CARDTRONICS INC
Form 10-Q
October 29, 2015

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, 2015

or

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

For the transition period from to

Commission File Number: 001-33864

CARDTRONICS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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 (Do not check if a smaller reporting company)	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 October 27, 2015: 44,911,573

CARDTRONICS, INC.

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When we refer to "us," "we," "our," or "ours," we are describing Cardtronics, Inc. and/or our subsidiaries, depending on the context in which the statements are made.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,483	$ 31,875
Accounts and notes receivable, net of allowance of $1,752 and $1,082 as of September 30, 2015 and December 31, 2014, respectively	91,836	80,321
Inventory, net	10,512	5,971
Restricted cash	50,833	20,427
Current portion of deferred tax asset, net	20,535	24,303
Prepaid expenses, deferred costs, and other current assets	36,169	34,508
Total current assets	228,368	197,405
Property and equipment, net	375,770	335,795
Intangible assets, net	168,046	177,540
Goodwill	552,055	511,963
Deferred tax asset, net	12,607	10,487
Prepaid expenses, deferred costs, and other noncurrent assets	20,549	22,600
Total assets	$ 1,357,395	$ 1,255,790
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ —	$ 35
Current portion of other long-term liabilities	36,325	34,937
Accounts payable	27,396	35,984
Accrued liabilities	201,322	179,966
Total current liabilities	265,043	250,922
Long-term liabilities:		
Long-term debt	635,970	612,662
Asset retirement obligations	54,980	52,039
Deferred tax liability, net	12,716	15,916
Other long-term liabilities	46,176	37,716
Total liabilities	1,014,885	969,255

Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.0001 par value; 125,000,000 shares authorized; 52,073,357 and 51,596,360 shares issued as of September 30, 2015 and December 31, 2014, respectively; 44,900,992 and 44,562,122 shares outstanding as of September 30, 2015 and December 31, 2014, respectively	5	5
Additional paid-in capital	368,292	352,166
Accumulated other comprehensive loss, net	(90,025)	(83,007)
Retained earnings	171,066	118,817
Treasury stock: 7,172,365 and 7,034,238 shares at cost as of September 30, 2015 and December 31, 2014, respectively	(102,445)	(97,835)
Total parent stockholders' equity	346,893	290,146
Noncontrolling interests	(4,383)	(3,611)
Total stockholders' equity	342,510	286,535
Total liabilities and stockholders' equity	$ 1,357,395	$ 1,255,790

The accompanying notes are an integral part of these 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,	
	2015	2014	2015	2014
Revenues:				
ATM operating revenues	$ 296,836	$ 256,779	$ 842,295	$ 746,970
ATM product sales and other revenues	14,514	9,068	54,702	23,978
Total revenues	311,350	265,847	896,997	770,948
Cost of revenues:				
Cost of ATM operating revenues (excludes depreciation, accretion, and amortization of intangible assets shown separately below. See Note 1)	185,142	167,306	537,183	490,445
Cost of ATM product sales and other revenues	13,892	8,872	50,193	23,436
Total cost of revenues	199,034	176,178	587,376	513,881
Gross profit	112,316	89,669	309,621	257,067
Operating expenses:				
Selling, general, and administrative expenses	35,759	27,683	100,829	80,136
Acquisition and divestiture-related expenses	13,289	2,299	21,207	13,028
Depreciation and accretion expense	22,127	18,949	64,142	56,892
Amortization of intangible assets	10,048	7,965	29,040	24,647
(Gain) loss on disposal of assets	(12,139)	1,078	(12,425)	1,662
Total operating expenses	69,084	57,974	202,793	176,365
Income from operations	43,232	31,695	106,828	80,702
Other expense:				
Interest expense, net	5,033	5,423	14,496	16,167
Amortization of deferred financing costs and note discount	2,859	4,895	8,455	10,342
Redemption costs for early extinguishment of debt	—	7,722	—	9,075
Other expense (income)	1,067	1,665	2,882	(3,565)
Total other expense	8,959	19,705	25,833	32,019
Income before income taxes	34,273	11,990	80,995	48,683
Income tax expense	12,629	4,397	29,837	18,185
Net income	21,644	7,593	51,158	30,498
Net loss attributable to noncontrolling interests	(365)	(471)	(1,081)	(1,120)
Net income attributable to controlling interests and available to common stockholders	$ 22,009	$ 8,064	$ 52,239	$ 31,618
Net income per common share – basic	$ 0.49	$ 0.18	$ 1.17	$ 0.71
Net income per common share – diluted	$ 0.48	$ 0.18	$ 1.15	$ 0.70
Weighted average shares outstanding – basic	44,833,117	44,370,460	44,769,661	44,304,092
Weighted average shares outstanding – diluted	45,391,667	44,903,657	45,323,784	44,830,780

The accompanying notes are an integral part of these consolidated financial statements.

CARDTRONICS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$ 21,644	$ 7,593	$ 51,158	$ 30,498
Unrealized (loss) gain on interest rate swap contracts, net of deferred income tax benefit (expense) of $4,460 and $(4,968) for the three months ended September 30, 2015 and 2014, respectively, and $2,752 and $(4,875) for the nine months ended September 30, 2015 and 2014, respectively	(7,117)	7,687	(4,273)	7,307
Foreign currency translation adjustments	(13,502)	(8,098)	(2,745)	(3,929)
Other comprehensive (loss) income	(20,619)	(411)	(7,018)	3,378
Total comprehensive income	1,025	7,182	44,140	33,876
Less: comprehensive income (loss) attributable to noncontrolling interests	1,570	(421)	965	(1,085)
Comprehensive (loss) income attributable to controlling interests	$ (545)	$ 7,603	$ 43,175	$ 34,961

The accompanying notes are an integral part of these consolidated financial statements.

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

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	$ 51,158	$ 30,498
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, accretion, and amortization of intangible assets	93,182	81,539
Amortization of deferred financing costs and note discount	8,455	10,342
Stock-based compensation expense	14,263	11,485
Deferred income taxes	2,233	(1,811)
(Gain) loss on disposal of assets	(12,425)	1,662
Other reserves and non-cash items	2,680	9,911
Changes in assets and liabilities:		
Increase in accounts and note receivable, net	(1,621)	(7,603)
Increase in prepaid, deferred costs, and other current assets	(4,373)	(8,073)
Increase in inventory	(4,915)	(2,817)
(Increase) decrease in other assets	(6,832)	714
Decrease in accounts payable	(8,402)	(11,536)
Increase (decrease) in accrued liabilities	10,832	(7,351)
Increase (decrease) in other liabilities	2,877	(3,900)
Net cash provided by operating activities	147,112	103,060
Cash flows from investing activities:		
Additions to property and equipment	(99,987)	(63,169)
Payments for exclusive license agreements, site acquisition costs, and other intangible assets	(3,890)	(1,909)
Acquisitions, net of cash acquired	(103,874)	(8,803)
Sale of assets and businesses	36,661	—
Net cash used in investing activities	(171,090)	(73,881)
Cash flows from financing activities:		
Proceeds from borrowings of long-term debt	—	250,000
Repayment of long-term debt	—	(200,000)
Proceeds from borrowings under revolving credit facility	340,250	—
Repayments of borrowings under revolving credit facility	(324,186)	(4,431)
Repayments of borrowings under bank overdraft facility, net	(30)	(1,402)
Debt issuance, modification, and redemption costs	—	(14,750)
Payment of contingent consideration	—	(516)
Proceeds from exercises of stock options	586	331
Excess tax benefit from stock-based compensation expense	1,287	3,084
Repurchase of capital stock	(4,610)	(6,684)
Net cash provided by financing activities	13,297	25,632

