.K. business. Foreign currency exchange rate movements accounted for approximately $12.6 million of the increase. In 2013, approximately $49.3 million of the increase was attributable to the contribution of the acquisition of Cardpoint (and to a lesser extent, i-design) completed during the year. The remaining increase was primarily driven by higher interchange revenues as a result of higher transactions primarily as a result of unit growth and higher non-monetary transactions on our ATMs in the U.K. during 2013 over 2012, partially offset by slightly lower interchange rates.

For additional information on recent trends that have impacted, and may continue to impact, the revenues generated by our U.K. operations, see Recent Events - Withdrawal Transaction and Revenue Trends – U.K. above.

Other International. During the year ended December 31, 2014, our Other International segment, which includes our Mexico and Canadian operations, experienced a decrease in ATM operating revenues of $1.2 million when compared to the prior year. This decrease was primarily attributable to our Mexico operations, which generated $3.0 million less in ATM operating revenues when compared to the prior year, primarily due to a lower average machine count throughout the year. The lower machine count was the result of an internal decision to remove a number of machines to improve profitability of the overall business. The decrease in Mexico was mostly offset by an increase in our Canadian operations, which generated $1.8 million more in ATM operating revenues compared to the prior year, primarily due to an increase in machine count as a result of growth with new merchants and financial institutions. During the year ended December 31, 2013, our Other International segment experienced an increase in ATM operating revenues of $4.1 million when compared to the prior year. Contributions from acquisitions completed during this period accounted for $2.5 million of the increase while the remaining increase was attributable to our Canadian operations with the addition of a significant new merchant contract during 2012. Lower ATM operating revenues from our Mexico operations partially offset the increases in 2013 as a result of lower transaction volumes and a reduced transacting ATM count during the fourth quarter of 2013.

ATM product sales and other revenues. During the year ended December 31, 2014, ATM product sales and other revenues experienced an increase of $24.8 million when compared to prior year. This increase was attributable to higher ATM equipment sales to merchants and distributors and our acquisition of Sunwin during the fourth quarter of 2014, which contributed approximately $13.3 million of the increase. During the year ended December 31, 2013, ATM product sales and other revenues experienced a decrease of $14.5 million when compared to the prior year. This decrease was primarily due to lower equipment sales to merchants and distributors due to a lower demand for new ATMs because of regulations under the ADA that became effective during the first quarter of 2012, which drove increased demand in 2012 but did not carry through in 2013.

Cost of Revenues

	For the Years Ended December 31,				
	2014	% Change	2013	% Change	2012
	(In thousands, excluding percentages)				
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization of intangible assets)	$ 659,350	14.9 %	$ 573,959	14.2 %	$ 502,682
Cost of ATM product sales and other revenues	44,698	109.6 %	21,328	(36.2)%	33,405
Total cost of revenues (exclusive of depreciation, accretion, and amortization of intangibles assets)	$ 704,048	18.3 %	$ 595,287	11.0 %	$ 536,087

Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization of intangible assets). During the years ended December 31, 2014 and 2013, the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization of intangible assets) increased $85.4 million and $71.3 million, respectively, when compared to the prior years. The following is a detail, by segment, of changes in the various components of the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization of intangible assets):

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	2013 to 2014 Variance				
	U.S.	Europe	Other International	Eliminations	Total
	Increase (decrease) (In thousands)				
Merchant commissions	$ 18,650	$ 28,503	$ (1,020)	$ —	$ 46,133
Vault cash rental expense	10,757	2,614	78	—	13,449
Other costs of cash	1,237	5,143	(1,454)	—	4,926
Repairs and maintenance	(38)	5,387	917	—	6,266
Communications	539	2,470	(59)	41	2,991
Transaction processing	244	2,719	(495)	(242)	2,226
Stock-based compensation	362	—	—	—	362
Other expenses	3,567	7,477	(775)	(1,231)	9,038
Total increase (decrease) in cost of ATM operating revenues	$ 35,318	$ 54,313	$ (2,808)	$ (1,432)	$ 85,391

	2012 to 2013 Variance				
	U.S.	Europe	Other International	Eliminations	Total
	Increase (decrease) (In thousands)				
Merchant commissions	$ 9,178	$ 15,866	$ 2,797	$ —	$ 27,841
Vault cash rental expense	(792)	432	458	—	98
Other costs of cash	4,560	4,641	905	—	10,106
Repairs and maintenance	1,068	2,342	1,037	—	4,447
Communications	(1,258)	2,736	453	(237)	1,694
Transaction processing	597	4,074	468	(893)	4,246
Stock-based compensation	(19)	—	—	—	(19)
Other expenses	4,371	17,764	784	(55)	22,864
Total increase in cost of ATM operating revenues	$ 17,705	$ 47,855	$ 6,902	$ (1,185)	$ 71,277

United States. During the years ended December 31, 2014 and 2013, cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization of intangible assets) increased $35.3 million and $17.7 million, respectively, when compared to the prior years, primarily as a result of higher ATM operating revenues. Increased costs related to businesses acquired during the periods contributed approximately $16.0 million and $4.8 million to the increases in

2014 and 2013, respectively. The remaining increases in 2014 are primarily the result of higher vault cash rental expense associated with a higher level of interest rate swaps outstanding in 2014 which drove increased expense of approximately $10.7 million. Higher transaction volumes and organic revenue growth, mostly as a result of ATM unit growth drove the remainder of the increase. The cost increases in 2013 that were not driven by acquisitions are primarily the result of higher transaction volumes and organic revenue growth mostly as a result of ATM unit growth. Vault cash rental expense decreased during 2013 compared to 2012 due to more efficient vault cash forecasting, which translated to generally lower daily vault cash balances outstanding. Communications expense decreased as a result of more favorable pricing compared to the prior year.

Europe. During the years ended December 31, 2014 and 2013, cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization of intangible assets) increased $54.3 and $47.9 million, respectively, when compared to the prior years. Our 2014 and 2013 acquisitions contributed approximately $45.5 million to the increase in cost of ATM operating revenues over 2013. The remaining increase in 2014 was primarily attributable to organic growth in revenues. Our 2013 acquisitions contributed approximately $33.2 million to the increase in cost of ATM operating revenues in 2013 over 2012. The Other expenses category for 2013 was higher primarily due to $8.7 million in nonrecurring expenses related to retroactive property taxes assessed on certain ATMs in the U.K.

Other International. During the year ended December 31, 2014, the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization of intangible assets) decreased $2.8 million when compared to the prior year, primarily the result of a lower average number of transacting ATMs in Mexico, as described above, which resulted in reduced transaction levels and operating costs on our ATMs in that market. The decrease in Mexico was offset by an increase in our Canadian operations, primarily due to an increase in machine count over the prior year. During the year ended December 31, 2013, the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization of intangible assets) experienced an increase of approximately $6.9 million when compared to the prior year, primarily due to the revenue growth of our Canadian operations, as described above.

Cost of ATM product sales and other revenues. During the year ended December 31, 2014, the cost of ATM product sales and other revenues increased $23.4 million when compared to the prior year. This increase is consistent with the increase in related revenue, as discussed above, and is primarily related to increased cost of sales associated with equipment sales and cost of sales related to the Sunwin acquisition. During the year ended December 31, 2013, cost of ATM product sales and other revenues decreased $12.1 million when compared to the prior year, which is consistent with the decrease in related revenue, as discussed above, and is primarily related to decreased equipment sales activity in this year.

