

Authentic Security Pty Ltd Summary position on the ACCC review of the pending Armagurad / Prosegur merger.

Authentic is noted as the third largest CIT business based on;

- Twenty million plus revenues
- Only independent (no ATM deployment) and national ATM cashing business
- One thousand plus ATMs CIT serviced nationally for multiple ATM deployers
- Depot processing capabilities' via our major bank wholesale facility (with a preference to be an ACCO)
- Balanced CIT business including.
 - ATM cashing / FLM
 - ATM 3rd party guarding
 - National re-carry
 - Depot processing
 - Armoured and Covert options for CIT nationally
 - Valuables business with multiple 3rd party contractors

Authentic Security Pty Ltd is an agreement with the merging parties the current landscape is commercially not sustainable, these challenges developed over many years through disruption and a race to the bottom mentality that has certainly been achieved, and as noted by the current losses. Coupled with the commercial reality is a perfect storm of changing global behaviours towards e-payments and the acceleration to said payments via Covid-19 and the two-year hiatus that followed. The commercial reality today also prohibits globally recognised players engaging in the Australian market not willing to invest in a market with locked in unprofitable significantly large contracts, along with an inflationary macro market that significantly impacts the running costs of an operational business that endures the vastness of the Australian geographical landscape.

Authentic Security Pty Ltd also agree with independent ATM operators that there is significant risk to their business model should the merge go through unabated, Authentic Security Pty Ltd also has vulnerabilities that has not been considered by the ACCC as the only other national ATM cash service business and the ability of a merged entity to wipe out the Authentic ATM offering. Note Authentic believes there needs to be protections that support our ATM cashing business as the only other competitor and has proposed offerings to the merged entities that supports ATM national supply.

Authentic Security Pty Ltd believes there is too much emphasis by the ACCC on the cash transport market, this service will NOT exist in the short term as banks close branches, look to a shared branch model and reduce branch staffing and insurance levels that ultimately means cash acceptance or provision is severely impacted, depot processing and consolidated secure locations will be the only options available as banks focus on their electronic business.

Authentic Security Pty Ltd ultimately believe concessions need to be agreed upon that sustains consistent cash infrastructure to the Australian economy, and that allows both the merged entity to be commercially viable, but also protects parties that compete in this industry along with remote and regional communities around Australia.

Question and Answers.

1. Yes, they would have the ability and incentive due to the current state of commercial contracts that eventually mature, no doubt this will occur. Quality of service will be impacted on the availability of security guards, not only business reducing cash, but the reality is an individual is looking for security for their family and the longevity of CIT is questionable long term then why commit to an industry faltering, there needs to be certainty for both business and people.
2. Refer to Q1, through Covid merging parties moved to a four-day week, many parties have retained that offering that has reduced costs (but also revenue opportunities). Innovative offerings come at a cost, including roll out / upfront implementation, maintenance and for CIT, interest rates with most cash costs pegged to the RBA rate of the day noting the aggressive increases by the RBA having a severe impact on CIT companies for both ATMs and smart safes.
3. Ultimately comes back to the cash flow expectations/needs of a business and the associated risks that impacts on reduced service levels. Higher prices are impacting all areas of business and there should be an expectation that prices will increase in the current macro environment Australia is living in.
4.
 - a. Like Brinks previously in CIT, it would appear Prosegur has used their global balance sheet to sustain and grow a strong position in the Australian market, which likes Brinks, has inevitably failed.
 - b. It would appear the Precinct offering supports innovation via cash deposits at the ATM, targeted marketing at the ATM for multi financial institutions and the community hub banking project.
5. Hardware would be a key criteria given install/hardware/maintenance/cash costs along with risk profile and transfer of liability to staff and the potential WHS issues when dealing with cash and the right training that endures a safe work environment.
 - i. Whether the merge goes ahead or not, pricing will rise, the key factor in this space is cash transport will no longer be option (refer bank closures and cash acceptance), retail will inevitably have to use technology in the form of smart safes or cash recyclers (that comes at significant costs) or be directed to a CIT with depot processing capabilities.
 - b. Due to compliance, security location inclusive of Security systems, vaults and staffing network eighteen to twenty-four months from a fresh start, an acquisition of network not required by the merged network perhaps twelve months, but why would anyone due to commercial environment.
6. To the contrary and excluding the commercial unattractiveness of the Australian market, cash globally is factually reducing, therefore the availability of global players is minimal, as an example Brinks the largest global player acquired the third largest cash play G4S who exited the cash market globally.