Effect of exchange rate changes on cash	(2,711)	(889)
Net (decrease) increase in cash and cash equivalents	(13,392)	53,922
Cash and cash equivalents as of beginning of period	31,875	86,939
Cash and cash equivalents as of end of period	$ 18,483	$ 140,861
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 17,345	$ 19,170
Cash paid for income taxes	$ 19,411	$ 23,360

The accompanying notes are an integral part of these 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 automated consumer financial services through its network of automated teller machines ("ATMs") and multi-function financial services kiosks. As of September 30, 2015, the Company provided services to approximately 190,000 devices across its portfolio, which included approximately 168,700 devices located in all 50 states of the United States ("U.S.") (including the U.S. territory of Puerto Rico), approximately 15,700 devices throughout the United Kingdom ("U.K."), approximately 1,100 devices throughout Germany and Poland, approximately 3,100 devices throughout Canada, and approximately 1,400 devices throughout Mexico. In the U.S., certain of the Company’s devices are multi-function financial services kiosks that, in addition to traditional ATM functions such as cash dispensing and bank account balance inquiries, perform other consumer financial services, including bill payments, check cashing, remote deposit capture (which is deposit-taking at ATMs using electronic imaging), and money transfers. The total count of 190,000 devices also includes devices for which the Company provides processing only services and various forms of managed services solutions, which may include transaction processing, monitoring, maintenance, cash management, communications, and customer service.

Through its network, the Company provides ATM management and equipment-related services (typically under multi-year contracts) to large, nationally and regionally-known retail merchants as well as smaller retailers and operators of facilities such as shopping malls and airports. In doing so, the Company provides its retail partners with a compelling automated financial services solution that helps attract and retain customers, and in turn, increases the likelihood that the devices placed at their facilities will be utilized.

In addition to its retail merchant relationships, the Company also partners with leading national financial institutions to brand selected ATMs and financial services kiosks within its network, including BBVA Compass Bancshares, Inc., Citibank, N.A., Citizens Financial Group, Inc., Cullen/Frost Bankers, Inc., Santander Bank, N.A., and PNC Bank, N.A. in the U.S. and The Bank of Nova Scotia (“Scotiabank”) in Canada and Puerto Rico. In Mexico, the Company partners with Bansí, S.A. Institución de Banca Multiple (“Bansi”), a regional bank in Mexico and a noncontrolling interest owner in Cardtronics Mexico, S.A. de C.V. (“Cardtronics Mexico”), as well as with Grupo Financiero Banorte, S.A. de C.V. (“Banorte”) and Scotiabank to place their brands on the Company’s ATMs in exchange for certain services provided by them. As of September 30, 2015, approximately 22,000 of the Company’s ATMs were under contract with approximately 500 financial institutions to place their logos on the Company’s ATMs and to provide convenient surcharge-free access for their banking customers.

The Company also owns and operates the Allpoint network ("Allpoint"), the largest surcharge-free ATM network within the U.S. (based on the number of participating ATMs). Allpoint, which has approximately 55,000 participating ATMs globally, provides surcharge-free ATM access to customers of approximately 1,300 participating financial institutions that may lack a significant ATM network in exchange for either a fixed monthly fee per cardholder or a set fee per transaction that is paid by the financial institutions who are members of the network. The Allpoint network includes a majority of the Company's ATMs in the U.S. and a portion of the Company's ATMs in the U.K., Canada, Puerto Rico, and Mexico. Allpoint also works with financial institutions that manage stored-value debit card programs on behalf of corporate entities and governmental agencies, including general purpose, payroll and electronic benefits transfer ("EBT") cards. Under these programs, the issuing financial institutions pay Allpoint a fee per issued stored-value card or per transaction in return for allowing the users of those cards surcharge-free access to Allpoint's participating ATM network.

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. Additionally, through its recent acquisition of Columbus Data Services, L.L.C. ("CDS"), Cardtronics provides leading-edge ATM processing solutions to ATM sales and service organizations and financial institutions.

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, 2014 (the "2014 Form 10-K"), which includes a summary of the Company's significant accounting policies and other disclosures.

The financial statements as of September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014 are unaudited. The Consolidated Balance Sheet as of December 31, 2014 was derived from the audited balance sheet filed in the 2014 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 months ended September 30, 2015 and 2014 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year.

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly and majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. The Company owns a majority (51.0%) interest in, and realizes a majority of the earnings and/or losses of, Cardtronics Mexico, thus 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.

Restricted Cash

The balance characterized as restricted cash consists of amounts collected on behalf of, but not yet remitted to, certain of the Company’s merchant customers or third-party service providers. The amounts include deposits held by the Company for transactions processed by its customers, as well as surcharge and interchange fees earned by the Company’s customers on transactions processed. These balances are classified as Restricted cash in Current assets in the Company’s Consolidated Balance Sheets based on when the Company expects this cash to be paid. The Company held $50.8 million and $20.4 million of restricted cash in current assets as of September 30, 2015 and December 31, 2014, respectively. The increase in restricted cash from December 31, 2014 to September 30, 2015 is mostly attributable to settlement balances associated with the acquisition of CDS, on July 1, 2015. These assets are offset by accrued liability balances in the current liability section of our balance sheet.

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 of intangible assets 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,	
	2015	2014	2015	2014
	(In thousands)			
Depreciation and accretion expenses related to ATMs and ATM-related assets	$ 17,135	$ 15,926	$ 48,731	$ 47,781
Amortization of intangible assets	10,048	7,965	29,040	24,647
Total depreciation, accretion, and amortization of intangible assets excluded from Cost of ATM operating revenues and Gross profit	$ 27,183	$ 23,891	$ 77,771	$ 72,428

(2) Acquisitions and Divestitures

On February 6, 2014, the Company acquired the majority of the assets of Automated Financial, LLC (“Automated Financial”), an Arizona-based provider of ATM services to approximately 2,100 ATMs consisting primarily of merchant-owned ATMs. The Company completed its purchase accounting for Automated Financial in February 2015, which did not result in any significant adjustments.

On October 6, 2014, the Company completed the acquisition of Welch ATM (“Welch”), an Illinois-based provider of ATM services to approximately 26,000 ATMs. The total purchase consideration was approximately $159.4 million, which included cash of $154.0 million and deferred purchase consideration of $5.4 million. In addition, many of the Welch ATMs are 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 Welch purchase consideration was allocated to the assets acquired and liabilities assumed, including identifiable tangible and intangible assets, based on their respective fair values at the date of acquisition. The fair values of the intangible assets acquired included customer relationships valued at $52.5 million, estimated utilizing a discounted cash flow approach, with the assistance of an independent appraisal firm. The fair values of the tangible assets acquired included property, plant, and equipment valued at $11.3 million, estimated utilizing the market and cost approaches. The purchase price allocation resulted in goodwill of approximately $103.7 million, all of which has been assigned to the Company's North America reporting segment. The recognized goodwill is primarily attributable to expected synergies. All of the goodwill and intangible asset amounts are expected to be deductible for income tax purposes. The Company completed the purchase accounting for Welch in September 2015, recognizing immaterial final adjustments to the previously estimated amounts recorded for goodwill and intangibles.