Gross Profit Margin

	For the Years Ended December 31,		
	2014	2013	2012
ATM operating gross profit margin:			
Exclusive of depreciation, accretion, and amortization of intangible assets	34.6 %	32.8 %	32.4 %
Inclusive of depreciation, accretion, and amortization of intangible assets	24.7 %	22.6 %	22.4 %
ATM product sales and other revenues gross profit margin	5.0 %	4.3 %	9.2 %
Total gross profit margin:			
Exclusive of depreciation, accretion, and amortization of intangible assets	33.3 %	32.1 %	31.3 %
Inclusive of depreciation, accretion, and amortization of intangible assets	23.8 %	22.1 %	21.7 %

ATM operating gross profit margin. Our ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization of intangible assets) increased by 180 basis points between 2013 and 2014. Additionally, our ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization of intangible assets) increased by 210 basis points between 2013 and 2014. The margin increase in 2014 over 2013 is primarily a result of our revenue growth, reduced operating costs in our U.K. business in 2014 as a percentage of revenues driven by acquisition synergy benefits realized, and an $8.7 million charge related to retroactive business rates (property taxes) in the U.K. recorded in 2013 that did not reoccur in 2014. Our ATM operating gross profit margin (both exclusive and inclusive of depreciation, accretion, and amortization of intangible assets) was relatively consistent from 2012 to 2013, in spite of the $8.7 million charge related to retroactive business rates (property taxes) in the U.K, recorded in 2013. Absent the retroactive business rates, our gross profit margins would have been up over 100 basis points from 2012 to 2013, driven by our revenue growth. We expect that our gross profit margin for 2015 will be relatively consistent with 2014.

ATM product sales and other revenues gross profit margin. Our gross profit margin on ATM product sales and other revenues increased by 70 basis points between 2013 and 2014 and is primarily a result of the Sunwin acquisition which was completed in the fourth quarter of 2014. Sunwin has a slightly higher gross margin than the base product sales and other category. The margin decrease in 2013 over 2012 was primarily a result of lower VAR equipment sales, which have higher margins compared to other ATM product sales.

Selling, General, and Administrative Expenses

	For the Years Ended December 31,				
	2014	% Change	2013	% Change	2012
	(In thousands, excluding percentages)				
Selling, general, and administrative expenses	$ 98,241	34.2 %	$ 73,179	32.2 %	$ 55,345
Stock-based compensation	15,229	33.4 %	11,413	12.1 %	10,180
Acquisition-related expenses	18,050	17.2 %	15,400	362.2 %	3,332
Total selling, general, and administrative expenses	$ 131,520	31.5 %	$ 99,992	45.2 %	$ 68,857
Percentage of total revenues:					
Selling, general, and administrative expenses	9.3 %		8.3 %		7.1 %
Stock-based compensation	1.4 %		1.3 %		1.3 %
Acquisition-related expenses	1.7 %		1.8 %		0.4 %
Total selling, general, and administrative expenses	12.5 %		11.4 %		8.8 %

Selling, general, and administrative expenses (“SG&A expenses”), excluding stock-based compensation and acquisition-related expenses. SG&A expenses, excluding stock-based compensation and acquisition-related expenses, increased $25.1 million and $17.8 million for the years ended December 31, 2014 and 2013, respectively, when compared to the prior years. The increase during the year ended December 31, 2014 was primarily due to higher payroll-related costs compared to 2013 due to increased headcount, including employees added from the acquisitions completed during 2014 and 2013 and increased costs related to strengthening our information technology and product development organizations. The increase during the year ended December 31, 2013 was due to higher payroll-related costs compared 2012 due to increased headcount, including employees added from the acquisitions completed between the periods and higher marketing and professional expenses.

Stock-based compensation. Stock-based compensation increased $3.8 million during the year ended December 31, 2014 compared to 2013 primarily due to an increase in employee count. Stock-based compensation also increased during the year ended December 31, 2013 compared to 2012 due to restricted stock grants to new employees and the issuance of restricted stock units to employees under our Long Term Incentive Plan (“LTIP”). For additional details on equity awards, see Item 8. Financial Statements and Supplementary Data, Note 3, Stock-Based Compensation.

Acquisition-related expenses. Acquisition-related expenses consist of the following major components: (1) legal and professional costs incurred to complete acquisitions; (2) certain nonrecurring integration and transition-related costs; (3) contract termination costs for certain acquired businesses; and (4) other costs. During 2014, we completed two significant acquisitions – Welch in the U.S. and Sunwin in the U.K., both of which drove a significant amount of acquisition-related expenses. During 2013, we completed several acquisitions, including Cardpoint, based in the U.K., which drove the majority of acquisition-related expenses in that period.

Depreciation and Accretion Expense

	For the Years Ended December 31,				
	2014	% Change	2013	% Change	2012
	(In thousands, excluding percentages)				
Depreciation expense	$ 73,063	11.2 %	$ 65,703	11.6 %	$ 58,897
Accretion expense	2,559	(7.9) %	2,777	6.7 %	2,602
Depreciation and accretion expense	$ 75,622	10.4 %	$ 68,480	11.4 %	$ 61,499
Percentage of total revenues:					
Depreciation expense	6.9 %		7.5 %		7.5 %
Accretion expense	0.2 %		0.3 %		0.3 %
Depreciation and accretion expense	7.2 %		7.8 %		7.9 %

Depreciation expense. Depreciation expense increased during the year ended December 31, 2014 compared to 2013 primarily as a result of the deployment of additional Company-owned ATMs as a result of our organic ATM unit growth and the ATMs acquired through various acquisitions during 2013 and 2014. Depreciation expense also increased during the year ended December 31, 2013 compared to 2012 primarily as a result of the deployment of additional Company-owned ATMs as a result of our organic ATM unit growth, acquisitions completed in 2013 and new ATMs purchased to replace older non-ADA-compliant ATMs, and ATMs acquired through various acquisitions.

Accretion expense. Accretion expense decreased slightly during the year ended December 31, 2014 compared to 2013 primarily due to a change in accounting estimate regarding our future costs associated with asset retirement obligations. Accretion expense increased during the year ended December 31, 2013 compared to 2012 due to establishing additional asset retirement obligations in connection with newly deployed ATMs and acquired ATMs. When we install our ATMs, we estimate the fair value of future retirement obligations associated with those ATMs, including the anticipated costs to deinstall, and in some cases restore the ATM site, at certain merchant locations. Accretion expense represents the increase of this liability from the original discounted net present value to the amount we ultimately expect to incur.

Amortization of Intangible Assets

	For the Years Ended December 31,				
	2014	% Change	2013	% Change	2012
	(In thousands, excluding percentages)				
Amortization expense	$ 35,768	30.8 %	$ 27,336	25.9 %	$ 21,712
Percentage of total revenues	3.4 %		3.1 %		2.8 %

Amortization of intangible assets relates primarily to merchant contracts and relationships recorded in connection with purchase price accounting valuations for completed acquisitions. The increases in amortization of intangible assets during the past two years compared to prior years were due to the addition of intangible assets from the acquisitions completed during the respective periods.

