

CARDTRONICS INC
Form 10-Q
November 07, 2011

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

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

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
(State or other jurisdiction of
incorporation or organization)

76-0681190
(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**

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 (§232.405 of this chapter) 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 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 Exchange Act). Yes No

Common Stock, par value: \$0.0001 per share. Shares outstanding on November 3, 2011: 43,856,525

CARDTRONICS, INC.

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When we refer to “us,” “we,” “our,” or “ours,” we are describing Cardtronics, Inc. and/or our subsidiaries.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

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

	September 30, 2011 <i>(unaudited)</i>	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,206	\$ 3,189
Accounts and notes receivable, net of allowance of \$229 and \$507 as of September 30, 2011 and December 31, 2010, respectively	32,716	20,270
Inventory	2,108	1,795
Restricted cash	3,568	4,466
Current portion of deferred tax asset, net	18,780	15,017
Prepaid expenses, deferred costs, and other current assets	12,685	10,222
Total current assets	75,063	54,959
Property and equipment, net	174,154	156,465
Intangible assets, net	112,415	74,799
Goodwill	269,521	164,558
Deferred tax asset, net	10,493	715
Prepaid expenses, deferred costs, and other assets	19,878	3,819
Total assets	\$ 661,524	\$ 455,315
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and notes payable	\$ 2,717	\$ 3,076
Current portion of other long-term liabilities	24,868	24,493
Accounts payable	22,239	20,167
Accrued liabilities	61,691	50,543
Current portion of deferred tax liability, net	718	715
Total current liabilities	112,233	98,994
Long-term liabilities:		
Long-term debt, net of related discounts	359,484	251,757
Deferred tax liability, net	62	10,268
Asset retirement obligations	32,456	26,657
Other long-term liabilities	54,178	23,385
Total liabilities	558,413	411,061
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.0001 par value; 125,000,000 shares authorized; 49,531,576 and	4	4

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48,396,134 shares issued as of September 30, 2011 and December 31, 2010, respectively; 43,809,783 and 42,833,342 shares outstanding as of September 30, 2011 and December 31, 2010, respectively

Additional paid-in capital	231,111		213,754
Accumulated other comprehensive loss, net	(82,637)		(65,053)
Retained earnings (accumulated deficit)	6,117		(55,963)
Treasury stock; 5,721,793 and 5,562,792 shares at cost as of September 30, 2011 and December 31, 2010, respectively	(53,209)		(50,351)
Total parent stockholders' equity	101,386		42,391
Noncontrolling interests	1,725		1,863
Total stockholders' equity	103,111		44,254
Total liabilities and stockholders' equity	\$ 661,524	\$	455,315

See accompanying notes to consolidated financial statements.

CARDTRONICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, excluding share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
ATM operating revenues	\$ 157,636	\$ 134,090	\$ 432,164	\$ 390,337
ATM product sales and other revenues	7,423	2,515	18,230	6,992
Total revenues	165,059	136,605	450,394	397,329
Cost of revenues:				
Cost of ATM operating revenues (excludes depreciation, accretion, and amortization shown separately below. See <i>Note 1</i>)	103,727	89,026	285,630	262,319
Cost of ATM product sales and other revenues	6,501	2,425	16,062	6,932
Total cost of revenues	110,228	91,451	301,692	269,251
Gross profit	54,831	45,154	148,702	128,078
Operating expenses:				
Selling, general, and administrative expenses	13,772	11,519	39,701	32,934
Acquisition-related expenses	956	—	1,299	—
Depreciation and accretion expense	12,197	10,865	35,004	31,351
Amortization expense	4,946	3,823	12,240	11,567
Loss on disposal of assets	117	368	280	1,840
Total operating expenses	31,988	26,575	88,524	77,692
Income from operations	22,843	18,579	60,178	50,386
Other expense (income):				
Interest expense, net	5,243	7,064	14,810	21,696
Amortization of deferred financing costs and bond discounts	351	546	775	1,818
Write-off of deferred financing costs and bond discounts	—	7,296	—	7,296
Redemption costs for early extinguishment of debt	—	7,193	—	7,193
Other expense (income)	318	(207)	258	(173)
Total other expense	5,912	21,892	15,843	37,830
Income (loss) before income taxes	16,931	(3,313)	44,335	12,556
Income tax benefit	(29,869)	(23,968)	(17,765)	(20,577)
Net income	46,800	20,655	62,100	33,133
	(85)	(108)	20	202

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Net (loss) income attributable to noncontrolling interests					
Net income attributable to controlling interests and available to common stockholders	\$	46,885	\$	20,763	\$ 62,080 \$ 32,931
Net income per common share – basic	\$	1.06	\$	0.49	\$ 1.42 \$ 0.79
Net income per common share – diluted	\$	1.05	\$	0.49	\$ 1.40 \$ 0.78
Weighted average shares outstanding – basic		42,570,137		40,529,280	42,001,624 40,119,310
Weighted average shares outstanding – diluted		43,195,554		41,207,238	42,727,446 40,790,504

See accompanying notes to consolidated financial statements.

CARDTRONICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 62,100	\$ 33,133
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, accretion, and amortization expense	47,244	42,918
Amortization of deferred financing costs and bond discounts	775	1,818
Write-off of deferred financing costs and bond discounts	—	7,296
Redemption costs for early extinguishment of debt	—	7,193
Stock-based compensation expense	6,996	4,603
Deferred income taxes	(18,599)	(21,371)
Loss on disposal of assets	280	1,840
Unrealized gain on derivative instruments	(813)	(744)
Amortization of accumulated other comprehensive losses associated with derivative instruments no longer designated as hedging instruments	234	1,316
Other reserves and non-cash items	827	1,251
Changes in assets and liabilities:		
(Increase) decrease in accounts and notes receivable, net	(11,800)	4,430
Decrease (increase) in prepaid, deferred costs, and other current assets	1,338	(1,107)
(Increase) decrease in inventory	(814)	307
(Increase) decrease in other assets	(18,602)	1,582
(Decrease) increase in accounts payable	(2,323)	5,427
Increase (decrease) in accrued liabilities	5,379	(12,641)
Decrease in other liabilities	(2,870)	(4,258)
Net cash provided by operating activities	69,352	72,993
Cash flows from investing activities:		
Additions to property and equipment	(34,654)	(37,410)
Payments for exclusive license agreements, site acquisition costs and other intangible assets	(2,406)	(2,549)
Acquisitions, net of cash acquired	(143,627)	—
Net cash used in investing activities	(180,687)	(39,959)
Cash flows from financing activities:		
Proceeds from borrowings of long-term debt	317,638	345,000
Repayments of long-term debt and capital leases	(209,813)	(381,013)

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Repayments of borrowings under bank overdraft facility, net		(1,042)		(47)
Debt issuance and modification costs		(655)		(5,227)
Proceeds from exercises of stock options		10,102		1,802
Repurchase of capital stock		(2,859)		(1,663)
Net cash provided by (used in) financing activities		113,371		(41,148)
Effect of exchange rate changes on cash		(19)		288
Net increase (decrease) in cash and cash equivalents		2,017		(7,826)
Cash and cash equivalents as of beginning of period		3,189		10,449
Cash and cash equivalents as of end of period	\$	5,206	\$	2,623
Supplemental disclosure of cash flow information:				
Cash paid for interest, including interest on capital leases	\$	19,235	\$	28,828
Cash paid for income taxes	\$	1,717	\$	831
Capital expenditures financed by direct debt	\$	—	\$	542

See accompanying notes to consolidated financial statements.

CARDTRONICS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(1) General and Basis of Presentation

General

Cardtronics, Inc., along with its wholly- and majority-owned subsidiaries (collectively, the "Company") provides convenient consumer financial services through its network of automated teller machines ("ATMs") and multi-function financial services kiosks. As of September 30, 2011, the Company provided services to over 42,200 devices across its portfolio, which included over 35,900 devices located in all 50 states of the United States ("U.S.") as well as in the U.S. territories of Puerto Rico and the U.S. Virgin Islands, approximately 3,400 devices throughout the United Kingdom ("U.K."), and approximately 2,900 devices throughout Mexico. Included in the U.S. number are approximately 2,200 multi-function financial services kiosks deployed in the U.S. 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 total count of 42,200 devices are approximately 4,700 devices for which the Company provides various forms of managed services solutions, which may include services such as transaction processing, monitoring, maintenance, cash management, and customer service.

Through its network, the Company provides ATM management and equipment-related services (typically under multi-year contracts) to large, nationally-known retail merchants as well as smaller retailers and operators of facilities such as shopping malls and airports. The Company also partners with leading national and regional financial institutions to brand selected ATMs and financial services kiosks within its network. As of September 30, 2011, over 15,300 of the Company's domestic devices were under contract with financial institutions to place their logos on those machines, thus providing convenient surcharge-free access for their banking customers. Additionally, the Company owns and operates the Allpoint network, the largest surcharge-free ATM network within the United States (based on the number of participating ATMs). The Allpoint network, which has more than 43,000 participating ATMs, provides surcharge-free ATM access to customers of participating financial institutions that lack a significant ATM network. The Allpoint network includes a majority of the Company's ATMs in the U.S., Puerto Rico and Mexico, all of the Company's ATMs in the U.K., and over 5,000 locations in Australia through a partnership with a local ATM owner and operator in that market. Finally, the Company owns and operates an electronic funds transfer ("EFT") transaction processing platform that provides transaction processing services to its network of ATMs and financial services kiosks as well as other ATMs under managed services arrangements.

Basis of Presentation

This Quarterly Report on Form 10-Q (this "Form 10-Q") has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to interim financial information. Because this is an interim period filing presented using a condensed format, it does not include all of the disclosures required by accounting principles generally accepted in the United States ("U.S. GAAP"), although the Company believes that the disclosures are adequate to make the information not misleading. You should read this Form 10-Q along with the Company's Annual Report on Form 10-K for the year ended December 31, 2010 ("2010 Form 10-K"), which includes a summary of the Company's significant accounting policies and other disclosures.