On November 3, 2014, the Company completed the acquisition of Sunwin Services Group (“Sunwin”) in the U.K., a subsidiary of the Co-operative Group (“Co-op”), for aggregate cash consideration of approximately £41.5 million or approximately $66.4 million. Sunwin’s primary business is providing secure cash logistics and ATM maintenance services to ATMs and other services to retail locations. The Company also acquired approximately 2,000 ATMs from Co-op Bank and secured an exclusive ATM operating agreement to operate ATMs at Co-op Food locations. The Company has accounted for these transactions as if they were all related due to the timing of the transactions being completed and the dependency of the transactions on each other. The Company completed the purchase accounting for Sunwin in June 2015 recognizing immaterial final adjustments to the preliminary opening balance sheet and the settlement of final working capital adjustments.

On July 1, 2015, the Company completed the divestiture of its retail cash-in-transit operation in the U.K. This operation, which mainly relates to the collection of cash by couriers at retail locations, was originally acquired through the Sunwin acquisition discussed above and not deemed to be a core part of the Company’s on-going strategy. The Company is expected to receive estimated proceeds of approximately £23.2 million, or approximately $36.0 million, on the sale transaction. A portion of the total proceeds from the sale are subject to certain conditions related to customer transition and other matters, and as a result, the Company has recorded the estimated fair value of the consideration. Of the amount expected to be received, £18.7 million, or approximately $29.1 million, was received by September 30, 2015. The net pre-tax gain recognized on this transaction was $14.7 million as of September 30, 2015. The net gain is included in the (Gain) loss on disposal of assets line item on the accompanying Consolidated Statements of Operations. The major classes of assets and liabilities sold included: tangible assets with a carrying value of $6.8 million and goodwill and intangible assets with a combined carrying values of $14.5 million. Prior to the sale, the operation was part of the Company's Europe operating segment.

In conjunction with the U.K. divestiture activities discussed above, and to optimize the remaining ATM-related infrastructure, the Company closed six cash depots that were not part of the sale but were no longer necessary or economical to operate based on the remaining work at these facilities. The Company wrote-off certain assets in these facilities, recording approximately $3.0 million in disposal losses, included in the (Gain) loss on disposal of assets line on the accompanying Consolidated Statements of Operations. Upon exiting these facilities, the Company recognized lease exit costs of $1.4 million and employee severance costs of $2.3 million. The Company also recorded approximately $3.1 million in operating costs related to the six closed depots that were no longer profitable to operate as a result of the sale of the retail cash-in-transit operation. These costs and other costs totaling $10.7 million, including the excess operating costs associated with work that was in transition to other facilities during the period, were recorded within the Acquisition and divestiture-related expense line in the accompanying Consolidated Statements of Operations.

On July 1, 2015, the Company completed the acquisition of CDS for a total purchase price of approximately $80.6 million. CDS is a leading independent transaction processor for ATM deployers and payment card issuers, providing leading-edge solutions to ATM sales and service organizations and financial institutions. CDS now operates as a separate division of the Company.

The total purchase consideration for CDS was preliminarily allocated to the assets acquired and liabilities assumed, including identifiable tangible and intangible assets, based on their respective fair values at the date of acquisition. The preliminary fair values of the intangible assets included the acquired customer relationships valued at $15.7 million, technology valued at $7.8 million, and other intangibles assets of $1.7 million. Intangible values were estimated utilizing primarily a discounted cash flow approach, with the assistance of an independent appraisal firm. The preliminary fair values of the tangible assets acquired included property, plant, and equipment and were valued at $4.6 million, estimated utilizing the market and cost approaches. The preliminary purchase price allocation resulted in goodwill of $53.5 million, all of which has been assigned to the Company's North America reporting segment. The recognized goodwill is primarily attributable to expected synergies. All of the goodwill and intangible asset amounts are expected to be deductible for income tax purposes.

(3) Stock-Based Compensation

The Company accounts for its stock-based compensation by recognizing the grant date fair value of stock-based awards, net of estimated forfeitures, as compensation expense over the underlying requisite service periods of the related awards. The grant date fair value is based upon the Company’s stock price on the date of grant. The following table reflects the total stock-based compensation expense amounts included in the accompanying Consolidated Statements of Operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Cost of ATM operating revenues	$ 277	$ 337	$ 775	$ 904
Selling, general, and administrative expenses	4,876	4,231	13,488	10,581
Total stock-based compensation expense	$ 5,153	$ 4,568	$ 14,263	$ 11,485

The increase in stock-based compensation expense was due to additional expense recognition related to additional grants made during the periods. All grants during the periods above were made under the Company's Second Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan").

Restricted Stock Awards. The number of the Company's outstanding Restricted Stock Awards (“RSAs”) as of September 30, 2015, and changes during the nine months ended September 30, 2015, are presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
RSAs outstanding as of January 1, 2015	83,028	$ 27.06
Granted	—	$ —
Vested	(28,943)	$ 26.56
Forfeited	(3,500)	$ 28.69
RSAs outstanding as of September 30, 2015	50,585	$ 27.24

As of September 30, 2015, the unrecognized compensation expense associated with all outstanding RSAs was approximately $0.7 million, which will be recognized on a straight-line basis over a remaining weighted average vesting period of approximately 1.4 years.

Restricted Stock Units. The Company grants restricted stock units (“RSUs”) under its Long-term Incentive Plan ("LTIP"), which is an annual equity award program under the 2007 Plan. The ultimate number of RSUs to be earned and outstanding are approved by the Compensation Committee of the Company's Board of Directors (the "Committee") on an annual basis, and are based on the Company's achievement of certain performance levels during the calendar year of its grant. The majority of these grants have both a performance-based and a service-based vesting schedule (“Performance-RSUs”), and the Company recognizes the related compensation expense based on the estimated performance levels that management believes will ultimately be met. A portion of the awards have only a service-based vesting schedule (“Time-RSUs”), for which the associated expense is recognized ratably over four years. Performance-RSUs and Time-RSUs are convertible into the Company’s common stock after the passage of the vesting periods, which are 24, 36, and 48 months from January 31 of the grant year, at the rate of 50.0%, 25.0%, and 25.0%, respectively. Performance-RSUs will be earned only if the Company achieves certain performance levels. Although the Performance-RSUs are not considered to be earned and outstanding until at least the minimum performance metrics are met, the Company recognizes the related compensation expense over the requisite service period (or to an employee’s qualified retirement date, if earlier) using a graded vesting methodology. RSUs are also granted outside of LTIPs, with or without performance-based vesting requirements.

The number of the Company's non-vested RSUs as of September 30, 2015, and changes during the nine months ended September 30, 2015, are presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested RSUs as of January 1, 2015	786,797	$ 29.17
Granted	558,678	$ 38.40
Vested	(419,895)	$ 27.32
Forfeited	(26,254)	$ 35.18
Non-vested RSUs as of September 30, 2015	899,326	$ 35.60

The above table only includes earned RSUs; therefore, the Performance-RSUs granted in 2015 but not yet earned are not included. The number of Performance-RSUs granted at target in 2015, net of forfeitures, was 246,544 units with a grant date fair value of $38.45 per unit. Time-RSUs are included as granted.

