

Restriction of Publication of Part Claimed'

Response to Attachment B – Proposed merger between Armaguard and Prosegur

1. Please provide a brief description of your business or organisation.

Giesecke+Devrient (G+D) is a global security technology provider headquartered in Munich, Germany. Founded in 1852, the company has a workforce of around 11,800 employees and generated sales of EUR 2.38 billion in the 2021 fiscal year. A total of 81 subsidiaries and joint ventures across 33 countries ensure customer proximity worldwide.

G+D is an international leader in banknote production and processing (Currency Technology). Engineering trust through technology is G+D's core area of expertise. As a trusted partner to customers with the highest demands, we develop customized technology in four major playing fields: payment, connectivity, identities and digital infrastructures.

2. Please outline the reasons for your interest in the Proposed Transaction, including any commercial relationships with Armaguard, Prosegur or any of their subsidiaries. In doing so please identify the specific service(s) you acquire from or supply to Armaguard and/or Prosegur, if any.

[REDACTED]

CIT services

3. Please provide any views on the market shares and competitive positioning of Armaguard, Prosegur and their competitors in the following areas of competition:

- a) the supply of integrated end-to-end wholesale and retail CIT services;
- b) the supply of CIT services to retail customers who require a full-service solution of cash transport, processing and administration; and
- c) the supply of cash-transport-only services to retail customers who only require cash transport between their location(s) and, for example, a bank branch.

Both organisations provide similar end to end services across the cash cycle to the banking and retail markets. This means that to some extent, there is a duplication of services offered resulting in them having to maintain similar sized infrastructures.

4. Please identify and describe other businesses that compete with Armaguard and/or Prosegur in the supply of CIT services. In your response, please identify the specific CIT service in which these competitors compete and discuss how strong these competitors are.

It is our understanding that Armaguard and Prosegur are the only CIT service providers that provide a truly national service as is required by most major banks and some major retailers. Other CIT providers as mentioned in the Application Document can provide high levels of service but mostly compete for local bank and retail services. Some are approved by RBA to process cash, others are mainly transport with limited cash processing capability.

5. What factors (scope, quality, geographic coverage/networks, cost of service) are important to customers of CIT services? Why are those factors important? Do you consider there to be anything unique about the CIT services provided by Armaguard and/or Prosegur?

Major banks require the highest level of security for cash movement to and from their branches under strict schedules and it is important that the service can be provided on a national basis. They require that the CIT providers meet strict cash processing and handling guidelines under the RBA Banknote Distribution Agreement (BDA). It is our understanding that both Armaguard and Prosegur have invested heavily to meet such obligations and provide the level of service required by the banks. Major retailers also prefer CIT providers that can service their outlets on a national basis.

6. Do you consider that other companies would constrain a combined Armaguard and Prosegur from raising prices or reducing the quality of its CIT services? Why? Which companies would provide this competitive constraint?

No. It is our understanding that there are no other nationwide CIT providers with the number of depots and level of services required by major banks and retailers, that compete with both organisations in Australia.

7. Would a new entrant, or existing business seeking to expand face any significant barriers in seeking to establish a CIT service? Do you consider that the possibilities noted by Armaguard and Prosegur, including the major banks sponsoring new entry and the ability of retail customers to insource cash delivery, are viable options?

Due to the geographic hurdles and the declining volume of cash particularly in remote areas, a new entrant would face significant costs to establish the network required by most nationwide customers and still remain competitive. Banks sponsoring a new entrant and retailers looking to insource cash transport could be considered as viable options.

8. Do you consider any other factors would constrain a combined Armaguard and Prosegur from raising prices or reducing the quality of its CIT services? For example:

a) Do you consider customers have significant bargaining power in the negotiation and procurement of CIT services? You may wish to consider factors such as the contract tendering process (including details of the process and results of any recent tender processes) and how easy or difficult it is for customers to switch supplier.

b) To what extent does the price of CIT services influence retailers' decisions about whether to offer cash as a payment option (i.e. do you consider that, as Armaguard and Prosegur submit, they would need to keep prices of CIT services sufficiently low to arrest the decline in cash usage by remaining a cost competitive payment method for retailers to offer in comparison to card and digital payment methods)?