The financial statements as of September 30, 2011 and for the three and nine month periods ended September 30, 2011 and 2010 are unaudited. The Consolidated Balance Sheet as of December 31, 2010 was derived from the audited balance sheet filed in the Company's 2010 Form 10-K. In management's opinion, all normal recurring adjustments necessary for a fair presentation of the Company's interim and prior period results have been made. The results of operations for the three and nine month periods ended September 30, 2011 and 2010 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year. Additionally, the financial statements for prior periods include certain minor reclassifications. Those reclassifications did not impact the Company's total reported net income or stockholders' equity.

The unaudited interim consolidated financial statements include the accounts of Cardtronics, Inc. and its wholly- and majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. Because the Company owns a majority (51.0%) interest in, and realizes a majority of the earnings and/or losses of, Cardtronics Mexico, S.A. de C.V. ("Cardtronics Mexico"), this entity is reflected as a consolidated subsidiary in the accompanying consolidated financial statements, with the remaining ownership interests not held by the Company being reflected as noncontrolling interests.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and these differences could be material to the financial statements.

Cost of ATM Operating Revenues and Gross Profit Presentation

The Company presents Cost of ATM operating revenues and Gross profit within its Consolidated Statements of Operations exclusive of depreciation, accretion, and amortization expense related to ATMs and ATM-related assets. The following table sets forth the amounts excluded from Cost of ATM operating revenues and Gross profit for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	<i>(In thousands)</i>			
Depreciation and accretion expenses related to ATMs and ATM-related assets	\$ 10,544	\$ 9,208	\$ 30,185	\$ 25,844
Amortization expense	4,946	3,823	12,240	11,567
Total depreciation, accretion, and amortization expenses excluded from Cost of ATM operating revenues and Gross profit	\$ 15,490	\$ 13,031	\$ 42,425	\$ 37,411

(2) Acquisitions

Acquisition of the EDC ATM Portfolio

On June 19, 2011, the Company signed a definitive agreement to acquire all of the outstanding securities of EDC ATM Subsidiary and Efarmark Deployment I (collectively referred to as "EDC") from EDC Holding Company, LLC for approximately \$145.0 million in cash. On July 25, 2011, the Company completed this acquisition through borrowings under its amended credit facility.

As a result of the acquisition, the Company added over 3,600 ATMs across 47 states, with the majority of the machines located in high-traffic convenience store locations. In addition, many of the EDC ATMs were under contract

with financial institutions to carry their brand and logo on the ATM, which has further enhanced the Company's surcharge-free product offerings.

The results of operations of the acquired EDC portfolio have been included in the Company's consolidated statement of operations subsequent to the July 25, 2011 acquisition date. Revenue and earnings of \$11.7 million and approximately \$0.1 million, respectively, were included in both the three and nine month periods ended September 30, 2011. The estimated earnings contribution includes approximately \$0.8 million in non-recurring acquisition-related expenses incurred during the quarter. The acquisition-related expenses incurred year-to-date for this acquisition were \$1.1 million.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed as of the acquisition date (amounts in thousands). The total purchase consideration was allocated to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the date of acquisition. Such allocation resulted in goodwill of approximately \$104.1 million, which has been assigned to the Company's domestic reporting segment, and is primarily attributable to expected synergies. Of this amount, \$57.8 million is expected to be deductible for income tax purposes.

Cash and cash equivalents	\$ 3,531
Accounts and notes receivable	768
Inventory	100
Prepaid expenses, deferred costs, and other current assets	1,297
Property and equipment, net	9,961
Intangible assets	46,000
Goodwill	104,096
Other assets	9
Total assets acquired	165,762
Accounts payable	4,405
Accrued liabilities	4,200
Asset retirement obligations	1,902
Deferred tax liability, net	5,755
Other long-term liabilities	4,500
Total liabilities assumed	20,762
Net assets acquired	\$ 145,000

The fair values of intangible assets acquired were determined by utilizing a discounted cash flow approach, with the assistance of an independent appraisal firm. The intangible assets acquired as part of the EDC acquisition are being amortized on a straight-line basis, and consist of the following:

	Fair Values	Useful Lives	Weighted Average Period Before Next Renewal
Customer contracts	\$ 33,700	7 to 9.4 years	8.4 years
Bank branding contracts	11,200	4.1 years	4.1 years
Non-compete agreements	1,100	2 years	2 years
Total	\$ 46,000		

Pro Forma Results of Operations

The following table presents the unaudited pro forma combined results of operations of the Company and the acquired EDC portfolios for the three and nine months ended September 30, 2011 and 2010, after giving effect to certain pro forma adjustments including: (i) elimination of intercompany transactions prior to the consummation of EDC into the Company, (ii) amortization of acquired intangible assets and unfavorable contract liabilities assumed, (iii) the impact of certain fair value adjustments such as depreciation on the acquired property and equipment, and (iv) interest expense adjustment for historical long-term debt of EDC that was repaid and interest expense on additional borrowings by the Company to fund the acquisition.

Three Months Ended

Nine Months Ended

	September 30,		September 30,	
	2011	2010	2011	2010
	<i>(In thousands)</i>			
Net revenue	\$ 169,183	\$ 151,081	\$ 484,353	\$ 434,244
Net income attributable to controlling interests and available to common stockholders	44,759	21,129	59,657	32,833

The unaudited pro forma financial results do not reflect the impact of the other acquisition consummated by the Company in August 2011 (see further details below), as the impact would not be material to its condensed consolidated results of operations. The unaudited pro forma financial results assume that the acquisition occurred on January 1, 2010, and are not necessarily indicative of the actual results that would have occurred had those transactions been completed on that date. Furthermore, it does not reflect the impacts of any potential operating efficiencies, savings from expected synergies, or costs to integrate the operations. The unaudited pro forma financial results are not necessarily indicative of the future results to be expected for the consolidated operations.

Other Acquisitions

On August 1, 2011, the Company acquired LocatorSearch, LLC, a 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. Total consideration was estimated to be approximately \$3.0 million, of which \$2.6 million was paid at closing. The consideration was allocated \$1.6 million to intangible assets, \$0.8 million to goodwill, and the remainder to the acquired assets and assumed liabilities.

(3) Stock-Based Compensation

The Company calculates the fair value of stock-based awards granted to employees and directors on the date of grant and recognizes the calculated fair value, net of estimated forfeitures, as compensation expense over the requisite service periods of the related awards. The following table reflects the total stock-based compensation expense amounts included in the Company's Consolidated Statements of Operations for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	<i>(In thousands)</i>			
Cost of ATM operating revenues	\$ 251	\$ 226	\$ 769	\$ 594
Selling, general, and administrative expenses	2,122	1,481	6,227	4,009
Total stock-based compensation expense	\$ 2,373	\$ 1,707	\$ 6,996	\$ 4,603

The increase in stock-based compensation expense during the three and nine month periods ended September 30, 2011 was due to the issuance of additional shares of restricted stock awards ("RSAs") and restricted stock units ("RSUs") to certain of the Company's employees and directors during the last quarter of 2010 and in 2011. All grants during the periods above were granted under the Company's Amended and Restated 2007 Stock Incentive Plan (the "2007 Stock Incentive Plan").

During the first quarter of 2011, the Company granted RSUs under the Company's 2011 Long Term Incentive Plan (the "2011 LTIP"), which is an equity program under the 2007 Stock Incentive Plan. A base pool of 273,411 RSUs has been set aside for the 2011 LTIP. From this amount, the Compensation Committee of the Company's Board of Directors (the "Committee") granted RSUs totaling 264,750, which could result in the issuance of up to 546,822 shares of common stock in the future, depending on the Company's achievement of certain performance levels during calendar year 2011. The fair value of a single RSU granted under the 2011 LTIP was \$16.82 on the date of the grant. These grants have both a performance-based and a service-based vesting schedule; accordingly, the number of RSUs potentially earned by an individual will be based on the level of performance achieved during calendar year 2011. Once the performance-based vesting requirements are determined to be met by the Committee, the RSUs will be earned by the individual and will vest 50% on the second anniversary of the grant date and 25% each on the third and

fourth anniversaries of the grant date. Although the RSUs will not be considered earned and outstanding until at least the minimum performance metrics are met, the Company recognizes the related compensation expense over the requisite service period using a graded vesting methodology, based on the estimated performance levels that management believes will ultimately be met.

Options. The number of the Company's outstanding stock options as of September 30, 2011, and changes during the nine month period ended September 30, 2011, are presented below:

	Number of Shares		Weighted Average Exercise Price
Options outstanding as of January 1, 2011	2,511,105	\$	9.63
Exercised	(1,082,614)	\$	9.56
Forfeited	(7,500)	\$	6.99
Options outstanding as of September 30, 2011	1,420,991	\$	9.69
Options vested and exercisable as of September 30, 2011	1,304,366	\$	9.93

As of September 30, 2011, the unrecognized compensation expense associated with outstanding options was approximately \$0.3 million.

Restricted Stock Awards. The number of the Company's outstanding RSAs as of September 30, 2011, and changes during the nine month period ended September 30, 2011, are presented below:

	Number of Shares
RSAs outstanding as of January 1, 2011	1,558,315
Granted	52,828
Vested	(518,503)
Forfeited	(13,750)
RSAs outstanding as of September 30, 2011	1,078,890

The restricted shares granted during the nine month period ended September 30, 2011 had a total grant-date fair value of approximately \$1.1 million, or \$21.74 per share. As of September 30, 2011, the unrecognized compensation expense associated with restricted share grants was approximately \$9.8 million.

(4) Earnings per Share

The Company reports its earnings per share under the two-class method. Under this method, potentially dilutive securities are excluded from the calculation of diluted earnings per share (as well as their related impact on the statements of operations) when their impact on net income available to common stockholders is anti-dilutive. Potentially dilutive securities for the three and nine month periods ended September 30, 2011 and 2010 included all outstanding stock options and shares of restricted stock, which were included in the calculation of diluted earnings per share for these periods.