As of September 30, 2015, the unrecognized compensation expense associated with earned RSUs was approximately $14.0 million, which will be recognized using a graded vesting schedule for Performance-RSUs and a straight-line vesting schedule for Time-RSUs, over a remaining weighted average vesting period of approximately 2.2 years.

Options. The number of the Company's outstanding stock options as of September 30, 2015, and changes during the nine months ended September 30, 2015, are presented below:

	Number of Shares	Weighted Average Exercise Price
Options outstanding as of January 1, 2015	183,367	$ 10.33
Exercised	(57,102)	$ 10.27
Forfeited	—	$ —
Options outstanding as of September 30, 2015	126,265	$ 10.36
Options vested and exercisable as of September 30, 2015	126,265	$ 10.36

As of September 30, 2015, the Company had no unrecognized compensation expense associated with outstanding options.

(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 net income available to common stockholders) when their impact on net income available to common stockholders is anti-dilutive. Potentially dilutive securities for the three and nine months ended September 30, 2015 and 2014 included all outstanding stock options, RSAs, and RSUs, which were included in the calculation of diluted earnings per share for these periods, if dilutive. The potentially dilutive effect of outstanding warrants and the underlying shares exercisable under the Company’s convertible notes were excluded from diluted shares outstanding because the exercise price exceeded the average market price of the Company’s common stock. The effect of the note hedge the Company purchased to offset the underlying conversion option embedded in its convertible notes was also excluded, as the effect is anti-dilutive.

Additionally, the shares of restricted stock issued by the Company under RSAs have a non-forfeitable right to cash dividends, if and when declared by the Company. Accordingly, restricted shares issued under RSAs are considered to be participating securities and, as such, the Company has allocated the undistributed earnings for the three and nine months ended September 30, 2015 and 2014 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, 2015			Three Months Ended September 30, 2014		
	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	$ 22,009			$ 8,064		
Less: Undistributed earnings allocated to unvested RSAs	(28)			(23)		
Net income available to common stockholders	$ 21,981	44,833,117	$ 0.49	$ 8,041	44,370,460	$ 0.18
Diluted:						
Effect of dilutive securities:						
Add: Undistributed earnings allocated to restricted shares	$ 28			$ 23		
Stock options added to the denominator under the treasury stock method		60,693			114,872	
RSUs added to the denominator under the treasury stock method		497,857			418,325	
Less: Undistributed earnings reallocated to RSAs	(27)			(23)		
Net income available to common stockholders and assumed conversions	$ 21,982	45,391,667	$ 0.48	$ 8,041	44,903,657	$ 0.18

	Nine Months Ended September 30, 2015			Nine Months Ended September 30, 2014		
	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	$ 52,239			$ 31,618		
	(79)			(120)		

Less: Undistributed earnings allocated to unvested RSAs						
Net income available to common stockholders	$ 52,160	44,769,661	$ 1.17	$ 31,498	44,304,092	$ 0.71
Diluted:						
Effect of dilutive securities:						
Add: Undistributed earnings allocated to restricted shares	$ 79			$ 120		
Stock options added to the denominator under the treasury stock method		68,245			123,743	
RSUs added to the denominator under the treasury stock method		485,878			402,945	
Less: Undistributed earnings reallocated to RSAs	(78)			(119)		
Net income available to common stockholders and assumed conversions	$ 52,161	45,323,784	$ 1.15	$ 31,499	44,830,780	$ 0.70

The computation of diluted earnings per share excluded potentially dilutive common shares related to restricted stock issued by the Company under RSAs of 27,052 and 32,106 shares for the three and nine months ended September 30, 2015, respectively, and 54,161 and 68,665 for the three and nine months ended September 30, 2014, respectively, because the effect of including these shares in the computation would have been anti-dilutive.

(5) Accumulated Other Comprehensive Loss, Net

Accumulated other comprehensive loss, net is displayed as a separate component of Stockholders' equity in the accompanying Consolidated Balance Sheets. The following tables present the changes in the balances of each component of Accumulated other comprehensive loss, net for the three and nine months ended September 30, 2015:

	Foreign currency translation adjustments	Unrealized (losses) gains on interest rate swap contracts		Total
	(In thousands)			
Total accumulated other comprehensive loss, net as of July 1, 2015	$ (23,952)	(45,454)	(1)	$ (69,406)
Other comprehensive loss before reclassification	(13,502)	(15,762)	(2)	(29,264)
Amounts reclassified from accumulated other comprehensive loss, net	—	8,645	(2)	8,645
Net current period other comprehensive loss	(13,502)	(7,117)		(20,619)
Total accumulated other comprehensive loss, net as of September 30, 2015	$ (37,454)	$ (52,571)	(1)	$ (90,025)

(1) Net of deferred income tax benefit of $9,453 and $4,993 as of September 30, 2015 and July 1, 2015, respectively.

(2) Net of deferred income tax benefit (expense) of $9,877 and $(5,417) for Other comprehensive loss before reclassification and Amounts reclassified from accumulated other comprehensive loss, net, respectively. See Note 11. Derivative Financial Instruments.

	Foreign currency translation adjustments	Unrealized (losses) gains on interest rate swap contracts		Total
	(In thousands)			
Total accumulated other comprehensive loss, net as of January 1, 2015	$ (34,709)	$ (48,298)	(1)	$ (83,007)
Other comprehensive loss before reclassification	(2,745)	(30,107)	(2)	(32,852)
Amounts reclassified from accumulated other comprehensive loss, net	—	25,834	(2)	25,834
Net current period other comprehensive loss	(2,745)	(4,273)		(7,018)
Total accumulated other comprehensive loss, net as of September 30, 2015	$ (37,454)	$ (52,571)	(1)	$ (90,025)

(1) Net of deferred income tax benefit of $9,453 and $6,701 as of September 30, 2015 and January 1, 2015, respectively.

(2) Net of deferred income tax benefit (expense) of $19,392 and $(16,640) for Other comprehensive loss before reclassification and Amounts reclassified from accumulated other comprehensive loss, net, respectively. See Note 11. Derivative Financial Instruments.

The Company records unrealized gains and losses related to its 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 amounts reclassified from Accumulated other comprehensive loss, net, are recognized in the Cost of ATM operating revenues line item on the accompanying Consolidated Statements of Operations.

The Company currently believes that the unremitted earnings of its foreign subsidiaries 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 these subsidiaries or on the foreign currency translation adjustment amounts.

(6) 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 well as the changes in the net carrying amounts for the nine months ended September 30, 2015, by segment:

	Goodwill North America (1) (In thousands)	Europe (2)	Total
Balance as of January 1, 2015:			
Gross balance	$ 398,977	$ 162,989	$ 561,966
Accumulated impairment loss	—	(50,003)	(50,003)
	$ 398,977	$ 112,986	$ 511,963
Acquisitions	53,519	—	53,519
Divestitures	—	(13,342)	(13,342)
Purchase price adjustments	1,051	915	1,966
Foreign currency translation adjustments	(451)	(1,600)	(2,051)
Balance as of September 30, 2015:			
Gross balance	$ 453,096	$ 148,962	$ 602,058
Accumulated impairment loss	—	(50,003)	(50,003)
	$ 453,096	$ 98,959	$ 552,055

(1) The North America segment is comprised of the Company’s operations in the U.S., Canada, Mexico, and Puerto Rico.