Loss on Disposal of Assets

	For the Years Ended December 31,				
	2014	% Change	2013	% Change	2012
	(In thousands, excluding percentages)				
Loss on disposal of assets	$ 3,224	15.6 %	$ 2,790	56.1 %	$ 1,787
Percentage of total revenues	0.3 %		0.3 %		0.2 %

Loss on disposal of assets increased during the year ended December 31, 2014 compared to 2013 primarily as a result of certain ATMs that were removed that were not fully depreciated and were determined unlikely to be redeployed. Loss on disposal of assets increased during the year ended December 31, 2013 compared to 2012 primarily as a result of de-installing certain underperforming ATMs in Mexico.

Interest Expense, Net

	For the Years Ended December 31,				
	2014	% Change	2013	% Change	2012
	(In thousands, excluding percentages)				
Interest expense, net	$ 20,776	(1.8) %	$ 21,155	— %	$ 21,161
Amortization of deferred financing costs and note discount	13,036	575.1 %	1,931	115.5 %	896
Total interest expense, net	$ 33,812	46.5 %	$ 23,086	4.7 %	$ 22,057
Percentage of total revenues	3.2 %		2.6 %		2.8 %

Interest expense, net. Interest expense, net, decreased for the year ended December 31, 2014 when compared to 2013 as a result of the 2014 retirement of our 8.250% senior subordinated notes due 2018 (the “2018 Notes”) and the issuance of lower rate 5.125% senior notes due 2022 (the “2022 Notes”) during the third quarter of 2014. Interest expense, net, remained consistent for the year ended December 31, 2013 when compared to 2012 as a result of similar average outstanding debt balances during the years.

Amortization of deferred financing costs and note discount. Amortization of deferred financing costs and note discount during the year ended December 31, 2014 was higher compared to 2013 primarily as a result of our issuance of $287.5 million of Convertible Notes (the “Convertible Notes”) in November 2013. As the Convertible Notes contain an embedded option feature, we attributed $71.7 million of the proceeds from these Convertible Notes to additional paid-in capital at the time of funding. This resulted in an effective note discount, which is being accreted over the term of the Convertible Notes, and this discount accretion on the notes drove the majority of the year-over-year increase in this expense. We also incurred $4.9 million in fees in conjunction with the issuance of the Convertible Notes, which are being amortized over the life of the Convertible Notes. In April 2014, we also amended and restated our existing credit agreement and incurred approximately $1.0 million in fees which are being amortized over the term of the revolving credit facility, which runs through April 2019. Additionally, in July 2014 we incurred additional financing costs of approximately $4.1 million associated with the issuance of our 2022 Notes and this amount is being amortized over the life of the 2022 Notes. Finally, we also recorded a $3.9 million pre-tax charge during the year ended December 31, 2014 to write off the unamortized deferred financing costs associated with our 2018 Notes, which were retired during 2014. Amortization of deferred financing costs and note discount during the year ended December 31, 2013 was higher compared to 2012 due to the amortization of deferred financing costs and note discount related to the Convertible Notes.

For additional information, see Item 8. Financial Statements and Supplementary Data, Note 10, Long-Term Debt.

Redemption Costs for Early Extinguishment of Debt

In connection with the early extinguishment of the 2018 Notes, we recorded a $9.1 million pre-tax charge related to the premium paid for the redemption, which is included in the Redemption costs for early extinguishment of debt line item in the accompanying Consolidated Statements of Operations in the year ended December 31, 2014.

Income Tax Expense

	For the Years Ended December 31,				
	2014	% Change	2013	% Change	2012
	(In thousands, excluding percentages)				
Income tax expense	$ 28,174	(32.9)%	$ 42,018	55.6 %	$ 27,009
Effective tax rate	44.5 %		67.1 %		38.4 %

Income tax expense for the year ended December 31, 2014 relates primarily to consolidated income generated from the Company's U.S. operations. The decrease in income tax expense, compared to the prior year, is primarily related to a $13.8 million charge recorded during the year ended December 31, 2013 related to a write-off of deferred tax assets that were no longer realizable as a result of an internal restructuring in that period.

Non-GAAP Financial Measures

Included below are certain non-GAAP financial measures that we use to evaluate the performance of our business. We believe that the presentation of these measures and the identification of unusual or certain nonrecurring adjustments and non-cash items enhance an investor's understanding of the underlying trends in our business and provide for better comparability between periods in different years. EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted Gross Profit Margin, and Free Cash Flow are non-GAAP financial measures provided as a complement to results prepared in accordance with U.S. GAAP and may not be comparable to similarly-titled measures reported by other companies.

Adjusted EBITDA excludes depreciation, accretion, and amortization expense as these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures, and the method by which the assets were acquired. Adjusted EBITDA also excludes acquisition-related expenses, certain other non-operating and nonrecurring costs, loss on disposal of assets, our obligations for the payment of income taxes, interest expense or other obligations such as capital expenditures, and an adjustment for non-controlling interest. Adjusted Net Income represents net income computed in accordance with GAAP, before amortization expense, loss on disposal of assets, stock-based compensation expense, certain other expense (income) amounts, nonrecurring expenses, and acquisition-related expenses, and using an assumed tax rate of 32% for the twelve months ended December 31, 2014, 35% through June 30, 2013 and 33.5% from July 1, 2013 through December 31, 2013, with certain adjustments for non-controlling interests. Adjusted Gross Profit Margin is calculated excluding certain nonrecurring costs from the cost of ATM operating revenues. Adjusted EBITDA %, Adjusted Pre-tax %, and Adjusted Net Income % are calculated by taking the respective non-GAAP financial measures over GAAP total revenues. Adjusted Net Income per diluted share is calculated by dividing Adjusted Net Income by average weighted diluted shares outstanding. Free Cash Flow is defined as cash provided by operating activities less payments for capital expenditures, including those financed through direct debt but excluding acquisitions. The measure of Free Cash Flow does not take into consideration certain other non-discretionary cash requirements such as, for example, mandatory principal payments on portions of our long-term debt.

The non-GAAP financial measures presented herein should not be considered in isolation or as a substitute for operating income, net income, cash flows from operating, investing, or financing activities, or other income or cash flow statement data prepared in accordance with U.S. GAAP.

A reconciliation of EBITDA, Adjusted EBITDA, Adjusted Gross Profit Margin, and Adjusted Net Income to Net Income Attributable to Controlling Interests, their most comparable U.S. GAAP financial measure, and a reconciliation of Free Cash Flow to cash provided by operating activities, the most comparable U.S. GAAP financial measure, are presented as follows:

Reconciliation of Net Income Attributable to Controlling Interests to EBITDA, Adjusted EBITDA, and Adjusted Net Income

	For the Years Ended December 31,		
	2014	2013	2012
	(In thousands, except share and per share amounts)		
Net income attributable to controlling interests	$ 37,140	$ 23,816	$ 43,591
Adjustments:			
Interest expense, net	20,776	21,155	21,161
Amortization of deferred financing costs and note discount	13,036	1,931	896
Redemption costs for early extinguishment of debt	9,075	—	—
Income tax expense	28,174	42,018	27,009
Depreciation and accretion expense	75,622	68,480	61,499
Amortization of intangible assets	35,768	27,336	21,712
EBITDA	$ 219,591	$ 184,736	$ 175,868
Add back:			
Loss on disposal of assets	3,224	2,790	1,787
Other income	(1,616)	(3,150)	(1,830)
Noncontrolling interests (1)	(1,745)	(2,399)	(1,668)
Stock-based compensation expense (2)	16,432	12,290	11,072
Acquisition-related expenses (3)	18,050	15,400	3,332
Other adjustments to cost of ATM operating revenues (4)	—	8,670	—
Other adjustments to selling, general, and administrative expenses (5)	—	505	972
Adjusted EBITDA	$ 253,936	$ 218,842	$ 189,533
Less:			
Interest expense, net (2)	20,745	21,057	20,990
Depreciation and accretion expense (2)	74,314	66,857	59,983
Adjusted pre-tax income	158,877	130,928	108,560
Income tax expense (6)	50,840	44,777	37,996
Adjusted Net Income	$ 108,037	$ 86,151	$ 70,564
Adjusted Net Income per share	$ 2.44	$ 1.94	$ 1.62
Adjusted Net Income per diluted share	$ 2.41	$ 1.93	$ 1.61
Weighted average shares outstanding - basic	44,338,408	44,371,313	43,469,175
Weighted average shares outstanding - diluted	44,867,304	44,577,635	43,875,332

(1)Noncontrolling interests adjustment made such that Adjusted EBITDA includes only our 51% ownership interest in the Adjusted EBITDA of our Mexico subsidiary.