Additionally, the shares of restricted stock issued by the Company have a non-forfeitable right to cash dividends, if and when declared by the Company. Accordingly, restricted shares are considered to be participating securities and, as such, the Company has allocated the undistributed earnings for the three and nine month periods ended September 30, 2011 and 2010 among the Company's outstanding shares of common stock and issued but unvested restricted shares, as follows:

Earnings per Share (in thousands, excluding share and per share amounts):

	Three Months Ended September 30, 2011			Nine Months Ended September 30, 2011		
	Income	Weighted Average Shares Outstanding	Earnings Per Share	Income	Weighted Average Shares Outstanding	Earnings Per Share
Basic:						
Net income attributable to controlling interests and available to common stockholders	\$ 46,885			\$ 62,080		
Less: undistributed earnings allocated to unvested restricted shares	(1,667)			(2,331)		
Net income available to common stockholders	\$ 45,218	42,570,137	\$ 1.06	\$ 59,749	42,001,624	\$ 1.42

Diluted:

Effect of dilutive securities:							
Add: Undistributed earnings allocated to restricted shares	\$	1,667		\$	2,331		
Stock options added to the denominator under the treasury stock method			625,417			725,822	
Less: Undistributed earnings reallocated to restricted shares		(1,643)			(2,293)		
Net income available to common stockholders and assumed conversions	\$	45,242	43,195,554	\$	1.05	\$ 59,787	42,727,446 \$ 1.40

	Three Months Ended September 30, 2010			Nine Months Ended September 30, 2010		
	Income	Weighted Average Shares Outstanding	Earnings Per Share	Income	Weighted Average Shares Outstanding	Earnings Per Share
Basic:						
Net income attributable to controlling interests and available to common stockholders	\$ 20,763			\$ 32,931		
Less: undistributed earnings allocated to unvested restricted shares	(723)			(1,281)		
Net income available to common stockholders	\$ 20,040	40,529,280	\$ 0.49	\$ 31,650	40,119,310	\$ 0.79
Diluted:						
Effect of dilutive securities:						
Add: Undistributed earnings allocated to restricted shares	\$ 723			\$ 1,281		
Stock options added to the denominator under the treasury stock method		677,958			671,194	
Less: Undistributed earnings reallocated to restricted shares	(712)			(1,261)		
Net income available to common stockholders and assumed conversions	\$ 20,051	41,207,238	\$ 0.49	\$ 31,670	40,790,504	\$ 0.78

The computation of diluted earnings per share excluded potentially dilutive common shares related to RSAs of 432,236 and 497,981 shares for the three and nine month periods ended September 30, 2011, respectively, and 395,985 and 427,695 shares for the three and nine month periods ended September 30, 2010, respectively, because the effect of including these shares in the computation would have been anti-dilutive.

(5) Comprehensive Income

Total comprehensive income consisted of the following:

Three Months Ended

Nine Months Ended

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	September 30,		September 30,	
	2011	2010	2011	2010
	<i>(In thousands)</i>			
Net income	\$ 46,800	\$ 20,655	\$ 62,100	\$ 33,133
Unrealized (losses) gains on interest rate swap contracts, net of income tax benefit of \$6.6 million and \$10.9 million for the three and nine months ended September 30, 2011, respectively	(10,697)	805	(17,421)	(10,296)
Foreign currency translation adjustments	(1,593)	2,668	(163)	(1,154)
Total comprehensive income	34,510	24,128	44,516	21,683
Less: comprehensive (loss) income attributable to noncontrolling interests	(342)	(56)	(138)	273
Comprehensive income attributable to controlling interests	\$ 34,852	\$ 24,184	\$ 44,654	\$ 21,410

Accumulated other comprehensive loss, net is displayed as a separate component of stockholders' equity in the accompanying Consolidated Balance Sheets and consisted of the following:

	September 30, 2011	December 31, 2010
	<i>(In thousands)</i>	
Foreign currency translation adjustments	\$ (26,732)	\$ (26,569)
Unrealized losses on interest rate swap contracts, net of income tax benefit of \$12.3 million and \$1.4 million as of September 30, 2011 and December 31, 2010, respectively	(55,905)	(38,484)
Total accumulated other comprehensive loss, net	\$ (82,637)	\$ (65,053)

The Company records unrealized losses related to its domestic 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 since it is more likely than not that the Company will be able to realize the benefits associated with its net deferred tax asset positions in the future.

The Company currently believes that the unremitted earnings of its Mexico subsidiary will be reinvested for an indefinite period of time. Accordingly, no deferred taxes have been provided for the differences between the Company's book basis and underlying tax basis in that subsidiary or on the foreign currency translation adjustment amounts.

(6) Noncurrent Prepaid Expenses and Other Assets

As of September 30, 2011, the Company had \$19.9 million of noncurrent prepaid expenses, deferred costs, and other assets, compared to \$3.8 million as of December 31, 2010. Included in the balance as of September 30, 2011 was \$16.2 million recorded for an insurance receivable, related to the loss sustained as a result of the misappropriation of cash in February 2010 by the president and principal owner of Mount Vernon Money Center ("MVMC"), one of the Company's third-party armored service providers in the Northeast United States.

In March 2011, Cardtronics filed a claim under its own cash insurance policy for \$16.2 million, the total amount of the cash misappropriated by MVMC. In May 2011, the Company's supplier of the vault cash demanded repayment from the Company for the \$16.2 million that MVMC had misappropriated. The Company subsequently repaid this amount to the vault cash provider through a borrowing under its revolving credit facility. The Company's insurance provider has acknowledged that the loss event is a covered event under the policy, but has taken the position that the final amount of the loss is not yet determinable because the Company may recover portions or all of the loss through a combination of MVMC insurance, seized and forfeited assets and other potential sources of recovery. As a result of making the repayment to the vault cash provider, the Company recorded a receivable, currently classified as non-current, as the Company expects to receive full reimbursement of the amount of misappropriated cash. Based on current facts and circumstances, the Company believes that it is probable that it will be able to fully recover the \$16.2 million recorded as a receivable. Events continue to develop in this matter, and as a result, the expected timing and ultimate amount expected to be recovered are subject to change.

(7) Intangible Assets

Intangible Assets with Indefinite Lives

The following table presents the net carrying amount of the Company's intangible assets with indefinite lives as of September 30, 2011, as well as the changes in the net carrying amounts for the nine month period ended September 30, 2011, by segment:

	Goodwill			Total
	U.S.	U.K.	Mexico	
		<i>(In thousands)</i>		
Balance as of January 1, 2011:				
Gross balance	\$ 150,461	\$ 63,393	\$ 707	\$ 214,561
Accumulated impairment loss	—	(50,003)	—	(50,003)
	\$ 150,461	\$ 13,390	\$ 707	\$ 164,558
Acquisitions	104,904	—	—	104,904
Foreign currency translation adjustments	—	49	10	59
Balance as of September 30, 2011:				
Gross balance	\$ 255,365	\$ 63,442	\$ 717	\$ 319,524
Accumulated impairment loss	—	(50,003)	—	(50,003)
	\$ 255,365	\$ 13,439	\$ 717	\$ 269,521

	Trade Name		Total
	U.S.	U.K.	
		<i>(In thousands)</i>	
Balance as of January 1, 2011	\$ 200	\$ 3,105	\$ 3,305
Foreign currency translation adjustments	—	11	11
Balance as of September 30, 2011	\$ 200	\$ 3,116	\$ 3,316

Intangible Assets with Definite Lives

The following is a summary of the Company's intangible assets that are subject to amortization as of September 30, 2011:

	Gross Carrying Amount	Accumulated Amortization <i>(In thousands)</i>	Net Carrying Amount
Customer and branding contracts/relationships	\$ 206,289	\$ (106,609)	\$ 99,680
Deferred financing costs	9,169	(3,260)	5,909
Exclusive license agreements	6,569	(4,636)	1,933
Non-compete agreements	1,774	(197)	1,577
Total	\$ 223,801	\$ (114,702)	\$ 109,099

(8) Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2011	December 31, 2010
	<i>(In thousands)</i>	
Accrued merchant fees	\$ 17,491	\$ 12,310
Accrued armored fees	8,030	4,322
Accrued compensation	6,156	7,038
Accrued purchases	4,311	2,046
Accrued cash rental and management fees	4,082	2,411
Accrued merchant settlement amounts	3,857	4,583
Accrued maintenance fees	2,459	949
Accrued interest rate swap payments	2,020	2,199
Accrued interest expense	1,394	5,740
Accrued ATM telecommunications costs	1,032	1,402
Accrued processing costs	997	764
Other accrued expenses	9,862	6,779
Total	\$ 61,691	\$ 50,543

(9) Long-Term Debt

The Company's long-term debt consisted of the following:

	September 30, 2011		December 31, 2010
	<i>(In thousands)</i>		
8.25% Senior subordinated notes due September 2018	\$	200,000	\$ 200,000
Revolving credit facility, including swing-line credit facility (weighted-average combined rate of 2.6% and 3.1% as of September 30, 2011 and December 31, 2010)		156,300	46,200
Equipment financing notes		5,901	8,633
Total		362,201	254,833
Less: current portion		2,717	3,076
Total long-term debt, excluding current portion	\$	359,484	\$ 251,757

Revolving Credit Facility

As of September 30, 2011, the Company's revolving credit facility provided for \$250.0 million in borrowings and letters of credit (subject to the covenants contained within the facility), had a termination date of July 2016, and contained a feature that allows the Company to expand the facility up to \$325.0 million, subject to the availability of additional bank commitments by existing or new syndicate participants. The current borrowing capacity and termination date were modified on July 25, 2011, concurrent with the closing of the acquisition of the EDC ATM business. The amendment also modified the pricing for borrowings and undrawn commitments under the facility, both of which continue to be variable dependent upon the Company's total leverage ratio. Finally, the amendment changed certain other covenants in a manner that are generally more favorable to the Company.

This revolving credit facility includes a \$15.0 million swing-line facility, a \$60.0 million foreign currency sub-limit, and a \$20.0 million letter of credit sub-limit. Borrowings under the facility bear interest at a variable rate, based upon the Company's total leverage ratio and the London Interbank Offered Rate ("LIBOR") or Alternative Base Rate (as defined in the agreement) at the Company's option. Additionally, the Company is required to pay a commitment fee on the unused portion of the revolving credit facility. Substantially all of the Company's assets, including the stock of its wholly-owned domestic subsidiaries and 66% of the stock of its foreign subsidiaries, are pledged to secure borrowings made under the revolving credit facility. Furthermore, each of the Company's domestic subsidiaries has guaranteed the Company's obligations under such facility. There are currently no restrictions on the ability of the Company's wholly-owned subsidiaries to declare and pay dividends directly to us.