(2) The Europe segment is comprised of the Company’s operations in the U.K., Germany, and Poland.

	Trade Name: indefinite-lived North America (1) (In thousands)	Europe (2)	Total

Balance as of January 1, 2015	$	728	$	—	$	728
Acquisitions		1,700		—		1,700
Foreign currency translation adjustments		(15)		—		(15)
Balance as of September 30, 2015	$	2,413	$	—	$	2,413

(1) The North America segment is comprised of the Company's operations in the U.S., Canada, Mexico, and Puerto Rico.

(2) The Europe segment is comprised of the Company's operations in the U.K., Germany, and Poland.

Intangible Assets with Definite Lives

The following is a summary of the Company's intangible assets that were subject to amortization:

	September 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In thousands)			(In thousands)		
Customer and branding contracts/relationships	$ 350,825	$ (211,538)	$ 139,287	$ 338,830	$ (186,185)	$ 152,645
Deferred financing costs	16,521	(7,444)	9,077	16,127	(5,851)	10,276
Non-compete agreements	4,484	(3,857)	627	4,568	(3,374)	1,194
Technology	10,587	(3,209)	7,378	2,803	(2,025)	778
Trade name: definite-lived	11,936	(2,672)	9,264	13,702	(1,783)	11,919
Total	$ 394,353	$ (228,720)	$ 165,633	$ 376,030	$ (199,218)	$ 176,812

(7) Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2015	December 31, 2014
	(In thousands)	
Accrued merchant settlement (1)	$ 49,342	$ 9,869
Accrued merchant fees	43,466	39,473
Accrued taxes	17,558	14,623
Accrued purchases	14,223	10,001
Accrued compensation	12,963	18,050
Accrued cash management fees	10,828	8,235
Accrued maintenance	6,896	8,945

Accrued processing costs	6,014	1,957
Accrued armored	5,145	4,876
Accrued interest	3,507	6,128
Accrued interest on interest rate swaps	2,808	3,001
Accrued telecommunications costs	1,874	2,613
Deferred acquisition purchase price (2)	—	20,580
Other accrued expenses	26,698	31,615
Total	$ 201,322	$ 179,966

(1) The increase in accrued merchant settlement from December 31, 2014, is largely attributable to merchant settlements owed by the CDS business acquired on July 1, 2015.

(2) This category represents purchase price consideration on the Sunwin acquisition that was paid during the first nine months of 2015.

(8) Long-Term Debt

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

	September 30, 2015	December 31, 2014
	(In thousands)	
Revolving credit facility, including swingline credit facility (weighted average combined interest rate of 2.0% and 2.2% as of September 30, 2015 and December 31, 2014, respectively)	$ 153,750	$ 137,292
5.125% Senior notes due August 2022	250,000	250,000
1.00% Convertible senior notes due December 2020, net of discount	232,220	225,370
Other	—	35
Total	635,970	612,697
Less: current portion	—	35
Total long-term debt, excluding current portion	$ 635,970	$ 612,662

Revolving Credit Facility

On May 26, 2015, the Company entered into a second amendment (the “Second Amendment”) to its amended and restated credit agreement (the “Credit Agreement”). The Credit Agreement provides for a $375.0 million revolving credit facility and includes an accordion feature that will allow the Company to increase the available borrowings under the revolving credit facility to $500.0 million, subject to the approval of one or more existing lenders or one or more lenders that become party to the Credit Agreement. Under the Second Amendment, a new $75.0 million tranche (the “European Commitments”) was created under which Cardtronics Europe Limited (“Cardtronics Europe”), a subsidiary of the Company, can borrow directly from the existing lenders in different currencies. The Second Amendment provides for sub-limits under the European Commitments of $15.0 million for swingline loans and $15.0 million for letters of credit. In addition, the Second Amendment reduces the commitments of the lending parties to make loans to the Company (the “U.S. Commitments”) from $375.0 million to $300.0 million and reduced the alternative currency sub-limit to $75.0 million, from $125.0 million under the Credit Agreement. The letter of credit sub-limit and the swingline sub-limit under the U.S. Commitments remain at $30.0 million and $25.0 million, respectively, under the Second Amendment. The Credit Agreement expires in April 2019.

Borrowings (not including swingline loans and alternative currency loans) under the revolving credit facility accrue interest at the Company’s option at either the Alternate Base Rate (as defined in the Credit Agreement) or the Adjusted LIBO Rate (as defined in the Credit Agreement) plus a margin depending on the Company’s most recent Total Net Leverage Ratio (as defined in the Credit Agreement). The margin for Alternative Base Rate loans varies between 0% to 1.25% and the margin for Adjusted LIBO Rate loans varies between 1.00% to 2.25%. Swingline loans denominated in U.S. dollars bear interest at the Alternate Base Rate plus a margin as described above and swingline loans denominated in alternative currencies bear interest at the Overnight LIBO Rate (as defined in the credit agreement) plus the applicable margin for the Adjusted LIBO Rate. The alternative currency loans bear interest at the Adjusted LIBO Rate for the relevant currency as described above. Substantially all of the Company's domestic assets, including the stock of its wholly-owned domestic subsidiaries and 66.0% of the stock of the Company's first-tier foreign subsidiaries, are pledged as collateral to secure borrowings made under the revolving credit facility. Furthermore, each of the Company's material wholly-owned domestic subsidiaries has guaranteed the full and punctual payment of the obligations under the revolving credit facility. The European Commitments are also secured by the assets of the Company's foreign subsidiaries, which do not guarantee the obligations of the Company's domestic subsidiaries. There are currently no restrictions on the ability of the Company's subsidiaries to declare and pay dividends to the Company.

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

As of September 30, 2015, the Company was in compliance with all applicable covenants and ratios under the Credit Agreement.

As of September 30, 2015, the Company's outstanding balance on the revolving credit facility was $153.8 million, of which $126.0 million was outstanding under the U.S. Commitments and $27.8 million was outstanding under the European Commitments. The available borrowing capacity under the revolving credit facility totaled approximately $221.2 million, of which $174.0 million is available to the U.S. and $47.2 million is available to Cardtronics Europe.

$250.0 Million 5.125% Senior Notes Due 2022

On July 28, 2014, in a private placement offering, the Company issued $250.0 million in aggregate principal amount of 5.125% senior notes due 2022 (the "2022 Notes") pursuant to an indenture dated July 28, 2014 (the "Indenture") among the Company, its subsidiary guarantors (the "Guarantors") and Wells Fargo Bank, National Association, as trustee. Interest on the 2022 Notes is payable semi-annually in cash in arrears on February 1 and August 1 of each year, and commenced on February 1, 2015. Pursuant to a registration rights agreement, on June 5, 2015, the Company and the Guarantors filed a registration statement with the SEC to allow the holders of the 2022 Notes to exchange such notes for registered notes that have substantially identical terms to the 2022 Notes. This exchange offer commenced June 17, 2015 and resulted in all 2022 Notes being exchanged for registered notes.

The 2022 Notes and Guarantees (as defined in the Indenture) rank (i) equally in right of payment with all of the Company's and the Guarantors' existing and future senior indebtedness, (ii) effectively junior to secured debt to the extent of the collateral securing such debt, including debt under the Company's revolving credit facility and (iii) structurally junior to existing and future indebtedness of the Company's non-guarantor subsidiaries. The 2022 Notes and Guarantees rank senior in right of payment to any of the Company's and the Guarantors' existing and future subordinated indebtedness.