(2)Amounts exclude 49% of the expenses incurred by our Mexico subsidiary as such amounts are allocable to the noncontrolling interest stockholders.

(3)Acquisition-related expenses include nonrecurring costs incurred for professional and legal fees and certain transition and integration-related costs, including contract termination costs and facility exit costs, related to acquisitions.

(4)Adjustment to cost of ATM operating revenues for the year ended December 31, 2013 is related to the nonrecurring charge for retroactive property taxes on certain ATM locations in the U.K.

(5)Adjustment to selling, general, and administrative expenses in 2013 represents nonrecurring severance related costs associated with management of our U.K. operation.

(6)Calculated using our estimated long-term, cross-jurisdictional effective cash tax rate of 32% for the year ended December 31, 2014, 35% through June 30, 2013 and 33.5% from July 1 through December 31, 2013.

Reconciliation of Adjusted Gross Profit Margin

	For the Year Ended December 31, 2014		
	As reported (GAAP)	Adjustments	Adjusted (Non-GAAP)
	(In thousands)		
Total revenues	$ 1,054,821	$ —	$ 1,054,821
Total cost of revenues (1)	704,048	—	704,048
Gross profit	$ 350,773	$ —	$ 350,773
Gross profit margin	33.3%		33.3%

	For the Year Ended December 31, 2013		
	As reported (GAAP)	Adjustments	Adjusted (Non-GAAP)
	(In thousands)		
Total revenues	$ 876,486	$ —	$ 876,486
Total cost of revenues (1)	595,287	(8,670)	586,617
Gross profit	$ 281,199	$ 8,670	$ 289,869
Gross profit margin	32.1%		33.1%

(1)Adjustment to cost of ATM operating revenues is related to the nonrecurring charge for retroactive property taxes on certain ATM locations in the U.K

Calculation of Free Cash Flow

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Cash provided by operating activities	$ 188,553	$ 183,557	$ 136,388
Payments for capital expenditures:			
Cash used in investing activities, excluding acquisitions	(109,909)	(77,153)	(92,803)
Free cash flow	$ 78,644	$ 106,404	$ 43,585

Liquidity and Capital Resources

Overview

As of December 31, 2014, we had $31.9 million in cash and cash equivalents on hand and $612.7 million in outstanding long-term debt.

We have historically funded our operations primarily through cash flows from operations, borrowings under our revolving credit facilities, and the issuance of debt and equity securities. Furthermore, we have historically used cash to invest in additional ATMs, either through the acquisition of ATM networks or through organically-generated growth. We have also used cash to fund increases in working capital and to pay interest and principal amounts outstanding under our borrowings. Because we collect a sizable portion of our cash from sales on a daily basis but generally pay our merchants and vendors on 30-day terms and are not required to pay certain of our merchants until 20 days after the end of each calendar month, we are able to utilize the excess available cash flow to reduce borrowings made under our revolving credit facility and to fund our ongoing capital expenditure program. Accordingly, it is not uncommon for us to reflect a working capital deficit position on our Consolidated Balance Sheet.

We believe that our cash on hand and our current revolving credit facility will be sufficient to meet our working capital requirements and contractual commitments for the next 12 months. We expect to fund our working capital needs from cash flows generated from our operations and borrowings under our revolving credit facility, to the extent needed. As we expect to continue to generate positive free cash flow in 2014 and beyond, we expect to repay the amounts outstanding under our revolving credit facility absent any acquisitions. See additional discussion under Financing Facilities below.

Operating Activities

Net cash provided by operating activities totaled $188.6 million, $183.6 million, and $136.4 million during the years ended December 31, 2014, 2013, and 2012, respectively. The slight increase from 2013 to 2014 was attributable to increased income from operations, partly offset by higher amounts paid for cash taxes during 2014. The increase from 2012 to 2013 was related to a combination of growth in income from operations excluding non-cash items such as stock-based compensation, depreciation, and amortization of intangible assets and net decreases in various working capital accounts.

Investing Activities

Net cash used in investing activities totaled $336.9 million, $266.7 million, and $113.8 million for the years ended December 31, 2014, 2013, and 2012. The increase from 2013 to 2014 was primarily the result of the cash paid, net of cash acquired, for the acquisitions completed during the year and higher capital expenditures. The increase from 2012 to 2013 was primarily the result of the cash paid, net of cash acquired, for the acquisitions completed during the year, partially offset by lower capital expenditures.

Anticipated Future Capital Expenditures. We currently anticipate that the majority of our capital expenditures for the foreseeable future will be driven by organic growth projects, including the purchase of ATMs for existing as well as new ATM management agreements and various compliance requirements as discussed in Recent Events – Europay, MasterCard, Visa ("EMV"). We expect that our capital expenditures for 2015 will total approximately $140 million to $150 million, the majority of which is expected to be utilized to purchase additional ATMs for our existing merchant account base and new merchant locations we expect to gain during 2015. Additionally, we anticipate spending a portion of our estimated capital expenditures on technology upgrades, compliance and capability enhancements to our existing devices. We expect such expenditures to be funded primarily through cash generated from our operations and borrowings under our revolving credit facility.

Acquisitions. We continue to evaluate acquisition opportunities that complement our existing business. We believe that expansion opportunities continue to exist in all of our current markets, as well as in other international markets, and we will continue to pursue those opportunities as they arise. Such acquisition opportunities, individually or in the aggregate, could be material and may be funded by additional borrowing under our revolving credit facility or other financial sources that may be available to us.

Financing Activities

Net cash provided by (used in) financing activities totaled $99.2 million, $155.0 million, and $(14.1) million for the years ended December 31, 2014, 2013, and 2012, respectively. The net cash inflow during the year ended December 31, 2014 was primarily related to the net cash proceeds received from our 2022 Notes and additional borrowings on our revolving credit facility, partly offset by the retirement of our 2018 Notes. The net cash provided during the year ended December 31, 2013 was primarily due to the $254.2 million net proceeds received from our issuance of the Convertible Notes.

Financing Facilities

As of December 31, 2014, we had approximately $612.7 million in outstanding long-term debt, which was primarily comprised of: (1) $287.5 million of the Convertible Notes of which $225.4 million was recorded on our balance sheet net of the unamortized note discount, (2) $250.0 million of the 2022 Notes, and (3) $137.3 million in borrowings under our revolving credit facility.

