

NCR and Cardtronics merger gains approval with conditions

The Competition Commission has conditionally approved the proposed merger and acquisition of Cardtronics by NCR.



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NCR Corporation is a global technology provider of hardware, software and related services in the financial, retail, hospitality, telecommunications and technology industries. NCR operates globally with subsidiaries and branches in more than 120 countries. NCR's global product offering includes digital offerings for banking, restaurants and retailers, as well as payments processing, multi-vendor connected device services, automated teller machines (ATMs), point-of-sale terminals and self-service technologies. NCR also resells third party networking products and provides related service offerings in the telecommunications and technology sectors.

In South Africa, NCR is active in the banking segment (through a distributor) and, to a lesser extent, the retail and hospitality segments (through channel partners). NCR has entered into a distribution arrangement with Bytes Technology Group (Bytes), which procures and distributes NCR manufactured ATM machines to customers in South Africa. Bytes is currently the sole distributor of NCR ATMs in South Africa. The deployment and installation functions are performed by Bytes on behalf of banks with respect to the NCR ATMs sold. These ATM machines are supplied to Bytes through NCR's Irish affiliate, NCR Global Solutions Limited. Further, NCR has entered into an agreement with Technology Corporate Management (TCM). Both Bytes and TCM provide ATM-related services, such as maintenance services for NCR ATM machines in South Africa (on a non-exclusive basis). TCM does not distribute or supply NCR's ATMs in South Africa.

Cardtronics is active in 10 countries including Australia, Canada, New Zealand, Puerto Rico and Spain and offers ATM solutions to retailers and financial institutions. Cardtronics is an independent (ie. a non-bank) owner, operator and deployer of ATMs, (also known as Independent ATM Deployers [IADs]). Cardtronics' activities in South Africa relate to the deployment of ATMs that have been sourced from an international manufacturer of ATMs, Chungho Comnet (Chungho).

Cardtronics is active in South Africa through its subsidiary, Spark, a South African Independent ATM Deployer. Spark's business activities relate to the deployment and operation (installation, maintenance, monitoring and reporting services) of ATMs, and the provision of ATM-related services such as ATM maintenance and repair. In terms of customers, Spark is mainly active in supplying and servicing ATMs in the retail sector.

Given the vertical relationship between the parties in South Africa, the Commission found that the merger entity would likely have the ability and incentives to foreclosure downstream firms active in the distribution and servicing of ATMs. In order to address these input foreclosure concerns arising from the merger, the Commission has imposed conditions to ensure that NCR continues to supply the ATMs and ATM spare parts to its existing service providers for a period following the approval of the proposed merger. The Commission is of the view that the period will provide both Bytes and TCM sufficient time to look for alternative suppliers of the ATMs products in the event of successful foreclosure.

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