The 2022 Notes contain covenants that, among other things, limit the Company's ability and the ability of certain of its restricted subsidiaries to incur or guarantee additional indebtedness; make certain investments or pay dividends or distributions on the Company's capital stock or repurchase capital stock or make certain other restricted payments; consolidate or merge with or into other companies; conduct asset sales; restrict dividends or other payments by restricted subsidiaries; engage in transactions with affiliates or related persons; and create liens.

The 2022 Notes are fully and unconditionally guaranteed, subject to certain customary release provisions, on a joint and several basis by certain wholly owned domestic subsidiaries. The guarantees of the 2022 Notes by any Guarantor are subject to automatic and customary releases upon: (i) the sale or disposition of all or substantially all of the assets of the Guarantor; (ii) the disposition of sufficient capital stock of the Guarantor so that it no longer qualifies under the Indenture as a restricted subsidiary of the Company; (iii) the designation of the Guarantor as unrestricted in accordance with the Indenture; (iv) the legal or covenant defeasance of the notes or the satisfaction and discharge of the Indenture; (v) the liquidation or dissolution of the Guarantor; or (vi) provided the Guarantor is not wholly owned by the Company, its ceasing to guarantee other debt of the Company or another Guarantor. A Guarantor may not sell or otherwise dispose of all or substantially all of its properties or assets to, or consolidate with or merge with or into, another company (other than the Company or another Guarantor), unless no default under the Indenture exists and either the successor to the Guarantor assumes its guarantee of the 2022 Notes or the disposition, consolidation or merger complies with the “Asset Sales” covenant in the Indenture.

$287.5 Million 1.00% Convertible Senior Notes Due 2020 and Related Equity Instruments

On November 19, 2013, the Company issued $250.0 million of 1.00% convertible senior notes due 2020 (the "Convertible Notes") at par value. The Company also granted to the initial purchasers the option to purchase, during the 13 day period following the issuance of the Convertible Notes, up to an additional $37.5 million of Convertible Notes (the “Over-allotment Option”). The initial purchasers exercised the Over-allotment Option on November 21, 2013. The Company received $254.2 million in net proceeds from the offering after deducting underwriting fees paid to the initial purchasers and a repurchase of 665,994 shares of its outstanding common stock concurrent with the offering. The Company used a portion of the net proceeds from the offering to fund the net cost of the convertible note hedge transaction, as described below. The convertible note hedge and warrant transactions were entered into with the initial purchasers on November 19, 2013, concurrent with the pricing of the Convertible Notes, and on November 21, 2013, concurrent with the exercise of the Over-allotment Option. The Company pays interest semi-annually (payable in arrears) on June 1st and December 1st of each year. Under U.S. GAAP, certain convertible debt instruments that may be settled in cash (or other assets) upon conversion are required to be separately accounted for as liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. The Company, with assistance from a valuation professional, determined that the fair value of the debt component was $215.8 million and the fair value of the embedded option was $71.7 million as of the issuance date. The Company recognizes effective interest expense on the debt component and that interest expense effectively accretes the debt component to the total principal amount due at maturity of $287.5 million. The effective rate of interest to accrete the debt balance is approximately 5.26%, which corresponded to the Company's estimated conventional debt instrument borrowing rate at the date of issuance.

The Convertible Notes have an initial conversion price of $52.35 per share, which equals an initial conversion rate of 19.1022 shares of common stock per $1,000 principal amount of notes, for a total of approximately 5.5 million shares of our common stock initially underlying the debt. The conversion rate, however, is subject to adjustment under certain circumstances. Conversion can occur: (i) any time on or after September 1, 2020; (ii) after March 31, 2014, during any calendar quarter that follows a calendar quarter in which the price of the Company's common stock exceeds 135% of the conversion price for at least 20 days during the 30 consecutive trading-day period ending on the last trading day of the quarter; (iii) during the ten consecutive trading-day period following any five consecutive trading-day period in which the trading price of the Convertible Notes is less than 98% of the closing price of the Company's common stock multiplied by the applicable conversion rate on each such trading day; (iv) upon specified distributions to the Company's shareholders upon recapitalizations, reclassifications or changes in stock; and (v) upon a make-whole fundamental change. A fundamental change is defined as any one of the following: (i) any person or group that acquires 50% or more of the total voting power of all classes of common equity that is entitled to vote generally in the election of the Company's directors; (ii) the Company engages in any recapitalization, reclassification or changes of common stock as a result of which the common stock would be converted into or exchanged for, stock, other securities, or other assets or property; (iii) the Company engages in any share exchange, consolidation or merger where the common stock is converted into cash, securities or other property; (iv) the Company engages in any sales, lease or other transfer of all or substantially all of the consolidated assets; or (v) the Company's stock is not listed for trading on any U.S. national securities exchange.

As of September 30, 2015, none of the contingent conversion thresholds described above were met in order for the Convertible Notes to be convertible at the option of the note holders. As a result, the Convertible Notes have been classified as a noncurrent liability on the Company's Consolidated Balance Sheets at September 30, 2015. In future financial reporting periods, the classification of the Convertible Notes may change depending on whether any of the above contingent criteria have been subsequently satisfied.

Upon conversion, holders of the Convertible Notes are entitled to receive cash, shares of the Company's common stock or a combination of cash and common stock, at the Company's election. In the event of a change in control, as defined in the indenture under which the Convertible Notes have been issued, holders can require the Company to purchase all or a portion of their Convertible Notes for 100% of the notes' par value plus any accrued and unpaid interest.

Interest expense related to the Convertible Notes consisted of the following:

	Three Months Ended September 30,	
	2015	2014
	(In thousands)	
Cash interest per contractual coupon rate	$ 719	$ 719
Amortization of note discount	2,313	2,195
Amortization of deferred financing costs	142	133
Total interest expense related to Convertible Notes	$ 3,174	$ 3,047

	Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
Cash interest per contractual coupon rate	$ 2,156	$ 2,156
Amortization of note discount	6,850	6,510
Amortization of deferred financing costs	413	387
Total interest expense related to Convertible Notes	$ 9,419	$ 9,053

The carrying value of the Convertible Notes consisted of the following:

	September 30, 2015	December 31, 2014
	(In thousands)	
Principal balance	$ 287,500	$ 287,500
Discount, net of accumulated amortization	(55,280)	(62,130)
Net carrying amount of Convertible Notes	$ 232,220	$ 225,370

In connection with the issuance of the Convertible Notes, the Company entered into separate convertible note hedge and warrant transactions with certain of the initial purchasers to reduce the potential dilutive impact upon the conversion of the Convertible Notes. The net effect of these transactions effectively raised the price at which dilution would occur from the $52.35 initial conversion price of the Convertible Notes to $73.29. Pursuant to the convertible note hedge, the Company purchased call options granting to the Company the right to acquire up to approximately 5.5 million shares of its common stock with an initial strike price of $52.35. The call options automatically become exercisable upon conversion of the Convertible Notes, and will terminate on the second scheduled trading day immediately preceding December 1, 2020. The Company also sold to the initial purchasers warrants to acquire up to approximately 5.5 million shares of its common stock with a strike price of $73.29. The warrants will expire incrementally on a series of expiration dates subsequent to the maturity date of the Convertible Notes through August 30, 2021. If the conversion price of the Convertible Notes remains between the strike prices of the call options and warrants, the Company's shareholders will not experience any dilution in connection with the conversion of the Convertible Notes; however, to the extent that the price of the Company's common stock exceeds the strike price of the warrants on any or all of the series of related expiration dates of the warrants, the Company would be required to issue additional shares of its common stock to the warrant holders. The amounts allocated to both the note hedge and warrants were recorded in Stockholders' equity, within the Additional paid-in capital line item.