The primary restrictive covenants within the facility include (i) limitations on the amount of senior debt and total debt that the Company can have outstanding at any given point in time and (ii) the maintenance of a set ratio of earnings to fixed charges, as computed quarterly on a trailing 12-month basis. Additionally, the Company is limited on the amount of restricted payments, including dividends, which it can make pursuant to the terms of the facility. These limitations are generally governed by a senior leverage ratio test and the existing fixed charge ratio covenant.

The failure to comply with the covenants will constitute an event of default (subject, in the case of certain covenants, to applicable notice and/or cure periods) under the agreement. Other events of default under the agreement include, among other things, (i) the failure to timely pay principal, interest, fees or other amounts due and owing; (ii) the inaccuracy of representations or warranties in any material respect; (iii) the occurrence of certain bankruptcy or insolvency events; (iv) loss of lien perfection or priority; and (v) the occurrence of a change in control. The occurrence and continuance of an event of default could result in, among other things, termination of the lenders' commitments and acceleration of all amounts outstanding. The Company's obligations under the credit agreement are guaranteed by certain of the Company's existing and future domestic subsidiaries, subject to certain limitations. In addition, the Company's obligations under the agreement, subject to certain exceptions, are secured on a first-priority basis by liens on substantially all of the tangible and intangible assets of the Company and the guarantors. As of September 30, 2011, the Company was in compliance with all applicable covenants and ratios under the facility.

As of September 30, 2011, the Company had \$156.3 million of borrowings under the revolving credit facility and had a \$4.3 million letter of credit posted under the facility to secure borrowings under the Company's United Kingdom subsidiary's overdraft facility (discussed below). This letter of credit, which may be drawn upon in the event the Company defaults under the overdraft facility, reduces the Company's borrowing capacity under its revolving credit facility. As of September 30, 2011, the Company's available borrowing capacity under the facility, as determined under the earnings before interest expense, income taxes, depreciation and accretion expense, and amortization expense ("EBITDA") and interest expense covenants contained in the credit agreement, totaled \$89.4 million, and the Company was in compliance with all applicable covenants and ratios under the facility.

\$200.0 Million 8.25% Senior Subordinated Notes Due 2018

The \$200.0 million 8.25% senior subordinated notes due September 2018 (the "2018 Notes"), which are guaranteed by the Company's domestic subsidiaries, contain no maintenance covenants and only limited incurrence covenants, under which the Company has considerable flexibility. Interest under the 2018 Notes is paid semi-annually in arrears on March 1st and September 1st of each year. As of September 30, 2011, the Company was in compliance with all applicable covenants required under the 2018 Notes.

Other Facilities

Cardtronics Mexico equipment financing agreements. As of September 30, 2011, other long-term debt consisted of 10 separate equipment financing agreements entered into by Cardtronics Mexico. Each of these agreements, which are denominated in Mexican pesos, have an original term of five years and as of September 30, 2011, had an average fixed interest rate of 10.32%. Proceeds from these agreements were utilized for the purchase of additional ATMs to support the Company's Mexico operations. Pursuant to the terms of the equipment financing agreements, the Company has issued guarantees for 51.0% of the obligations under such agreements (consistent with its ownership percentage in Cardtronics Mexico.) As of September 30, 2011, the total amount of the guarantees was \$40.5 million pesos (or approximately \$3.0 million U.S.).

Bank Machine overdraft facility. Bank Machine, Ltd., the Company's wholly-owned subsidiary operating in the United Kingdom, currently has a £1.0 million overdraft facility in place. This facility, which bears interest at 1.0% over the Bank of England's base rate (0.5% as of September 30, 2011) and is secured by a letter of credit posted under the Company's corporate revolving credit facility, is utilized for general purposes for the Company's United Kingdom operations. As of September 30, 2011, no amount was outstanding under this facility.

(10) Asset Retirement Obligations

Asset retirement obligations consist primarily of costs to deinstall the Company's ATMs and costs to restore the ATM sites to their original condition. In most cases, the Company is contractually required to perform this deinstallation and restoration work. For each group of ATMs, the Company has recognized the fair value of the asset retirement obligation as a liability on its balance sheet and capitalized that cost as part of the cost basis of the related asset. The related assets are depreciated on a straight-line basis over five years, which is the estimated average time period that an ATM is installed in a location before being deinstalled, and the related liabilities are accreted to their full value over the same period of time.

The following table is a summary of the changes in the Company's asset retirement obligation liability for the nine month period ended September 30, 2011 (*in thousands*):

Asset retirement obligation as of January 1, 2011	\$	26,657
Additional obligations		4,420
Additional obligations related to the EDC acquisition		1,902
Accretion expense		1,660
Change in estimate		(635)
Payments		(1,416)
Foreign currency translation adjustments		(132)
Asset retirement obligation as of September 30, 2011	\$	32,456

The change in estimate during the nine month period ended September 30, 2011 was the result of updating certain cost assumptions based on the actual deinstallation costs experienced by the Company in recent periods. In the United States, recent actual costs incurred were lower than the previously-estimated costs, and as a result, the Company determined that the liability should be reduced by approximately \$2.0 million to account for the lower costs incurred to date and to reduce estimated future costs. In the United Kingdom, actual recent costs were higher than the previously-estimated costs, and as a result, the Company determined that the liability should be increased by approximately \$1.3 million to account for higher expected costs in the future. See *Note 13, Fair Value Measurements* for additional disclosures on the Company's asset retirement obligations with respect to its fair value measurements.

(11) Other Liabilities

Other liabilities consisted of the following:

September 30, 2011	December 31, 2010
<i>(In thousands)</i>	

Current Portion of Other Long-Term Liabilities:

Interest rate swaps	\$	23,482	\$	22,955
Deferred revenue		1,361		1,512
Other		25		26
Total	\$	24,868	\$	24,493

Other Long-Term Liabilities:

Interest rate swaps	\$	46,801	\$	19,831
Obligations associated with acquired unfavorable contracts		4,228		—
Deferred revenue		1,336		1,591
Other		1,813		1,963
Total	\$	54,178	\$	23,385

The significant increase in the non-current portion of other long-term liabilities since December 31, 2010 is attributable to the Company's interest rate swaps, the liabilities for which increased due to movement in the forward interest rate curves, particularly for the swaps recently entered into that extend through 2016, which resulted in an increase in the Company's estimated future liabilities under such contracts. See *Note 12, Derivative Financial Instruments* for additional information on the Company's interest rate swaps. Additionally, \$4.2 million in obligations associated with acquired unfavorable contracts were recorded during the third quarter related to the EDC acquisition, which will be amortized over the remaining terms of the respective unfavorable contracts. See *Note 2, Acquisitions* for additional information on the EDC acquisition.

(12) Derivative Financial Instruments***Accounting Policy***

The Company recognizes all of its derivative instruments as either assets or liabilities in the accompanying 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 (i) whether these instruments have been designated (and qualify) as part of a hedging relationship and (ii) the type of hedging relationship actually designated. For derivative instruments that are designated and qualify as hedging instruments, the Company designates 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.

The Company is exposed to certain risks relating to its ongoing business operations, including interest rate risk associated with its vault cash rental obligations and, to a lesser extent, borrowings under its revolving credit facility, if and when outstanding. The Company is also exposed to foreign currency exchange rate risk with respect to its investments in its foreign subsidiaries, most notably its investment in Bank Machine, Ltd. in the United Kingdom. While the Company does not currently utilize derivative instruments to hedge its foreign currency exchange rate risk, it does utilize interest rate swap contracts to manage the interest rate risk associated with its vault cash rental obligations in the United States and the United Kingdom. The Company does not currently utilize any derivative instruments to manage the interest rate risk associated with its vault cash rental obligations in Mexico, nor does it utilize derivative instruments to manage the interest rate risk associated with borrowings outstanding under its revolving credit facility.

The notional amounts, weighted average fixed rates, and terms associated with the Company's interest rate swap contracts accounted for as cash flow hedges that are currently in place are as follows:

Notional Amounts	Notional Amounts	Notional Amounts	Weighted Average Fixed Rate	Term
United States	United Kingdom (in thousands)	Consolidated ⁽¹⁾		
\$ 625,000	£ 75,000	\$ 741,855	3.43%	October 1, 2011 – December 31, 2011
\$ 750,000	£ 50,000	\$ 827,903	3.45%	January 1, 2012 – December 31, 2012
\$ 750,000	£ 25,000	\$ 788,952	3.35%	January 1, 2013 – December 31, 2013
\$ 750,000	£ —	\$ 750,000	3.29%	January 1, 2014 – December 31, 2014
\$ 550,000	£ —	\$ 550,000	3.27%	January 1, 2015 – December 31, 2015

\$ 350,000	£ —	\$ 350,000	3.28%	January 1, 2016 – December 31, 2016
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- (1) United Kingdom pound sterling amounts have been converted into United States dollars at approximately \$1.56 to £1.00, which was the exchange rate in effect as of September 30, 2011.

The Company has designated a majority of its interest rate swap contracts as cash flow hedges of the Company's forecasted vault cash rental obligations. Accordingly, changes in the fair values of the related interest rate swap contracts have been reported in the Accumulated other comprehensive loss, net line item within Stockholders' equity in the accompanying Consolidated Balance Sheets.

The Company believes that it is more likely than not that it would be able to realize the benefits associated with its net deferred tax asset positions in the future. Therefore, the Company records the unrealized losses related to its domestic 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.

Cash Flow Hedging Strategy

For each derivative instrument that is designated and qualifies as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) ("OCI") and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedge transaction affects earnings. Gains and losses on the derivative instrument representing either hedge ineffectiveness or hedge components that are excluded from the assessment of effectiveness are recognized in earnings. However, because the Company currently only utilizes fixed-for-floating interest rate swaps in which the underlying pricing terms agree, in all material respects, with the pricing terms of the Company's vault cash rental obligations, the amount of ineffectiveness associated with such interest rate swap contracts has historically been immaterial. Accordingly, no ineffectiveness amounts associated with the Company's cash flow hedges have been recorded in the Company's consolidated financial statements. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the Consolidated Statements of Operations.