The cost of cash has always been a concern to banks and retailers and a significant increase would further encourage them to look at alternatives. We believe CIT providers are conscience of this fact in their pricing.

c) Do you consider, as Armaguard and Prosegur submit, that if they were to significantly increase prices for CIT services the RBA could exercise powers to regulate the cash distribution system and that the threat of such regulatory intervention would constrain them?

9. Do you consider, as Armaguard and Prosegur submit, the current demand for cash is not sufficient to sustain two major national suppliers of CIT services? Please provide details including examples where possible.

Yes we agree. As an equipment supplier, we have seen both organisations having to maintain their infrastructure around Australia though the volume of cash through their depots has dropped significantly. An example of this are towns in remote areas where both organisations have depots and the workload has declined. To meet SLAs and contractual obligations, the option to close a depot and service customers from another location is not always viable due to the distances between the depots.

Non-CIT services

10. Please provide any views on the market shares and competitive positioning of Armaguard, Prosegur and their competitors in the following areas of competition:

- a) the supply of ATM services (including cash withdrawal facilities, deployment services to merchants and access arrangements to financial institutions);
- b) the supply of ATM maintenance services; and
- c) the supply of valuable cargo transportation services.

We understand that both organisations provide similar end to end solutions for ATM and transportation services.

11. To what extent do Armaguard and Prosegur compete in the areas of competition listed above in question 10? Do you consider Armaguard and Prosegur to be particularly close competitors? For example, do they compete for the same customers?

Yes, they are close competitors, providing similar products and compete for the same customers

12. Please identify and describe other businesses that compete with Armaguard or Prosegur in the supply of these non-CIT services. In your response, please identify the specific non-CIT service in which these competitors compete and discuss how strong these competitors are.

13. Do you consider that other companies would constrain a combined Armaguard and Prosegur from raising prices or reducing the quality of its non-CIT services? Why? Which companies or factors would provide this constraint?

14. Do you consider any other factors would constrain a combined Armaguard and Prosegur from raising prices or reducing the quality of its non-CIT services? Why and what is the likelihood of each of those factors occurring?

Public benefits

In assessing the benefits that are likely to flow from the Proposed Transaction, the ACCC may take into account anything of value to the community generally.

Armaguard and Prosegur submit the Proposed Transaction will deliver public benefits. A brief description of the public benefits claimed by Armaguard and Prosegur in its application for authorisation is outlined in **Attachment A**. A full discussion of the public benefits claimed by Armaguard and Prosegur is set out in its application.

15. Do you consider, as Armaguard and Prosegur submit, that if one of them was to cease supplying CIT services this would cause major interruption to the operation of the cash distribution system and associated costs?

Yes. Under current the current arrangements with customers we expect that it would.

16. In the event of one party ceasing to supply CIT services, what would be the anticipated timeframe for transitioning across to another provider? What, if any, disruption do you consider that this transition would cause to your business?

17. Do you consider, as Armaguard and Prosegur submit, that the Proposed Transaction will generate efficiencies in the provision of CIT services by them and/or ensure ongoing high levels of customer service?

Yes, the cost savings will enable them to improve their technology in the processing of cash and this should translate into improved efficiency, reliability and further cost saving.

18. To what extent would acquirers of CIT and non-CIT services, and/or the community more broadly, benefit from Armaguard and Prosegur combining their businesses?

More efficient services and potentially the continuation or reestablishment of services in areas that are currently unprofitable.

19. To what extent do you consider that any other public benefits, including the ones listed in **Attachment A**, are likely to result from the Proposed Transaction?

We agree with the benefits listed

20. How significant do you consider any public benefits likely to arise from Proposed Transaction to be in terms of likely size/magnitude (for example, on a scale from very small, to significant)? Where relevant, is the public benefit likely to be an enduring benefit or a one-off benefit?

We believe that the following benefits are most significant and will be enduring:

1. ensuring Australia continues to have a sustainable, reliable and safe cash distribution service.
2. Improved efficiencies and reduced carbon footprint through the elimination of duplication

Public detriments

21. In addition to any competitive detriment that you may have identified in your responses to questions 3 to 14, please outline whether there are any other effects of the Proposed Transaction that you consider may give rise to a public detriment.

No additional comments

Other information or issues

22. Please provide any additional information or comments, or identify other competition or public benefit issues, that you consider relevant to the ACCC's consideration of the Proposed Transaction.