(9) 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, which are estimated based on current market rates. In most cases, the Company is contractually required to perform this deinstallation and in some cases, site restoration work. For each group of related ATM assets, 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 ATM 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 months ended September 30, 2015 (in thousands):

Asset retirement obligation as of January 1, 2015	$ 55,136
Additional obligations	5,715
Accretion expense	1,725
Change in estimates	(997)
Payments	(2,403)
Foreign currency translation adjustments	(1,129)
Total asset retirement obligation at end of period	58,047
Less: current portion	3,067
Asset retirement obligation, excluding current portion	$ 54,980

See Note 12. Fair Value Measurements for additional disclosures on the Company's asset retirement obligations with respect to its fair value measurements.

(10) Other Liabilities

Other liabilities consisted of the following:

	September 30, 2015	December 31, 2014
	(In thousands)	
Current Portion of Other Long-Term Liabilities:		
Interest rate swaps	$ 27,717	$ 29,147
Obligations associated with acquired unfavorable contracts	1,378	284
Deferred revenue	2,466	1,731
Asset retirement obligations	3,067	3,097
Other	1,697	678
Total	$ 36,325	$ 34,937
Other Long-Term Liabilities:		
Interest rate swaps	$ 34,314	$ 25,847
Obligations associated with acquired unfavorable contracts	1,187	2,271
Deferred revenue	1,359	935
Other	9,316	8,663
Total	$ 46,176	$ 37,716

(11) Derivative Financial Instruments

Cash Flow Hedging Strategy

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. The Company is also exposed to foreign currency exchange rate risk with respect to its investments in its foreign subsidiaries. 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 U.S. The Company does not currently utilize any derivative instruments to manage the interest rate risk associated with its vault cash outstanding in any of the other international subsidiaries, nor does it utilize derivative instruments to manage the interest rate risk associated with borrowings outstanding under its revolving credit facility.

The interest rate swap contracts entered into with respect to the Company's vault cash rental obligations serve to mitigate 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. The Company has contracts in varying notional amounts through December 31, 2020 for the Company's U.S. 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.

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. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the Consolidated Statements of Operations during the current period.

During the nine months ended September 30, 2015, the Company added new forward-starting interest rate swaps in the aggregate notional amount of $600.0 million that begin in 2019 and terminate in 2020 to extend the hedging program related to interest rate exposure on vault cash. 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 (as of the date of the issuance of these financial statements) are as follows:

Notional Amounts (In millions)	Weighted Average Fixed Rate	Term
$ 1,300	2.84 %	October 1, 2015 – December 31, 2015
$ 1,300	2.74 %	January 1, 2016 – December 31, 2016
$ 1,000	2.53 %	January 1, 2017 – December 31, 2017
$ 750	2.54 %	January 1, 2018 – December 31, 2018
$ 600	2.42 %	January 1, 2019 – December 31, 2019
$ 600	2.42 %	January 1, 2020 – December 31, 2020

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 (i.e., 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 has designated all 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 (net of tax) 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 will be able to realize the benefits associated with its domestic 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 tax benefits in the Accumulated other comprehensive loss, net line item within Stockholders' equity in the accompanying Consolidated Balance Sheets.

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, 2015		December 31, 2014	
Liability Derivative Instruments	Balance Sheet Location	Fair Value (In thousands)	Balance Sheet Location	Fair Value (In thousands)
Derivatives Designated as Hedging Instruments:				
Interest rate swap contracts	Current portion of other long-term liabilities	$ 27,717	Current portion of other long-term liabilities	$ 29,147
Interest rate swap contracts	Other long-term liabilities	34,314	Other long-term liabilities	25,847
Total Derivatives		$ 62,031		$ 54,994

Statements of Operations Data

	Three Months Ended September 30,				
Derivatives in Cash Flow Hedging Relationship	Amount of Loss Recognized in OCI on Derivative Instruments (Effective Portion)		Location of Loss Reclassed from Accumulated OCI Into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	
	2015	2014		2015	2014
	(In thousands)			(In thousands)	
Interest rate swap contracts	$ (15,762)	$ (1,247)	Cost of ATM operating revenues	$ (8,645)	$ (8,934)

Derivatives in Cash Flow Hedging Relationship	Nine Months Ended September 30, Amount of Loss Recognized in OCI on Derivative Instruments (Effective Portion)		Location of Loss Reclassed from Accumulated OCI Into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	
	2015	2014		2015	2014
	(In thousands)			(In thousands)	
Interest rate swap contracts	$ (30,107)	$ (19,219)	Cost of ATM operating revenues	$ (25,834)	$ (26,526)

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, any resulting gains or losses will be recognized within the Other expense line item of the Company's Consolidated Statements of Operations.

As of September 30, 2015, the Company expects to reclassify $27.7 million of net derivative-related losses contained within accumulated OCI into earnings during the next twelve months concurrent with the recording of the related vault cash rental expense amounts.

See Note 12. Fair Value Measurements for additional disclosures on the Company's interest rate swap contracts in respect to its fair value measurements.

(12) Fair Value Measurements

The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis as of September 30, 2015 using the fair value hierarchy prescribed by U.S. GAAP. 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 or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

	Fair Value Measurements at September 30, 2015			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Liabilities				
Liabilities associated with interest rate swaps	$ 62,031	$ —	$ 62,031	$ —

	Fair Value Measurements at December 31, 2014			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Liabilities				
Liabilities associated with interest rate swaps	$ 54,994	$ —	$ 54,994	$ —

Interest rate swaps. The fair value of the Company's interest rate swaps was a liability of $62.0 million as of September 30, 2015. 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. See Note 11. Derivative Financial Instruments for additional disclosures on the valuation process of this liability.

Other Fair Value Disclosures

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.

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. Liabilities added to the Asset retirement obligations line item in the accompanying Consolidated Balance Sheets are measured at fair value at the time of the asset installations on a nonrecurring basis using Level 3 inputs, and are only reevaluated periodically based on current fair value. Amounts added to the asset retirement obligation liability during the nine months ended September 30, 2015 and 2014 totaled $5.7 million and $7.0 million, respectively.

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.

Acquisition-related intangible assets. The estimated fair values of acquisition-related intangible assets are valued based on a discounted cash flows analysis using significant non-observable inputs (Level 3 inputs). The Company tests intangible assets for impairment on a quarterly basis by measuring the related carrying amounts against the estimated undiscounted future cash flows associated with the related contract or portfolio of contracts.

Long-term debt. The carrying amount of the long-term debt balance related to borrowings under the Company's revolving credit facility approximates fair value due to the fact that any borrowings are subject to short-term floating interest rates. As of September 30, 2015, the fair value of the Company's 2022 Notes and the Convertible Notes (see Note 8. Long-Term Debt) totaled $244.5 million and $274.5 million, respectively, based on the quoted prices in markets that are not active (Level 2 input) for these notes as of that date.