The interest rate swap contracts entered into with respect to the Company's vault cash rental obligations effectively modify the Company's exposure to interest rate risk by converting a portion of the Company's monthly floating rate vault cash rental obligations to a fixed rate. Such contracts are in place through December 31, 2016 for the Company's United States vault cash rental obligations, and December 31, 2013 for the Company's United Kingdom vault cash rental obligations. By converting such amounts to a fixed rate, the impact of future interest rate changes (both favorable and unfavorable) on the Company's monthly vault cash rental expense amounts has been reduced. The interest rate swap contracts typically involve the receipt of floating rate amounts from the Company's counterparties that match, in all material respects, the floating rate amounts required to be paid by the Company to its vault cash providers for the portions of the Company's outstanding vault cash obligations that have been hedged. In return, the Company typically pays the interest rate swap counterparties a fixed rate amount per month based on the same notional amounts outstanding. At no point is there an exchange of the underlying principal or notional amounts associated with the interest rate swaps. Additionally, none of the Company's existing interest rate swap contracts contain credit-risk-related contingent features.

The Company is also a party to certain derivative instruments that were originally, but are no longer, designated as cash flow hedges. Specifically, during 2009, the Company entered into a number of interest rate swaps to hedge its exposure to changes in market rates of interest on its vault cash rental expense in the United Kingdom. During the fourth quarter of 2009, the Company's vault cash provider in that market exercised its rights under the contract to modify the pricing terms and changed the target vault cash rental rate within the agreement. As a result of this change, the Company was no longer able to apply cash flow hedge accounting treatment to the underlying interest rate swap agreements. In December 2009, the Company entered into a series of additional trades, the effects of which were to mostly offset the existing swaps and establish new swaps to match the modified underlying vault cash rental rate. Since the underlying swaps were not deemed to be effective hedges of the Company's underlying vault cash rental costs, the Company was required to record an unrealized gain of \$0.3 million and a corresponding realized loss of \$0.3 million for both the three month periods ended September 30, 2011 and 2010, a \$0.8 million unrealized gain and \$0.9 million realized loss for the nine months ended September 30, 2011, and a \$0.7 million unrealized gain and a corresponding realized loss of \$0.7 million for the nine months ended September 30, 2010 related to these swaps, which have been reflected in the Other expense (income) line item in the accompanying Consolidated Statements of Operations.

Tabular Disclosures

The following tables depict the effects of the use of the Company's derivative contracts on its Consolidated Balance Sheets and Consolidated Statements of Operations.

Balance Sheet Data

September 30, 2011		December 31, 2010	
Balance Sheet		Balance Sheet	
Location	Fair Value	Location	Fair Value

*(In thousands)***Asset Derivative
Instruments:****Derivatives Not
Designated as Hedging
Instruments:**

Interest rate swap contracts	Prepaid expenses, deferred costs, and other current assets	\$	633	Prepaid expenses, deferred costs, and other current assets	\$	834
Interest rate swap contracts	Prepaid expenses, deferred costs, and other assets		32	Prepaid expenses, deferred costs, and other assets		109
Total		\$	665		\$	943

**Liability Derivative
Instruments:****Derivatives Designated
as Hedging
Instruments:**

Interest rate swap contracts	Current portion of other long-term liabilities	\$	22,232	Current portion of other long-term liabilities	\$	21,083
Interest rate swap contracts	Other long-term liabilities		46,602	Other long-term liabilities		19,202
Total		\$	68,834		\$	40,285

**Derivatives Not
Designated as Hedging
Instruments:**

Interest rate swap contracts	Current portion of other long-term liabilities	\$	1,250	Current portion of other long-term liabilities	\$	1,872
Interest rate swap contracts	Other long-term liabilities		199	Other long-term liabilities		629
Total		\$	1,449		\$	2,501
Total Derivatives		\$	69,618		\$	41,843

The Asset Derivative Instruments reflected in the table above relate to the portions of certain derivative instruments that were in an overall liability position, for which the remainder of the fair value is reflected in the Liability Derivative Instruments portion above.

Statements of Operations Data

Derivatives in Cash Flow Hedging Relationship	Amount of Loss Recognized in		Location of Loss	Amount of Loss Reclassified from	
	OCI on Derivative Instruments (Effective Portion)		Reclassified from	Accumulated OCI into Income (Effective Portion)	
	2011	2010	Accumulated OCI into Income (Effective Portion)	2011	2010
	<i>(in thousands)</i>			<i>(in thousands)</i>	
Interest rate swap contracts	\$ (16,674)	\$ (5,856)	Cost of ATM operating revenues	\$ (5,974)	\$ (6,291)

Derivatives in Cash Flow Hedging Relationship	Amount of Loss Recognized in		Location of Loss	Amount of Loss Reclassified from	
	OCI on Derivative Instruments (Effective Portion)		Reclassified from	Accumulated OCI into Income (Effective Portion)	
	2011	2010	Accumulated OCI into Income (Effective Portion)	2011	2010
	<i>(in thousands)</i>			<i>(in thousands)</i>	
Interest rate swap contracts	\$ (35,328)	\$ (30,362)	Cost of ATM operating revenues	\$ (17,672)	\$ (18,750)

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized into Income on Derivative	Three Months Ended September 30,	
		Amount of Loss Recognized into Income on Derivative	
		2011	2010
Interest rate swap contracts	Cost of ATM operating revenues	\$ (3)	\$ (370)
Interest rate swap contracts	Other (income) expense	6	(40)
		\$ 3	\$ (410)

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized into Income on Derivative	Nine Months Ended September 30, Amount of Loss Recognized into Income on Derivative	
		2011	2010
		<i>(In thousands)</i>	
Interest rate swap contracts	Cost of ATM operating revenues	\$ (235)	\$ (1,316)
Interest rate swap contracts	Other (income) expense	(44)	(71)
		\$ (279)	\$ (1,387)

The Company does not currently have any derivative instruments that have been designated as fair value or net investment hedges. The Company has not historically, and does not currently anticipate terminating its existing derivative instruments prior to their expiration dates. If the Company concludes that it is no longer probable that the anticipated future vault cash rental obligations that have been hedged will occur, or if changes are made to the underlying terms and conditions of the Company's vault cash rental agreements, thus creating some amount of ineffectiveness associated with the Company's current interest rate swap contracts, as occurred during the fourth quarter of 2009, any resulting gains or losses will be recognized within the Other expense (income) line item of the Company's Consolidated Statements of Operations.

As of September 30, 2011, the Company expects to reclassify \$22.3 million of net derivative-related losses contained within accumulated OCI into earnings during the next 12 months concurrent with the recording of the related vault cash rental expense amounts.

See Note 13, *Fair Value Measurements* for additional disclosures on the Company's interest rate swap contracts in respect to its fair value measurements.

(13) Fair Value Measurements

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs. An asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following tables summarize the Company's assets and liabilities carried at fair value measured on a recurring basis using the fair value hierarchy prescribed by U.S. GAAP:

	Fair Value Measurements at September 30, 2011			
	Total	Level 1	Level 2	Level 3
	<i>(In thousands)</i>			
Assets:				
Assets associated with interest rate swaps	\$ 665	\$ —	\$ 665	\$ —
Liabilities				
Liabilities associated with interest rate swaps	\$ 70,283	\$ —	\$ 70,283	\$ —

	Fair Value Measurements at December 31, 2010			
	Total	Level 1	Level 2	Level 3
	<i>(In thousands)</i>			
Assets:				
Assets associated with interest rate swaps	\$ 943	\$ —	\$ 943	\$ —
Liabilities				

Liabilities associated with interest rate swaps	\$	42,786	\$	—	\$	42,786	\$	—
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Liabilities added to the Asset retirement obligations line item in the accompanying Consolidated Balance Sheets are measured at fair value on a non-recurring basis using Level 3 inputs. The liabilities added during the nine month periods ended September 30, 2011 and 2010 were \$6.3 million and \$3.6 million, respectively.

Additionally, below are descriptions of the Company's valuation methodologies for assets and liabilities measured at fair value. The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Cash and cash equivalents, accounts and notes receivable, net of the allowance for doubtful accounts, other current assets, accounts payable, accrued expenses, and other current liabilities. These financial instruments are not carried at fair value, but are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk.

Interest rate swaps. The fair value of the Company's interest rate swaps was a net liability of \$69.6 million as of September 30, 2011. These financial instruments are carried at fair value, calculated as the present value of amounts estimated to be received or paid to a marketplace participant in a selling transaction. These derivatives are valued using pricing models based on significant other observable inputs (Level 2 inputs), while taking into account the creditworthiness of the party that is in the liability position with respect to each trade.

Additions to asset retirement obligation liability. The Company estimates the fair value of additions to its asset retirement obligation liability using expected future cash outflows discounted at the Company's credit-adjusted risk-free interest rate.

Long-term debt. The carrying amount of the long-term debt balance related to borrowings under the Company's revolving credit facility, if and when there is an amount outstanding, approximates fair value due to the fact that any borrowings are subject to short-term floating interest rates. As of September 30, 2011, the fair value of the Company's \$200.0 million senior subordinated notes (see *Note 9, Long-Term Debt*) totaled \$209.0 million, based on the quoted market price for such notes as of that date.

Fair Value Option. In February 2007, the Financial Accounting Standards Board ("FASB") issued a statement that provided companies the option to measure certain financial instruments and other items at fair value. The Company elected not to adopt the fair value option provisions of this statement.

(14) Commitments and Contingencies

Legal Matters

Automated Transactions. On August 16, 2010, a lawsuit was filed in the United States District Court for the District of Delaware entitled *Automated Transactions LLC v. IYG Holding Co., et al.* 10 Civ. 0691 (D. Del.) (the "2010 Lawsuit"). The 2010 Lawsuit names the Company's wholly-owned subsidiary, Cardtronics USA, Inc., as one of the defendants. The 2010 Lawsuit alleges that the Company's subsidiary and the other defendants have infringed seven of the plaintiff's patents by providing retail transactions to consumers through their ATMs. The plaintiff is seeking a permanent injunction, damages, treble damages and costs, including attorney's fees and expenses. The allegations raised by the plaintiff in this suit are similar to the allegations made by the same plaintiff in a suit filed in 2006 against 7-Eleven, Inc. (the "2006 Lawsuit") concerning six of the same seven patents. In July 2007, when the Company acquired the 7-Eleven portfolio, the Company became subject to the 2006 Lawsuit; the ATM supplier in that case agreed to indemnify 7-Eleven, Inc. against the plaintiff's claims. That indemnity was assigned by 7-Eleven to the Company, and the supplier acknowledged that assignment.