7. Not accepting cash in many Countries has been legislated against and at some point may be considered in Australia whilst the Australian Government supports an economy that has and requires a consistent cash infrastructure. Banks to this point have strategically shown to be exiting cash ie; selling ATM networks and closing branches, so it is vital that there is at a minimum commercially viable infrastructure to maintain cashflow whilst restricting a potential monopoly position.
8. The profitability and growth of large retail customers is unquestionable nor is there ability to bargain, no doubt this changes with 1 major supplier of CIT services but that's the reality of what has transpired in previous contracts, all business needs to be commercially viable, and prices need to increase.
9. No, in 2007 the ATM industry moved to a direct charge model where the consumer decides if they will accept the charges rather than the bank interchange model where fees were seen as hidden, this remains true today, the consumer will decide is they are happy to pay direct charges in perhaps a more convenient location or choose to seek out a fee free experience, either way the customer has the choice. Interesting to note since the banks went fee free, they have been selling of their fleets to reduce costs.
10.
 - a. Typically, the merged parties have not offered direct services to merchants, being the independents field of operation and a concern for them if this market becomes a target for a national landscaped player.
 - b. Access arrangements are governed by third parties I don't view this as an issue.
 - c. Absolutely the strong market position will dominate this field if allowed
 - d. Certainly, in a position to do so via poor service over and above their own network and the same for cashing services.
 - e. *** Authentic believes we have the potential to support this ATM cashing market.
11.
 - a. Inflationary pressures mean price increases are inevitable, monopoly position will allow for the increases will be higher than expected
 - b. The view of the independents is quite clear and refer to their ACCC for clarity and concerns
12.
 - a. It appears inevitable cash usage will continue to decline but that rate does appear to be flattening out, and as a store of wealth, cash will continue to remain a viable payment method for the short to middle term as a minimum
 - b. New technology payments allow for easy entry into alternatives so not an issue, that said the payment gouging on electronic payments is significantly higher and supports the ongoing free access / usage for the consumer

- c. Driven by supply and demand, the reality of cash is it remains a high-risk industry where firearms are prevalent for both guards and criminals. Frequency is clearly a key point, but it relates to business cash flow and cost of cash via interest rates.
 - d. Market will change with our view that cash transport operations will not be sustainable with the ongoing branch closures and access to deposit or withdrawal at the remaining branches.
 - e. Regulatory changes such as cashless gaming will have an impact on usage in various market segments.
13. CIT is essentially a logistics business, density in vehicle runs delivers better outcomes on profitability, the ongoing discussion of reduced services only reduces revenue opportunity or revert to new technology which can be expensive
- 14.
- a. Change is inevitable to remain operational and functional as an industry, there does need to be concessions to ensure a monopoly position doesn't lead to the remaining industry participants in related fields (CIT and ATM deployers) becoming unsustainable due to ACCC permissions granted.
 - b. Partnerships would need to be garnished to ensure win/win outcomes but ultimately it makes sense to have alternatives to the merged entity that are of significant size to support the market through disasters and Union based strikes.
 - c. Challenges would be based around the cost base giving we are coming off a bottom of market commercial arrangements, acceptance of new models would need to be negotiated.
- 15.
- a. Why would any international supply come to a dysfunctional market
 - b. Authentic Security as the next largest player believe with support are able to capture a national market that supports the competitiveness of the independents whilst supporting the greater are of major Cities and nearby sub city areas whilst the merged entity supports major regional towns and remote areas.
 - c. International players are limited and there is minimal appetite to support major customers at the current commercial levels
 - d. Refer to point B.
- 16.
- a. Historically contracts have been paid should an participant exit but might be cheaper than the alternative
 - b. No doubt
17. Should both parties exit and given the current RBA models this would be a catastrophic event for any participant in the CIT / ATM industry along with consumers ability to get a prompt return on value of cash assets