Revolving Credit Facility. As of December 31, 2014, we had a $375.0 million revolving credit facility that was led by a syndicate of banks including JPMorgan Chase, N.A. and Bank of America, N.A. This revolving credit facility provides us with $375.0 million in available borrowings and letters of credit (subject to the covenants contained within the Credit Agreement governing the revolving credit facility) and can be increased to up to $500.0 million under certain conditions and subject to additional commitments from the lender group. In addition, the revolving credit facility includes a sub-limit of up to $30.0 million for letters of credit, a sub-limit of up to $25.0 million for swingline loans and a sub-limit of up to the equivalent amount of $125.0 million for loans in currencies other than U.S. Dollars. The revolving credit facility has a termination date of April 2019.

Borrowings (not including swingline loans and alternative currency loans) under the revolving credit facility accrue interest at our option at either the Alternate Base Rate (as defined in the Credit Agreement) or the Adjusted LIBO Rate (as defined in the Credit Agreement) plus a margin depending on the our most recent Total Net Leverage Ratio (as defined in the Credit Agreement). The margin for Alternative Base Rate loans varies between 0% to 1.25% and the margin for Adjusted LIBO Rate loans varies between 1.00% to 2.25%. Swingline loans bear interest at the Alternate Base Rate plus a margin as described above. The alternative currency loans bear interest at the Adjusted LIBO Rate for the relevant currency as described above. Substantially all of our domestic assets, including the stock of our wholly-owned domestic subsidiaries and 66% of the stock of our first-tier foreign subsidiaries, are pledged as collateral to secure borrowings made under the revolving credit facility. Furthermore, each of our material wholly-owned domestic subsidiaries has guaranteed the full and punctual payment of the obligations under the revolving credit facility. Additionally, no more than 40% of our Consolidated Adjusted EBITDA (as defined in the Credit Agreement) or the book value of the aggregate consolidated assets may be attributable to restricted subsidiaries that are not guarantors under the Credit Agreement. There are currently no restrictions on the ability of our subsidiaries to declare and pay dividends to us.

The Credit Agreement contains representations, warranties and covenants that are customary for similar credit arrangements, including, among other things, covenants relating to (i) financial reporting and notification, (ii) payment of obligations, (iii) compliance with applicable laws, and (iv) notification of certain events. Financial covenants in the revolving credit facility require us to maintain: (i) as of the last day of any fiscal quarter, a Senior Secured Net Leverage Ratio (as defined in the Credit Agreement) of no more than 2.25 to 1.00; (ii) as of the last day of any fiscal quarter, a Total Net Leverage Ratio of no more than 4.00 to 1.00; and (iii) as of the last day of any fiscal quarter, a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of no more than 1.50 to 1. Additionally, we are limited on the amount of restricted payments, including dividends, which we can make pursuant to the terms of the Credit Agreement; however, we may generally make restricted payments so long as no event of default has occurred and is continuing and our total net leverage ratio is less than 3.0 to 1.0 at the time such restricted payment is made.

As of December 31, 2014, the weighted-average interest rate on our outstanding revolving credit facility borrowings was approximately 2.2%. Additionally, as of December 31, 2014, we were in compliance with all the covenants contained within the facility and would continue to be in compliance even in the event of substantially higher borrowings or substantially lower earnings.

As of December 31, 2014, we had approximately $235.6 million in available borrowing capacity under the $375.0 million revolving credit facility.

$200.0 Million 8.25% Senior Subordinated Notes due 2018. During the year ended December 31, 2014, we repurchased $20.6 million of the 2018 Notes in the open market. In addition, we received tenders and consents from the holders of $64.0 million of the 2018 Notes pursuant to a cash tender offer. Pursuant to the terms of the 2018 Notes, we redeemed the remaining $115.4 million of the 2018 Notes outstanding on September 2, 2014 at a price of 104.125% and effectively retired all of the outstanding 2018 Notes.

In connection with the retirement of the 2018 Notes, we recorded a $3.9 million pre-tax charge during the year ended December 31, 2014 to write off the unamortized deferred financing costs associated with the 2018 Notes, which are included in the Amortization of deferred financing costs and note discount line item in the accompanying Consolidated Statements of Operations. Additionally, we recorded a $9.1 million pre-tax charge related to the premium paid for the redemption, which is included in the Redemption costs for early extinguishment of debt line item in the accompanying Consolidated Statements of Operations in the year ended December 31, 2014.

$287.5 Million 1.00% Convertible Senior Notes due 2020. In November 2013, we completed a private placement of $287.5 million in Convertible Notes that pay interest semi-annually at a rate of 1.00% per annum and mature on December 1, 2020. There are no restrictive covenants associated with these Convertible Notes. In connection with the Convertible Notes, we also entered into Note Hedges at a purchase price of $72.6 million, and sold Warrants for proceeds of $40.5 million, the net effect of which was to raise the effective conversion price of the Convertible Notes to $73.29. We are required to pay interest semi-annually on June 1st and December 1st, and to make principal payments on the Convertible Notes at maturity or upon conversion. We are permitted to settle any conversion obligation under the Convertible Notes, in excess of the principal balance, in cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. We intend to satisfy any conversion premium by issuing shares of our common stock. For additional details, see Item 8. Financial Statements and Supplementary Data, Note 10. Long-Term Debt.

$250.0 Million 5.125% Senior Notes due 2022. On July 28, 2014, we issued the 2022 Notes pursuant to an indenture dated July 28, 2014 among us, our subsidiary guarantors and Wells Fargo Bank, National Association, as trustee. Interest on the 2022 Notes is payable semi-annually in cash in arrears on February 1 and August 1 of each year, and commenced on February 1, 2015. As of December 31, 2014, we were in compliance with all applicable covenants required under the 2022 Notes.

Effects of Inflation

Our monetary assets, consisting primarily of cash and receivables, are not significantly affected by inflation. Our non-monetary assets, consisting primarily of tangible and intangible assets, are not affected by inflation. We believe that replacement costs of equipment, furniture, and leasehold improvements will not materially affect our operations. However, the rate of inflation affects our expenses, such as those for employee compensation and telecommunications, which may not be readily recoverable in the price of services offered by us.

Contractual Obligations

The following table reflects our significant contractual obligations and other commercial commitments as of December 31, 2014:

	Payments Due by Period						
	2015	2016	2017	2018	2019	Thereafter	Total
	(In thousands)						
Long-term debt obligations:							
Principal (1)	$ 35	$ —	$ —	$ —	$ 137,292	$ 537,500	$ 674,827
Interest (2)	18,713	18,713	18,713	18,713	16,696	35,734	127,282
Operating leases	6,663	5,187	3,668	2,820	1,184	2,429	21,951
Merchant space leases	5,990	4,661	2,684	2,030	823	285	16,473
Other (3)	20,913	1,350	1,350	432	—	—	24,045
Total contractual obligations	$ 52,314	$ 29,911	$ 26,415	$ 23,995	$ 155,995	$ 575,948	$ 864,578

(1) Represents the $250.0 million face value of our senior notes, $287.5 million face value of our convertible notes, and $137.3 million outstanding under our revolving credit facility.

(2) Represents the estimated interest payments associated with our long-term debt outstanding as of December 31, 2014, assuming current interest rates and consistent amount of debt outstanding over the periods presented in the table above.

(3) Represents commitment to purchase $13.8 million of ATMs and equipment for our U.S. segment and $6.3 million of ATMs and equipment for our Europe segment, and $4.0 million of minimum service requirements for certain gateway and processing fees.