In its 2010 Form 10-K, the Company stated its belief that it had meritorious defenses to the plaintiff's claims in the 2010 Lawsuit and the 2006 Lawsuit and that upon agreement of all parties involved in this matter, the Court agreed to stay the 2010 Lawsuit until resolution of the major issues involved in the 2006 Lawsuit. In addition, on January 28, 2011, the United States Patent and Trademark Office ("USPTO") Board of Patent Appeals and Interferences ("BPAI") issued a decision affirming the rejection on the grounds of obviousness of all the claims of one of the patents asserted by the plaintiff in both the 2006 and 2010 Lawsuits. The plaintiff has appealed this decision to the U.S. Court of Appeals for the Federal Circuit.

Following a motion for summary judgment filed by the Company and the other co-defendants (collectively the "Defendants") in the 2006 case, on March 9, 2011, the Court ruled in favor of the Defendants with respect to the infringement issues (the "March 9th Decision"). The Court found that the Defendants did not infringe the claims asserted in any of the plaintiff's five patents (the allegations as to the sixth patent having been dismissed earlier). In

addition, the Court granted the Defendants partial summary judgment that the plaintiff's patent claims were, in part, invalid and rendered other findings so as to materially weaken the plaintiff's case. On June 9, 2011, the Court entered a final judgment with respect to these rulings (the "Judgment") on less than all the claims and defenses. On July 1, 2011, the plaintiff filed a Notice of Appeal of the Judgment and the underlying Decision to the U.S. Court of Appeals for the Federal Circuit. The parties also stipulated to continue the stay of the 2010 case until after a decision on the appeal. Regardless of the outcome of the appeal, the Company has asserted additional grounds of invalidity which would have to be determined by the district court before the plaintiff could be successful. If affirmed on appeal, the Judgment and March 9th Decision will effectively terminate the 2006 Lawsuit in favor of the Defendants. An affirmance should also resolve in the Company's favor the plaintiff's claims in the 2010 Lawsuit on the same five patents asserted and ruled in the March 9th Decision and Judgment and effectively resolve in the Company's favor the claims attempted to be asserted in the 2010 Lawsuit on the seventh asserted patent. The Company also believes it has meritorious defenses in the 2010 Lawsuit to the sixth patent not ruled upon in the 2006 Lawsuit.

The Company will continue to vigorously defend itself, or have its suppliers defend, in the 2006 Lawsuit and in the 2010 Lawsuit, if the stay is lifted. If the Judgment and March 9th Decision in the 2006 Lawsuit is modified or reversed on appeal, the Company cannot currently predict the outcome of either lawsuit, nor can it predict the amount of time and expense that will be required to resolve these lawsuits. An unfavorable resolution of this litigation could adversely impact the Company's financial condition or results of operation.

Regulation E. EFT networks in the United States are subject to extensive regulations that are applicable to various aspects of the Company's operations and the operations of other ATM network operators. The major source of EFT network regulations is the Electronic Funds Transfer Act ("EFTA"), commonly known as Regulation E. The federal regulations promulgated under Regulation E establish the basic rights, liabilities, and responsibilities of consumers who use EFT services and of financial institutions that offer these services, including, among other services, ATM transactions. Generally, Regulation E: (i) requires ATM network operators to provide not only a surcharge notice on the ATM screens, but also on the ATM machine itself; (ii) requires the establishment of limits on the consumer's liability for unauthorized use of his or her card; (iii) requires all ATM operators to provide receipts to consumers who use their ATMs; and (iv) establishes protest procedures for consumers. Recently, the number of putative class action lawsuits filed nationwide in connection with Regulation E disclosures against various financial institutions and ATM operators alike has increased substantially. As of the date of filing, the Company is aware of the following lawsuits that have been filed in federal courts alleging one or more violations of Regulation E on a small number of specific ATMs operated by the Company:

- *Sheryl Johnson, individually and on behalf of all others similarly situated v. Cardtronics USA, Inc.*; In the United States District Court for the Western District of Tennessee (instituted September 2010);
- *Sheryl Johnson, individually and on behalf of all others similarly situated v. Cardtronics USA, Inc.*; In the United States District Court for the Northern District of Mississippi (instituted September 2010);
- *Joshua Sandoval; individually and on behalf of all others similarly situated v. Cardtronics USA, Inc., Cardtronics, Inc., and Does 1-10, inclusive*; In the United States District Court for the Southern District of California (instituted February 2011);
- *Gini Christensen, individually and on behalf of all other similarly situated v. Cardtronics USA, Inc., Cardtronics, Inc., and Does 1-10, inclusive*; In the United States District Court for the Southern District of California (instituted February 2011); and
- *Shelby Ramsey, individually and on behalf of all other similarly situated v. Cardtronics USA, Inc., Cardtronics, Inc., and Does 1-10, inclusive*; In the United States District Court for the Southern District of California (instituted July 2011).

In addition, the Company is aware of two other lawsuits:

(i) *Cynthia Louise Norris, individually and on behalf of all others similarly situated v. AmeriFirst Bank*, in the United States District Court for the Middle District of Alabama, instituted June 2011, in which the ATM at issue potentially might be operated by the Company. The address of the ATM in the initial complaint in that lawsuit was not one where the Company operates an ATM; however, the plaintiff has filed an amended petition wherein it listed an address for the ATM that coincides with the Company's records.

(ii) *Lisa Mabary, individually and on behalf of all others similarly situated v. Cardtronics, Inc., and Cardtronics USA, Inc.*, in the United States District court for the Northern District of Alabama initiated on October 25, 2011.

The Company is reviewing the individual circumstances of each of these cases, but expect at this time to seek consolidation of these cases with the other cases described above.

In each of the above cases, the plaintiffs allege that one or more of the Company's ATMs were missing notices posted on or near the ATM itself, which plaintiffs allege is a violation of EFTA and Regulation E and thereby entitles all users of the ATMs to certain statutory damages provided for within the EFTA regulations. In each lawsuit, the plaintiffs are seeking an order certifying a class-action of previous users of each of the ATMs at issue, statutory damages pursuant to 15 U.S.C 1693m, costs of suit and attorney's fees, and a permanent injunction. The Company believes that, among other things, the plaintiffs are misreading EFTA and thus have not stated a valid cause of action under EFTA and that plaintiffs do not have a private right of action for any alleged violations of Regulation E. Further, the Company believes that certain affirmative defenses provided for by the EFTA and Regulation E insulates the Company from liability in each lawsuit. In particular, the EFTA and Regulation E provide two "safe-harbor" defenses: (i) under the "safe harbor" defense, the ATM operator posted disclosure notices on each ATM, but the notices were removed by someone other than the operator; and (ii) under the "bona fide error" defense, the ATM operator has had policies and procedures in place to comply with EFTA and Regulation E, but an inadvertent violation

occurred notwithstanding those policies and procedures. The Company believes that one or both of these defenses validly insulate the Company from liability in some or all of these lawsuits. Because some of the factual and legal issues in each lawsuit are comparable, upon the motion of the Company, the United States Judicial Panel on Multidistrict Litigation has transferred the Mississippi and Tennessee cases to California to be coordinated with the two California cases for pretrial activities, pursuant to 28 U.S.C. 1407. The Company believes its defenses to these actions will prevent any of these cases from having a material adverse impact on its business, and that none of these currently filed lawsuits, either individually or in the aggregate, will materially adversely affect the Company's financial condition or results or operations. However, if the Company's defenses are not successful, these and other similarly filed lawsuits could adversely impact the Company's financial condition or results of operation.

National Federation of the Blind. On July 29, 2011, the Company received notice of a motion for contempt filed against it by the National Federation of the Blind, the Commonwealth of Massachusetts, et. al. (the "Plaintiffs") in the United States District Court for the District of Massachusetts: Civil Action No. 03-11206-NMG (the "Motion"). In the Motion, the Plaintiffs allege that the Company has failed to meet all but one of the requirements set forth in a December 2007 settlement agreement (as modified in November 2010, the "Settlement Agreement") by and between the Company and the Plaintiffs. On or about August 25, 2011, the Company filed its Cross Motion for Enforcement of the Settlement Agreement (the "Cross Motion"). The Plaintiffs responded to the Company's Cross Motion on or about September 30, 2011 and the Company filed its reply to that response on or about October 21, 2011. At this time, the Court has not issued a ruling nor has it set a hearing date to hear oral arguments with regard to the Motion. It is the Company's expectation that the Court will rule on the motion before the end of the year. Since the Company is engaged in a concerted effort to ensure that all of its ATMs are in substantial compliance with both the Settlement Agreement and the revised accessibility rules issued under the American with Disabilities Act, as amended in July 2010 (the "ADA"), and will complete those efforts by March 15, 2012, when the new ADA rules take effect, it does not anticipate that the outcome of this matter will have material adverse effect upon its financial condition or results of operations.

In addition to the above items, the Company is subject to various legal proceedings and claims arising in the ordinary course of its business. The Company has provided reserves where necessary for all claims and the Company's management does not expect the outcome in any of these legal proceedings, individually or collectively, to have a material adverse impact on the Company's financial condition or results of operations. Additionally, the Company currently expenses all legal costs as they are incurred.