- 18.
- a. The cash transport market as repeatedly noted will be extinct in its current format, short term, the ability to drop cash off at depots of the merged entity or other agreeable sites such as Authentic will be the only way forward, excluding any technology of consolidated locations.
 - b. More likely the merged entity will continue to use the cash transport market to outsource work.
- 19.
- a. Noting the concerns of the independents is extremely high
 - b. Assuming NCR as an OEM and supplier of services would have concerns given and yes they are jointly offered
20. Neither player has a large market segment and with Brinks and other major players such as Malca Amit and Ferrari available there remains much competition
- 21.
- a. Potential to have a major impact for customers impacted, Authentic believe we are in a position with support to cater for most of any potential service failure, this would negate confidence in cash as a payment, assuming Armaguard would also step in.
 - b. As above, yes.
 - c. The ongoing distraction of the merge is a major issue with regards to security guards and the retention of guards, until there is clarity on a merge or alternative moving forward the industry will continue to lose quality guards who look to sure up their own personal security.
 - d. Whether there is a merge or not, it would appear unlikely Prosegur will remain in its current form, the ACCC needs to escalate decision making rather than ongoing extensions to provide certainty
- 22.
- a. No doubt there will be efficiencies which are required to remain sustainable, and the merge parties quite rightly are in business to get a return on investment, again they the industry requires concessions to ensure as industry we can maintain.
 - b. Very little I would think due to poor commercial terms, the alternative is not great though.
- 23.
- a. Excluding the merger or CIT, the push to E payments is far bigger than pushing cash out of the eco system as the major payment platforms push for new and more innovative payment methodology ie, Card to phone, Crypto capabilities, cross border payments
 - b. There needs to be some cross over with new technology to allow cash to remain relevant especially to the younger demographics
 - c. Cannot speak for the merged entity but at Authentic we believe this is cultural, we have a passion to support our customers and that breathes through the various departments of our business

24.

- a. The reduction in the older vehicles being scrapped would support a reduction in emissions along with duplicated runs into one vehicle reducing emissions so yes.
- b. Should term yes due to the vulnerability and high-risk nature of our business, that transfer of knowledge by site take time to review and implement.
- c. The high costs of operating a CIT business (armoured trucks guns, security cameras) is paramount to the safety of staff, the loss of such a major player would certainly be felt unless a transition of assets is provided as a concession.

25.

- a. In its current format the merged entity would have the ability to dominate market and pricing, there must be restrictions, the commitment from the alternate suppliers such as Authentic is paramount to the legitimacy of industry being sustained and the monopoly player not having total market control.
- b. A major concern no doubt, the sheer size of our geography means these areas are high costs as CIT move from town to town throughout Australia, fuel costs alone are a major challenge in this respect. Again, there needs to be clear ACCC concessions around the guaranteed support from a merged entity for both customers and CIT contractors who need support at fair value in these areas.
- c. Refer to point B, the ACCC needs to protect the vulnerable in this instance.
- d. Per the summary position the perfect storm of a competitive market at war, the global attack on cash as a payment delivered significant reductions in usage, and Covid accelerating concerns around cash have all played a part in the position of Armaguard and Prosegur seeking a merge of business and trying to return to both a sustainable and profitable business. The RBA has highlighted cash as an integral payment method both short and medium term, ultimately this requires infrastructure that is achievable for the current market, sustainable in its safety provision given high risk nature of the business and evolving to the current market using emerging technologies, it is worth noting both parties' National infrastructure was built around strong cash supply and as a dominant payment method, the market has changed and so does the industry.

Authentic Security calls on the ACCC to support and protect the industry allowing for change to occur but to protect both ATM deployers and CIT companies alike with concessions that protects our sustainability.