Critical Accounting Policies and Estimates

Our consolidated financial statements included in this 2014 Form 10-K have been prepared in accordance with U.S. GAAP, which require that management make numerous estimates and assumptions. Actual results could differ from those estimates and assumptions, thus impacting our reported results of operations and financial position. The critical accounting policies and estimates described in this section are those that are most important to the depiction of our financial condition and results of operations and the application of which requires management's most subjective judgments in making estimates about the effect of matters that are inherently uncertain. We describe our significant accounting policies more fully in Item 8. Financial Statements and Supplementary Data, Note 1, Basis of Presentation and Summary of Significant Accounting Policies.

Goodwill and Intangible Assets. We have accounted for our acquisitions as business combinations in accordance with U.S. GAAP. Accordingly, the amounts paid for acquisitions have been allocated to the assets acquired and liabilities assumed based on their respective fair values as of each acquisition date. Intangible assets that met the criteria established by U.S. GAAP for recognition apart from goodwill included the acquired ATM operating agreements and related customer relationships, branding agreements, technology, trade names, and the non-compete agreements entered into in connection with certain acquisitions. The excess of the cost of the above acquisitions over the net of the amounts assigned to the tangible and intangible assets acquired and liabilities assumed is reflected as goodwill in our consolidated financial statements.

Goodwill and other intangible assets that have indefinite useful lives are not amortized, but instead are tested at least annually for impairment, and intangible assets that have finite useful lives are amortized over their estimated useful lives. We follow the specific guidance provided in U.S. GAAP for testing goodwill and other non-amortized intangible assets for impairment. Although we adopted the guidance that allows companies to first make qualitative assessments to determine whether it is more likely than not that the asset is impaired, we continue to perform quantitative assessments. The guidance requires management to make certain estimates and assumptions in order to allocate goodwill to reporting units and to determine the fair value of a reporting unit's net assets and liabilities, including, among other things, an assessment of market condition, projected cash flows, interest rates, and growth rates, which could significantly impact the reported value of goodwill and other intangible assets. Furthermore, this requirement exposes us to the possibility that changes in market conditions could result in potentially significant impairment charges in the future. We have determined the reporting units based on whether the components within our geographical segments were managed separately from the rest of the segment and if discrete financials were available for that component. For the year ended December 31, 2014, we performed our annual goodwill impairment test for five separate reporting units: (1) our domestic reporting segment; (2) the acquired ATM operations in the U.K. from Bank Machine and Cardpoint; (3) the acquired CCS Mexico (subsequently renamed to Cardtronics Mexico) operations; (4) the acquired Canadian operations (Mr. Cash, subsequently renamed to Cardtronics Canada); and (5) the acquired German operations from Cardpoint.

We evaluate the recoverability of our goodwill and non-amortized intangible assets by estimating the future discounted cash flows of the reporting units to which the goodwill and non-amortized intangible assets relate. We use discount rates corresponding to our cost of capital, risk-adjusted as appropriate, to determine the discounted cash flows, and consider current and anticipated business trends, prospects, and

other market and economic conditions when performing our evaluations. These evaluations are performed on an annual basis at a minimum, or more frequently based on the occurrence of events that might indicate a potential impairment. Examples of events that might indicate impairment include, but are not limited to, the loss of a significant contract, a material change in the terms or conditions of a significant contract or significant decreases in revenues associated with a contract or business.

Valuation of Long-lived Assets. We place significant value on the installed ATMs that we own and manage in merchant locations and the related acquired merchant contracts/relationships. Long-lived assets, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We test our acquired merchant contract/relationship intangible assets for impairment quarterly, along with the related ATMs, on an individual contract/relationship basis for our significant acquired contracts/relationships, and on a pooled or portfolio basis (by acquisition) for all other acquired contracts/relationships.

In determining whether a particular merchant contract/relationship is significant enough to warrant a separate identifiable intangible asset, we analyze a number of relevant factors, including: (1) estimates of the historical cash flows generated by such contract/relationship prior to its acquisition; (2) estimates regarding our ability to increase the contract/relationship’s cash flows subsequent to the acquisition through a combination of lower operating costs, the deployment of additional ATMs, and the generation of incremental revenues from increased surcharges and/or new bank branding arrangements; and (3) estimates regarding our ability to renew such contract/relationship beyond its originally scheduled termination date. An individual contract/relationship, and the related ATMs, could be impaired if the contract/relationship is terminated sooner than originally anticipated, or if there is a decline in the number of transactions related to such contract/relationship without a corresponding increase in the amount of revenue collected per transaction. A portfolio of purchased contract intangibles, including the related ATMs, could be impaired if the contract attrition rate is materially more than the rate used to estimate the portfolio’s initial value, or if there is a decline in the number of transactions associated with such portfolio without a corresponding increase in the revenue collected per transaction. Whenever events or changes in circumstances indicate that a merchant contract/relationship intangible asset may be impaired, we evaluate the recoverability of the intangible asset, and the related ATMs, by measuring the related carrying amounts against the estimated undiscounted future cash flows associated with the related contract or portfolio of contracts. Should the sum of the expected future net cash flows be less than the carrying values of the tangible and intangible assets being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying values of the ATMs and intangible assets exceeded the calculated fair value.

Income Taxes. Income tax provisions are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and income before taxes and between the tax basis of assets and liabilities and their reported amounts in our financial statements. We include deferred tax assets and liabilities in our financial statements at currently enacted income tax rates. As changes in tax laws or rates are enacted, we adjust our deferred tax assets and liabilities our through income tax provision.

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In the event we do not believe we will be able to utilize the related tax benefits associated with deferred tax assets, we record valuation allowances to reserve for the assets.

Asset Retirement Obligations. We estimate the fair value of future retirement obligations associated with our ATMs, including costs associated with deinstalling the ATMs and, in some cases, refurbishing the related merchant locations. Such estimates are based on a number of assumptions, including (1) the types of ATMs that are installed, (2) the relative mix where those ATMs are installed (i.e., whether such ATMs are located in single-merchant locations or in locations associated with large, geographically-dispersed retail chains), and (3) whether we will ultimately be required to refurbish the merchant store locations upon the removal of the related ATMs. Additionally, we are required to make estimates regarding the timing of when such retirement obligations will be incurred. We utilize a pooled approach in calculating and managing our retirement obligations, as opposed to a specific machine-by-machine approach, by pooling the retirement obligation of assets based on the estimated deinstallation dates. We periodically review the reasonableness of the retirement obligations balance by obtaining the current machine count and updated estimates to deinstall such machines.

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred and can be reasonably estimated. Such asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's estimated useful life. Fair value estimates of liabilities for asset retirement obligations generally involve discounted future cash flows. Periodic accretion of such liabilities due to the passage of time is recorded as an operating expense in the accompanying consolidated financial statements. Upon settlement of the liability, we recognize a gain or loss for any difference between the settlement amount and the liability recorded.

Share-Based Compensation. We calculate the fair value of stock-based instruments awarded to employees and directors on the date of grant and recognize the calculated fair value, net of estimated forfeitures, as compensation expense over the requisite service periods of the related awards. In determining the fair value of our share-based awards, we are required to make certain assumptions and estimates, including (1) the number of awards that may ultimately be granted to and forfeited by the recipients, (2) the expected term of the underlying awards, and (3) the future volatility associated with the price of our common stock. Such estimates, and the basis for our conclusions regarding such estimates for the year ended December 31, 2014, are outlined in detail in Item 8, Financial Statements and Supplementary Data, Note 3, Stock-Based Compensation.