Regulatory Matters

Financial Regulatory Reform in the United States. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"), which contains broad measures aimed at overhauling existing financial regulations within the United States, was signed into law on July 21, 2010. Among many other things, the Act included provisions that (i) established a new Bureau of Consumer Financial Protection, (ii) limited the activities that banking entities may engage in, and (iii) gave the Federal Reserve the authority to regulate interchange transaction fees charged by electronic funds transfer networks for electronic debit transactions. On June 22, 2011, the Federal Reserve issued certain regulations affecting debit interchange and network routing rules required under the Act. While the Act's regulations governing interchange fees for electronic debit transactions do not apply to ATM cash withdrawal transactions, the regulations do allow merchants additional flexibility to allow certain point-of-sale transactions to be paid for in cash rather than with debit or credit cards. This change may result in the increased use of cash at the point-of-sale for some merchants, and thus, could positively impact the Company's future revenues and operating profits (through increased transaction levels at the Company's ATMs). Conversely, with point-of-sale debit transaction rates now regulated, this could cause a shift in behavior by merchants, banks or consumers, which could in turn impact the Company's volume of ATM transactions. Effectively, as a result of the regulated point-of-sale interchange rates, if merchants, banks or consumers are more likely to increase their point-of-sale debit transactions, the Company could in turn experience a decline in cash withdrawal transactions. Finally, the newly issued regulations require debit cards to be recognized (or authorized) over at least two non-affiliated networks and provide for rules that would allow merchants greater flexibility in routing transactions across networks that are more economical for the merchant. While the Federal Reserve had requested comments as to whether these new anti-exclusivity and routing provisions should apply to ATM transactions, the issued regulations did not apply them to ATM transactions.

Change in Mexico Fee Structure. In May 2010, as supplemented in October 2010, rules promulgated by the Central Bank of Mexico became effective that require ATM operators to choose between receiving an interchange fee from the consumer's card-issuing bank or a surcharge fee from the consumer. When a surcharge is received by the ATM operator, the rules prohibit a bank from charging its cardholder an additional fee. The rules also prohibit a bank from charging its cardholders a surcharge fee when those cardholders use its ATMs.

The Company's majority-owned subsidiary, Cardtronics Mexico, elected to assess a surcharge fee rather than selecting the interchange fee-only option, and subsequently increased the amount of its surcharge fees to compensate for the loss of interchange fees that it previously earned on such ATM transactions. Although the total cost to the consumer (including bank fees) of an ATM transaction at a Cardtronics Mexico ATM has stayed approximately the same, average transaction counts, revenues, and profit per machine have declined. As a result of the above developments, to mitigate the negative effects of these events, a bank branding agreement was executed during the first quarter of 2011 with Grupo Financiero Banorte ("Banorte") to brand up to 2,000 machines in that market. As a result of this

agreement, the Company expects slightly improved profitability on the machines covered by the agreement.

Other Commitments

Asset Retirement Obligations. The Company's asset retirement obligations consist primarily of deinstallation costs of the ATM and costs to restore the ATM site to its original condition. In most cases, the Company is legally required to perform this deinstallation and restoration work. The Company had \$32.5 million accrued for these liabilities as of September 30, 2011. For additional information, see *Note 10, Asset Retirement Obligations*.

(15) Income Taxes

Income tax benefit based on the Company's income before income taxes was as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	<i>(In thousands)</i>		<i>(In thousands)</i>	
Income tax benefit	\$ (29,869)	\$ (23,968)	\$ (17,765)	\$ (20,577)
Effective tax rate	(176.4)%	723.5%	(40.1)%	(163.9)%

During the quarter ended September 30, 2011, the Company implemented a tax reporting change with respect to its U.K. operations whereby the U.K. entities are no longer considered to be controlled foreign corporations (i.e. "CFCs") for U.S. income tax purposes, but are instead, effectively treated as a branch of the Company's U.S. operations for U.S. federal income tax purposes. This change in U.S. federal income tax reporting election resulted in the recognition of a tax loss on its net investment in its U.K. operations. The Company also recognized a loss on certain long-term debt obligations of its U.K. operations to the parent company. As a result of these events, the Company recorded an overall tax benefit of \$37.0 million in the quarter ended September 30, 2011. The Company expects to fully utilize these net operating losses within the next 24 months as a result of the combined taxable income expected to be generated by its domestic operations and its U.K. branch during this time frame.

The Company's effective tax rate during the three and nine months ended September 30, 2011 was lower than the U.S. federal statutory rate of 35% and the Company's estimated effective state tax rate of 3.5%, primarily due to the tax reorganization of the Company's United Kingdom operations described above. The lower effective tax rate in the same period in 2010 was due to the Company's valuation allowance position in the United States during the first six months of 2010. As a result of the 2010 valuation allowance position, the Company only recorded state tax expense, U.S. alternative minimum tax and deferred tax expense for certain items that were excluded from its valuation allowance position in the United States during the first six months of 2010. The valuation allowance in the United States was subsequently released in the third quarter of 2010.

At this time, the Company does not expect that its United Kingdom and Mexico operations will be in a position in the near future to be able to more likely than not fully utilize their deferred tax assets in their respective tax jurisdictions, including their net operating loss carryforwards. As a result, the deferred tax benefits associated with the United Kingdom and Mexico operations, to the extent they are not offset by deferred tax liabilities, have been fully reserved through a valuation allowance.

The deferred taxes associated with the Company's unrealized gains and losses on derivative instruments have been reflected within the accumulated other comprehensive loss balance in the accompanying Consolidated Balance Sheets.

(16) Segment Information

As of September 30, 2011, the Company's operations consisted of its United States, United Kingdom, and Mexico segments. The Company's operations in Puerto Rico and the U.S. Virgin Islands are included in its United States segment. 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.

Management uses EBITDA to assess the operating results and effectiveness of its segments. Management believes EBITDA is useful because it allows management to more effectively evaluate the Company's operating performance and compare its results of operations from period to period without regard to its financing methods or capital structure. Additionally, the Company excludes depreciation, accretion, and amortization expense as these amounts can vary substantially from company to company within its industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. EBITDA, as defined by the Company, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with U.S. GAAP. In evaluating the Company's performance as measured by EBITDA, management recognizes and considers the limitations of this measurement. EBITDA does not reflect the Company's obligations for the payment of income taxes, interest expense or other obligations such as capital expenditures. Accordingly, EBITDA is only one of the measurements that management utilizes. Therefore, EBITDA should not be considered in isolation or as a substitute for operating income, net income, cash flows from operating, investing, and financing activities or other income or cash flow statement data prepared in accordance with U.S.

GAAP.

Below is a reconciliation of EBITDA to net income attributable to controlling interests:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	<i>(In thousands)</i>		<i>(In thousands)</i>	
EBITDA	\$ 39,753	\$ 33,582	\$ 107,144	\$ 93,275
Less:				
Interest expense, net, including amortization of deferred financing costs and bond discounts	5,594	7,610	15,585	23,514
Write-off of deferred financing costs and bond discounts	—	7,296	—	7,296
Redemption costs for early extinguishment of debt	—	7,193	—	7,193
Income tax benefit	(29,869)	(23,968)	(17,765)	(20,577)
Depreciation and accretion expense	12,197	10,865	35,004	31,351
Amortization expense	4,946	3,823	12,240	11,567
Net income attributable to controlling interests	\$ 46,885	\$ 20,763	\$ 62,080	\$ 32,931

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The following tables reflect certain financial information for each of the Company's reporting segments for the three and nine month periods ended September 30, 2011 and 2010. All intercompany transactions between the Company's reporting segments have been eliminated.

	For the Three Month Period Ended September 30, 2011				
	U.S.	U.K.	Mexico	Eliminations	Total
	<i>(In thousands)</i>				
Revenue from external customers	\$ 132,891	\$ 26,060	\$ 6,108	\$ —	\$ 165,059
Intersegment revenues	1,156	—	30	(1,186)	—
Cost of revenues	87,020	19,666	4,728	(1,186)	110,228
Selling, general, and administrative expenses	11,642	1,508	622	—	13,772
Acquisition-related expenses	956	—	—	—	956
Loss (gain) on disposal of assets	44	89	(16)	—	117
EBITDA	34,852	4,045	771	85	39,753
Depreciation and accretion expense	7,244	4,183	776	(6)	12,197
Amortization expense	4,447	494	5	—	4,946
Interest expense, net	4,545	885	164	—	5,594
Income tax benefit	(29,869)	—	—	—	(29,869)
Capital expenditures ⁽¹⁾	\$ 6,538	\$ 5,006	\$ 119	\$ —	\$ 11,663

	For the Three Month Period Ended September 30, 2010				
	U.S.	U.K.	Mexico	Eliminations	Total
	<i>(In thousands)</i>				
Revenue from external customers	\$ 108,785	\$ 21,737	\$ 6,083	\$ —	\$ 136,605
Intersegment revenues	816	—	—	(816)	—
Cost of revenues	71,055	16,506	4,706	(816)	91,451
Selling, general, and administrative expenses	9,743	1,260	516	—	11,519
Loss on disposal of assets	134	222	12	—	368
EBITDA	28,886	3,728	860	108	33,582
Depreciation and accretion expense	6,848	3,179	844	(6)	10,865
Amortization expense	3,397	421	5	—	3,823
Interest expense, net	6,296	1,082	232	—	7,610

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Write-off of DFC and bond discounts	7,296	—	—	—	7,296
Redemption costs for early extinguishment of debt	7,193	—	—	—	7,193
Income tax benefit	(23,968)	—	—	—	(23,968)
Capital expenditures ⁽¹⁾	\$ 12,894	\$ 5,214	\$ 839	\$ —	\$ 18,947

For the Nine Month Period Ended September 30, 2011

	U.S.	U.K.	Mexico	Eliminations	Total
			<i>(In thousands)</i>		
Revenue from external customers	\$ 358,977	\$ 72,129	\$ 19,288	\$ —	\$ 450,394
Intersegment revenues	3,042	—	87	(3,129)	—
Cost of revenues	235,163	54,957	14,701	(3,129)	301,692
Selling, general, and administrative expenses	33,683	4,377	1,641	—	39,701
Acquisition-related expenses	1,299	—	—	—	1,299
Loss (gain) on disposal of assets	126	191	(37)	—	280
EBITDA	93,460	10,718	2,986	(20)	107,144
Depreciation and accretion expense	20,808	11,860	2,352	(16)	35,004
Amortization expense	10,735	1,489	16	—	12,240
Interest expense, net	11,872	3,137	576	—	15,585
Income tax benefit	(17,765)	—	—	—	(17,765)
Capital expenditures ⁽¹⁾	\$ 21,730	\$ 15,124	\$ 206	\$ —	\$ 37,060

	For the Nine Month Period Ended September 30, 2010					
	U.S.	U.K.	Mexico	Eliminations	Total	
	<i>(In thousands)</i>					
Revenue from external customers	\$ 316,345	\$ 60,701	\$ 20,283	\$ —	\$ 397,329	
Intersegment revenues	2,269	—	—	(2,269)	—	
Cost of revenues	210,249	45,758	15,513	(2,269)	269,251	
Selling, general, and administrative expenses	27,666	3,772	1,496	—	32,934	
Loss on disposal of assets	929	906	5	—	1,840	
EBITDA	80,013	10,191	3,273	(202)	93,275	
Depreciation and accretion expense	20,188	9,065	2,114	(16)	31,351	
Amortization expense	10,062	1,488	17	—	11,567	
Interest expense, net	19,771	3,014	729	—	23,514	
Write-off of DFC and bond discounts	7,296	—	—	—	7,296	
Redemption costs for early extinguishment of debt	7,193	—	—	—	7,193	
Income tax benefit	(20,577)	—	—	—	(20,577)	
Capital expenditures ⁽¹⁾	\$ 27,402	\$ 9,773	\$ 3,326	\$ —	\$ 40,501	

(1) Capital expenditure amounts include payments made for exclusive license agreements and site acquisition costs, and capital expenditures financed by direct debt. Additionally, capital expenditure amounts for Mexico are reflected gross of any noncontrolling interest amounts.

Identifiable Assets:

	September 30, 2011	December 31, 2010
	<i>(In thousands)</i>	
United States	\$ 814,934	\$ 469,045
United Kingdom	82,659	70,750
Mexico	14,596	17,674
Eliminations	(250,665)	(102,154)
Total	\$ 661,524	\$ 455,315

(17) New Accounting Pronouncements

Issued but Not Yet Adopted

Fair Value Measurements. In May 2011, the FASB issued Accounting Standards Updates ("ASU") 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. The ASU was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards ("IFRS"). ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. ASU 2011-04 will be effective for the Company beginning January 1, 2012, with early adoption permitted, and will be applied prospectively. The Company does not believe that the adoption of this standard will have a material impact on its consolidated financial position or results of operations.

Presentation of Comprehensive Income. In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income*, which amends current comprehensive income guidance. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for the Company beginning January 1, 2012, with early adoption permitted, and will be applied retrospectively. The adoption of ASU 2011-05 will not have a material impact on the Company's consolidated financial statements as it only requires a change in presentation.

Testing Goodwill for Impairment. In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment*, which amends ASC 350, *Intangibles - Goodwill and Other*. This update provides an entity with the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. ASU 2011-08 will be effective for the Company beginning January 1, 2012, with early adoption permitted. The Company does not believe that the adoption of this standard will have a material impact on its consolidated financial position or results of operations.

(18) Supplemental Guarantor Financial Information

The Company's \$200.0 million senior subordinated notes are guaranteed on a full and unconditional basis by all of the Company's domestic subsidiaries. The following information sets forth the condensed consolidating statements of operations and cash flows for the three and nine month periods ended September 30, 2011 and 2010 and the condensed consolidating balance sheets as of September 30, 2011 and December 31, 2010 of (1) Cardtronics, Inc., the parent company and issuer of the senior subordinated notes ("Parent"); (2) the Company's domestic subsidiaries on a combined basis (collectively, the "Guarantors"); and (3) the Company's international subsidiaries on a combined basis (collectively, the "Non-Guarantors"):

Condensed Consolidating Statements of Operations

	Parent	Three Months Ended September 30, 2011			Total
		Guarantors	Non-Guarantors	Eliminations	
			(In thousands)		
Revenues	\$ —	\$ 134,047	\$ 32,198	\$ (1,186)	\$ 165,059
Operating costs and expenses	2,446	108,907	32,055	(1,192)	142,216
Operating (loss) income	(2,446)	25,140	143	6	22,843
	(859)	5,404	1,049	—	5,594

Interest (income) expense, net, including amortization of deferred financing costs and bond discounts					
Equity in (earnings) loss of subsidiaries	(20,930)	1,518	—	19,412	—
Other expense (income), net	177	(645)	786	—	318
Income (loss) before income taxes	19,166	18,863	(1,692)	(19,406)	16,931
Income tax benefit	(27,628)	(2,241)	—	—	(29,869)
Net income (loss)	46,794	21,104	(1,692)	(19,406)	46,800
Net loss attributable to noncontrolling interests	—	—	—	(85)	(85)
Net income (loss) attributable to controlling interests and available to common stockholders	\$ 46,794	\$ 21,104	\$ (1,692)	\$ (19,321)	\$ 46,885

Three Months Ended September 30, 2010

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
			<i>(In thousands)</i>		
Revenues	\$ —	\$ 109,601	\$ 27,820	\$ (816)	\$ 136,605
Operating costs and expenses	1,776	89,401	27,671	(822)	118,026
Operating (loss) income	(1,776)	20,200	149	6	18,579
Interest expense, net, including amortization of deferred financing costs and bond discounts	1,692	4,604	1,314	—	7,610
Write-off of deferred financing costs and bond discounts	7,296	—	—	—	7,296
Redemption costs for early extinguishment of debt	7,193	—	—	—	7,193
Equity in (earnings) loss of subsidiaries	(17,425)	953	—	16,472	—
Other (income) expense, net	(346)	129	10	—	(207)
(Loss) income before income taxes	(186)	14,514	(1,175)	(16,466)	(3,313)
Income tax benefit	(20,835)	(3,133)	—	—	(23,968)
Net income (loss)	20,649	17,647	(1,175)	(16,466)	20,655
Net loss attributable to noncontrolling interests	—	—	—	(108)	(108)
Net income (loss) attributable to controlling interests and available to common stockholders	\$ 20,649	\$ 17,647	\$ (1,175)	\$ (16,358)	\$ 20,763

Condensed Consolidating Statements of Operations — continued

	Nine Months Ended September 30, 2011				Total
	Parent	Guarantors	Non-Guarantors	Eliminations	
			<i>(In thousands)</i>		
Revenues	\$ —	\$ 362,019	\$ 91,504	\$ (3,129)	\$ 450,394
Operating costs and expenses	7,211	294,603	91,547	(3,145)	390,216
Operating (loss) income	(7,211)	67,416	(43)	16	60,178
Interest (income) expense, net, including amortization of deferred financing costs and bond discounts	(158)	12,030	3,713	—	15,585
Equity in (earnings) loss of subsidiaries	(52,674)	5,767	—	46,907	—
Other expense (income), net	97	(1,809)	1,970	—	258
Income (loss) before income taxes	45,524	51,428	(5,726)	(46,891)	44,335
Income tax benefit	(16,560)	(1,205)	—	—	(17,765)
Net income (loss)	62,084	52,633	(5,726)	(46,891)	62,100
Net income attributable to noncontrolling interests	—	—	—	20	20
Net income (loss) attributable to controlling interests and available to common stockholders	\$ 62,084	\$ 52,633	\$ (5,726)	\$ (46,911)	\$ 62,080

	Nine Months Ended September 30, 2010				Total
	Parent	Guarantors	Non-Guarantors	Eliminations	
			<i>(In thousands)</i>		
Revenues	\$ —	\$ 318,614	\$ 80,984	\$ (2,269)	\$ 397,329
Operating costs and expenses	4,825	264,269	80,134	(2,285)	346,943
Operating (loss) income	(4,825)	54,345	850	16	50,386
Interest expense, net, including amortization of deferred financing costs and bond discounts	5,529	14,242	3,743	—	23,514
Write-off of deferred financing costs and bond discounts	7,296	—	—	—	7,296
Redemption costs for early extinguishment of debt	7,193	—	—	—	7,193
Equity in (earnings) loss of subsidiaries	(39,845)	3,374	—	36,471	—

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Other expense (income), net	87	(330)	70	—	(173)
Income (loss) before income taxes	14,915	37,059	(2,963)	(36,455)	12,556
Income tax benefit	(18,202)	(2,375)	—	—	(20,577)
Net income (loss)	33,117	39,434	(2,963)	(36,455)	33,133
Net income attributable to noncontrolling interests	—	—	—	202	202
Net income (loss) attributable to controlling interests and available to common stockholders	\$ 33,117	\$ 39,434	\$ (2,963)	\$ (36,657)	\$ 32,931

Condensed Consolidating Balance Sheets

	As of September 30, 2011					
	Parent	Guarantors	Non-Guarantors	Eliminations		Total
	<i>(In thousands)</i>					
Assets:						
Cash and cash equivalents	\$ 4	\$ 4,553	\$ 649	\$ —		\$ 5,206
Accounts and notes receivable, net	38,592	28,715	5,972	(40,563)		32,716
Current portion of deferred tax asset, net	17,271	1,447	62	—		18,780
Other current assets	649	8,171	9,547	(6)		18,361
Total current assets	56,516	42,886	16,230	(40,569)		75,063
Property and equipment, net	—	108,336	65,935	(117)		174,154
Intangible assets, net	5,757	99,307	7,351	—		112,415
Goodwill	—	255,365	14,156	—		269,521
Investments in and advances to subsidiaries	149,942	100,048	—	(249,990)		—
Intercompany receivable (payable)	243,189	(9,809)	(8,748)	(224,632)		—
Deferred tax asset, net	8,443	1,332	718	—		10,493
Prepaid expenses, deferred costs, and other assets	—	18,265	1,613	—		19,878
Total assets	\$ 463,847	\$ 615,730	\$ 97,255	\$ (515,308)		\$ 661,524
Liabilities and Stockholders' Equity:						
Current portion of long-term debt and notes payable	\$ —	\$ —	\$ 2,717	\$ —		\$ 2,717
Current portion of other long-term liabilities	—	22,145	2,723	—		24,868
Accounts payable and accrued liabilities	4,436	99,562	20,496	(40,564)		83,930
Current portion of deferred tax liability, net	—	—	718	—		718
Total current liabilities	4,436	121,707	26,654	(40,564)		112,233
Long-term debt	356,300	—	3,184	—		359,484
Intercompany payable	—	257,135	20,368	(277,503)		—
Deferred tax liability, net	—	—	62	—		62
Asset retirement obligations	—	16,733	15,723	—		32,456
Other long-term liabilities	—	52,804	1,374	—		—