Derivative Financial Instruments. We recognize all of our derivative instruments as either assets or liabilities in our Consolidated Balance Sheets at fair value. The accounting for changes in the fair value (e.g., gains or losses) of those derivative instruments depends on (1) whether such instruments have been designated (and qualify) as part of a hedging relationship, and (2) on the type of hedging relationship actually designated. For derivative instruments that are designated and qualify as hedging instruments, we designate the hedging instrument, based upon the exposure being hedged, as a cash flow hedge, a fair value hedge, or a hedge of a net investment in a foreign operation. These instruments are valued using pricing models based on significant other observable inputs (Level 2 inputs under the fair value hierarchy established by U.S. GAAP), while taking into account the nonperformance risk of the party that is in the liability position with respect to each trade. As of December 31, 2014, all of our derivatives were designated as cash flow hedges, and, accordingly, changes in the fair values of such derivatives have been reflected in the accumulated other comprehensive loss line in the accompanying Consolidated Balance Sheet. See Item 8. Financial Statements and Supplementary Data, Note 15, Derivative Financial Instruments for more details on our derivative financial instrument transactions.

Convertible Notes. We are party to various derivative instruments related to the issuance of our Convertible Notes. As of December 31, 2014 all of our derivative instruments related to the Convertible Notes qualified for classification within stockholders’ equity. We are required, however, for the remaining term of the Convertible Notes, to assess whether we continue to meet the stockholders’ equity classification requirements and if in any future period we fail to satisfy those requirements we would need to reclassify these instruments out of stockholders’ equity and record them as a derivative asset or liability, at which point we would be required to record any changes in fair value through earnings. See Item 8. Financial Statements and Supplementary Data, Note 10, Long-Term Debt for more details on our Convertible Notes.

New Accounting Pronouncements Issued but Not Yet Adopted

For recent accounting pronouncements not yet adopted during 2014, see Item 8. Financial Statements and Supplementary Data, Note 1(u), Recent Accounting Pronouncements Not Yet Adopted.

Commitments and Contingencies

We are subject to various legal proceedings and claims arising in the ordinary course of business. We do not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on our financial condition, results of operations or cash flows. See Item 8. Financial Statements and Supplementary Data, Note 17, Commitments and Contingencies for additional details regarding our commitments and contingencies.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Disclosures about Market Risk

We are exposed to a variety of market risks, including interest rate risk and foreign currency exchange rate risk. The following quantitative and qualitative information is provided about financial instruments to which we were a party at December 31, 2014, and from which we may incur future gains or losses from changes in market interest rates or foreign currency exchange prices. We do not enter into derivative or other financial instruments for speculative or trading purposes.

Hypothetical changes in interest rates and foreign currencies chosen for the following estimated sensitivity analysis are considered to be reasonably possible near-term changes generally based on consideration of past fluctuations for each risk category. However, since it is not possible to accurately predict future changes in interest rates and foreign currencies, these hypothetical changes may not necessarily be an indicator of probable future fluctuations.

Interest Rate Risk

Vault cash rental expense. Because our ATM vault cash rental expense is based on market rates of interest, it is sensitive to changes in the general level of interest rates in the respective countries we operate in. In the U.S., the U.K., and Germany we pay a monthly fee to our vault cash providers on the average amount of vault cash outstanding under a formula based on the respective market's LIBOR rates. In Mexico, we pay a monthly fee to our vault cash provider under a formula based on the Interbank Equilibrium Interest Rate (commonly referred to as the "TIIE"). In Canada, we pay interest to our vault cash providers based on the average amount of vault cash outstanding under a formula based on the Bank of Canada's bankers' acceptance rate.

As a result of the significant sensitivity surrounding our vault cash rental expense, we have entered into a number of interest rate swaps to effectively fix the rate we pay on the amounts of our current and anticipated outstanding vault cash balances. The following swaps currently in place serve to fix the rate utilized for our vault cash rental agreements in the U.S. for the following notional amounts and periods:

Notional Amounts		Weighted Average Fixed Rate	Term
(In millions)			
$	1,300	2.84 %	January 1, 2015 – December 31, 2015
$	1,300	2.74 %	January 1, 2016 – December 31, 2016
$	1,000	2.53 %	January 1, 2017 – December 31, 2017
$	750	2.54 %	January 1, 2018 – December 31, 2018

The following table presents a hypothetical sensitivity analysis of our annual vault cash rental expense in the U.S. based on our average outstanding vault cash balances for the quarter ended December 31, 2014 and assuming a 100 basis point increase in interest rates:

Summary of interest rate exposure on vault cash outstanding in the U.S. (in millions):

Vault cash balance	$	1,926
Interest rate swap fixed notional amount		(1,300)
Residual unhedged vault cash balance	$	626
Additional annual interest incurred on 100 basis point increase	$	6.3

We also have terms in certain of our U.S. contracts with merchants and financial institution partners where we can decrease fees paid to merchants or increase fees paid to us by financial institutions if vault cash rental costs increase. We have such protection in place on approximately $250 million of vault cash as of December 31, 2014. Such protection will serve to reduce but not eliminate the exposure calculated above.

The following table presents a hypothetical sensitivity analysis of our annual vault cash rental expense in the U.K. based on our average outstanding vault cash balances for the quarter ended December 31, 2014 and assuming a 100 basis point increase in interest rates:

Summary of interest rate exposure on vault cash outstanding in the U.K. (in millions):

Vault cash balance	$ 911
Interest rate swap fixed notional amount	—
Residual unhedged vault cash balance	$ 911
Additional annual interest incurred on 100 basis point increase	$ 9.1

Our sensitivity to changes in interest rates in the U.K. is somewhat mitigated by the interchange rate setting methodology that impacts the majority of our U.K. interchange revenue. Effectively, the interest rates and cash costs from two years back are considered for determining the interchange rate (i.e., interest rates and other costs from 2013 are considered for determining the 2015 interchange rate). As a result of this structure, should interest rates rise in the U.K., causing our operating expenses to rise, we would expect to see a rise in interchange rates (and our revenues), albeit with a lag. We expect some growth in outstanding vault cash balances as a result of expected future business growth in the U.K., and we may seek additional ways to mitigate our exposure to floating interest rates by engaging in derivative instruments in the future.

As of December 31, 2014, we had not entered into any derivative financial instruments to hedge our variable interest rate exposure in Mexico, Germany or Canada, as we do not deem it to be cost effective to engage in such a hedging program. However, we may enter into derivative financial instruments in the future to hedge our interest rate exposure in those markets. The following table presents a hypothetical sensitivity analysis of our annual vault cash rental expense in Mexico, Germany and Canada based on our average outstanding vault cash balances for the quarter ended December 31, 2014 and assuming a 100 basis point increase in interest rates:

Summary of interest rate exposure on vault cash outstanding in all other jurisdictions (in millions):

Vault cash balance	$ 161
Interest rate swap fixed notional amount	—
Residual unhedged vault cash balance	$ 161
Additional annual interest incurred on 100 basis point increase	$ 1.6

As of December 31, 2014, we had a net liability of $55.0 million recorded on our Consolidated Balance Sheet related to our interest rate swaps, which represented the fair value liability of the agreements, as derivative instruments are required to be carried at fair value. Fair value was calculated as the present value of amounts estimated to be received or paid to a marketplace participant in a selling transaction. These swaps are valued using pricing models based on significant other observable inputs (Level 2 inputs under the fair value hierarchy established by U.S. GAAP), while taking into account the nonperformance risk of the party that is in the liability position with respect to each trade. These swaps are accounted for as cash flow hedges; accordingly, changes in the fair values of the swaps have been reported in accumulated other comprehensive loss, net line item in the accompanying Consolidated Balance Sheets. We record the unrealized loss amounts related to our interest rate swaps net of estimated taxes in the Accumulated other comprehensive loss, net line item within Stockholders' equity in the accompanying Consolidated Balance Sheets.

Interest expense. Our interest expense is also sensitive to changes in interest rates in the U.S., as borrowings under our revolving credit facility accrue interest at floating rates. Based on the $137.3 million outstanding under our revolving credit facility as of December 31, 2014, an increase of 100 basis points in the underlying interest rate would have had a $1.4 million impact on our interest expense in the year then ended. However, there is no guarantee that we will not borrow additional amounts under our revolving credit facility in the future, and, in the event we borrow amounts and interest rates significantly increase, the interest that we would be required to pay would be more significant. We have not entered into interest rate hedging arrangements in the past to hedge our interest rate risk for our borrowings, and have no plans to do so. Due to fluctuating balances in the amount outstanding under our revolving credit facility, we do not believe such arrangements to be cost effective.

Outlook. If we continue to experience low short-term interest rates in the U.S. and the U.K., it will be beneficial to the amount of interest expense we incur under our bank credit facilities and our vault cash rental expense. Although we currently hedge a substantial portion of our vault cash interest rate risk in the U.S., as noted above, we may not be able to enter into similar arrangements for similar amounts in the future, and any significant increase in interest rates in the future could have an adverse impact on our business, financial condition and results of operations by increasing our operating costs and expenses. However, we expect that the impact on our financial statements from a significant increase in interest rates would be partially mitigated by the interest rate swaps that we currently have in place associated with our vault cash balances in the U.S.

Foreign Currency Exchange Rate Risk

As a result of our operations in the U.K., Germany, Mexico, and Canada, we are exposed to market risk from changes in foreign currency exchange rates, specifically with respect to changes in the U.S. dollar relative to the British pound, Euro, Mexican peso, and the Canadian dollar. All of our international subsidiaries are consolidated into our financial results and are subject to risks typical of international businesses including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Furthermore, we are required to translate the financial condition and results of our international operations into U.S. dollars, with any corresponding translation gains or losses being recorded in Other comprehensive income in our consolidated financial statements. As of December 31, 2014, this accumulated translation loss totaled approximately $34.7 million compared to approximately $18.4 million loss as of December 31, 2013.

Our consolidated financial results were not materially impacted by the change in value of the British pound, Euro, Mexican peso, or Canadian dollar relative to the U.S. dollar during the year ended December 31, 2014 compared to the prior year. A sensitivity analysis indicates that, if the U.S. dollar uniformly strengthened or weakened 10% against the British pound, the effect upon our reported operating income for the year ended December 31, 2014 would have been approximately $0.1 million; likewise, a sensitivity analysis indicates that if the U.S. dollar uniformly strengthened or weakened 10% against the Euro for the year ended December 31, 2014, the effect upon our reported operating income would have been approximately $0.6 million; similarly, a sensitivity analysis indicates that if the U.S. dollar uniformly strengthened or weakened 10% against the Mexican peso for the year ended December 31, 2014, the effect upon our reported operating income would have been approximately $0.4 million; and finally, a sensitivity analysis indicates that if the U.S. dollar uniformly strengthened or weakened 10% against the Canadian dollar for the year ended December 31, 2014, the effect upon our reported operating income would have been approximately $0.2 million. At this time, we have not deemed it to be cost effective to engage in a program of hedging the effect of foreign currency fluctuations on our operating results using derivative financial instruments.

Certain intercompany balances between our U.S. parent company and our U.K. operations are designated as short-term in nature, and the changes in these balances are translated in our Consolidated Statements of Operations. As a result, we are exposed to foreign currency exchange risk as it relates to these intercompany balances, most of which is offset by third-party borrowings denominated in British pounds under our revolving credit facility in the U.S. This structure effectively manages the foreign currency exposure of these short-term designated intercompany balances as currency gains or losses in the intercompany borrowings are largely offset by currency gains or losses on our third-party borrowings. A sensitivity analysis indicates that, if the U.S. dollar uniformly strengthened or weakened 10% against the British pound, based on the intercompany payable balance as of December 31, 2014, the net effect upon our Consolidated Statements of Operations would be approximately $1.3 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Cardtronics, Inc.:

We have audited Cardtronics, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in the Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Cardtronics Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Cardtronics, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Cardtronics, Inc. acquired Welch ATM ("Welch") and Sunwin Services Group ("Sunwin") during 2014, and management excluded from its assessment of the effectiveness of Cardtronics, Inc.'s internal control over financial reporting as of December 31, 2014, Welch and Sunwin's internal control over financial reporting associated with 18% of total gross assets (of which 9% represents goodwill and intangibles included within the scope of the assessment) and total revenues of 3% included in the consolidated financial statements of Cardtronics Inc. as of and for the year ended December 31, 2014. Our audit of internal control over financial reporting of Cardtronics, Inc. also excluded an evaluation of the internal control over financial reporting of Welch and Sunwin.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cardtronics, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 24, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Houston, Texas

February 24, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Cardtronics, Inc.:

We have audited the accompanying consolidated balance sheets of Cardtronics, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cardtronics, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cardtronics, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting. This report contains an explanatory paragraph that states Cardtronics, Inc. acquired Welch ATM ("Welch") and Sunwin Services Group ("Sunwin") during 2014, and management excluded from its assessment of the effectiveness of Cardtronics, Inc.'s internal control over financial reporting as of December 31, 2014, Welch and Sunwin's internal control over financial reporting associated with 18% of total gross assets (of which 9% represents goodwill and intangibles included within the scope of the assessment) and total revenues of 3% included in the consolidated financial statements of Cardtronics, Inc. as of and for the year ended December 31, 2014. Our audit of internal control over financial reporting of Cardtronics, Inc. also excluded an evaluation of the internal control over financial reporting of Welch and Sunwin.

/s/ KPMG LLP

Houston, Texas

February 24, 2015

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CARDTRONICS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, excluding share and per share amounts)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,875	$ 86,939
Accounts and notes receivable, net of allowance of $1,082 and $571 as of December 31, 2014 and December 31, 2013, respectively	80,321	58,274
Inventory, net	5,971	5,302
Restricted cash	20,427	14,896
Current portion of deferred tax asset, net	24,303	21,202
Prepaid expenses, deferred costs, and other current assets	34,508	20,159
Total current assets	197,405	206,772
Property and equipment, net	335,795	270,966
Intangible assets, net	177,540	155,276
Goodwill	511,963	404,491
Deferred tax asset, net	10,487	9,680
Prepaid expenses, deferred costs, and other noncurrent assets	22,600	9,018
Total assets	$ 1,255,790	$ 1,056,203
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 35	$ 1,289

Current portion of other long-term liabilities	34,937	35,597
Accounts payable	35,984	38,981
Accrued liabilities		