(13) Commitments and Contingencies

Legal Matters

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 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.

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 $58.0 million accrued for these liabilities as of September 30, 2015. For additional information, see Note 9. Asset Retirement Obligations.

(14) Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands, excluding		(In thousands, excluding percentages)	

	percentages)			
Income tax expense	$ 12,629	$ 4,397	$ 29,837	$ 18,185
Effective tax rate	36.8 %	36.7 %	36.8 %	37.4 %

The effective tax rate for the quarter ended September 30, 2015 is consistent with that of the same period in 2014. The slight decrease in the effective tax rate during the nine months ended September 30, 2015 when compared to the same period in 2014, is attributable to the change in the mix of earnings across jurisdictions.

The Company assesses deferred tax asset valuation allowances at the end of each reporting period. The determination of whether a valuation allowance for deferred tax assets is needed is subject to considerable judgment and requires an evaluation of all available positive and negative evidence. Based on the assessment at September 30, 2015 and the weight of all available evidence, the Company concluded that maintaining the deferred tax asset valuation allowance for certain of its entities in the U.K., Mexico, and Poland was appropriate, as the Company currently believes that it is more likely than not that these tax assets will not be realized. However, with increased recent profitability and increasing visibility into continued projected profitability in the U.K., the Company believes it is possible that the valuation allowance associated with certain U.K. entities could be reduced or removed in future periods.

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.

(15) Segment Information

As of September 30, 2015, the Company's operations consisted of its North America and Europe segments. The Company's operations in the U.S., Canada, Mexico, and Puerto Rico are included in its North America segment. The

Company’s operations in the U.K., Germany, and Poland are included in its Europe segment. In 2015, the Company reorganized and created a North America Business Group under common management. During the three months ended March 31, 2015, the Company revised its operating segments to merge the Company’s U.S. and Other International segments into a single North America segment. Previously, the Other International segment was comprised of the Company’s operations in Mexico and Canada. While both of the reporting segments provide similar kiosk-based and/or ATM-related services, each segment is currently managed separately as they require different marketing and business strategies. Segment information presented for prior periods was restated to reflect this change in operating segments.

Management uses Adjusted EBITDA and Adjusted EBITA along with U.S. GAAP-based measures, to assess the operating results and effectiveness of its segments. Management believes Adjusted EBITDA and Adjusted EBITA are useful measures because they allow management to more effectively evaluate operating performance and compare its results of operations from period to period without regard to financing method or capital structure. Additionally, Adjusted EBITDA and Adjusted EBITA do not reflect acquisition and divestiture-related costs and the Company's obligations for the payment of income taxes, loss on disposal of assets, interest expense, certain other non-operating and nonrecurring items or other obligations such as capital expenditures. Additionally, Adjusted EBITDA excludes depreciation and accretion expense.

Adjusted EBITDA and Adjusted EBITA, 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 Adjusted EBITDA and Adjusted EBITA, management recognizes and considers the limitations of these measurements. Accordingly, Adjusted EBITDA and Adjusted EBITA are only two of the measurements that management utilizes. Therefore, Adjusted EBITDA and Adjusted EBITA 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 Adjusted EBITDA and Adjusted EBITA to net income attributable to controlling interests:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)		(In thousands)	
Adjusted EBITA	$ 59,719	$ 47,968	$ 159,419	$ 132,454
Add back:				
Depreciation and accretion expense (1)	22,014	18,622	63,767	55,869
Adjusted EBITDA	$ 81,733	$ 66,590	$ 223,186	$ 188,323
Less:				
(Gain) loss on disposal of assets	(12,139)	1,078	(12,425)	1,662
Other expense (income)	1,067	1,665	2,882	(3,565)
Noncontrolling interests (2)	(336)	(428)	(1,047)	(1,192)
Stock-based compensation expense (1)	5,147	4,561	14,360	11,464
Acquisition and divestiture-related expenses (3)	13,289	2,299	21,207	13,028
EBITDA	$ 74,705	$ 57,415	$ 198,209	$ 166,926
Less:				
Interest expense, net, including amortization of deferred financing costs and note discount, and redemption costs for early extinguishment of debt	7,892	18,040	22,951	35,584
Income tax expense	12,629	4,397	29,837	18,185
Depreciation and accretion expense	22,127	18,949	64,142	56,892
Amortization of intangible assets	10,048	7,965	29,040	24,647
Net income attributable to controlling interests and available to common stockholders	$ 22,009	$ 8,064	$ 52,239	$ 31,618

(1) Amounts exclude 49.0% of the expense incurred by Cardtronics Mexico as such amounts are allocable to the noncontrolling interest stockholders.

(2) Noncontrolling interest adjustment made such that Adjusted EBITDA includes only the Company's 51.0% ownership interest in the Adjusted EBITDA of its Mexico subsidiary.

(3) Acquisition and divestiture-related expenses include nonrecurring costs incurred for professional and legal fees and certain transition and integration-related costs, including contract termination and facility exit costs, employee-related severance costs, and related to our recent divestitures, excess operating costs associated with facilities that are in the process of being shut down or transitioned as a result of recent divestitures.

The following tables reflect certain financial information for each of the Company's reporting segments for the three and nine months ended September 30, 2015 and 2014

	Three Months Ended September 30, 2015			
	North America	Europe	Eliminations/ Adjustments	Total
	(In thousands)			
Revenue from external customers	$ 214,082	$ 97,268	$ —	$ 311,350
Intersegment revenues	2,522	—	(2,522)	—
Cost of revenues	137,128	64,428	(2,522)	199,034
Selling, general, and administrative expenses	28,233	7,526	—	35,759
Acquisition and divestiture-related expenses	1,215	12,074	—	13,289
Loss (gain) on disposal of assets	570	(12,709)	—	(12,139)
Adjusted EBITDA	56,425	25,308	—	81,733
Depreciation and accretion expense	13,380	8,747	—	22,127
Adjusted EBITA	43,158	16,561	—	59,719
Amortization of intangible assets	7,838	2,210	—	10,048
Interest expense, net, including amortization of deferred financing costs and note discount	7,548	344	—	7,892
Income tax expense	10,001	2,628	—	12,629
Capital expenditures (1)	$ 37,205	$ 10,253	$ —	$ 47,458

	Three Months Ended September 30, 2014			
	North America	Europe	Eliminations/ Adjustments	Total
	(In thousands)			
Revenue from external customers	$ 193,470	$ 72,377	$ —	$ 265,847
Intersegment revenues	1,663	—	(1,663)	—
Cost of revenues	128,084	49,757	(1,663)	176,178
Selling, general, and administrative expenses	22,935	4,748	—	27,683
Acquisition and divestiture-related expenses	922	1,377	—	2,299
Loss on disposal of assets	1,016	62	—	1,078
Adjusted EBITDA	48,717	17,873	—	66,590
Depreciation and accretion expense	12,102	6,847	—	18,949
Adjusted EBITA	36,943	11,025	—	47,968

Amortization of intangible assets	5,501	2,464	—	7,965
Interest expense, net, including amortization of deferred financing costs and note discount	9,993	325	—	10,318
Redemption costs for early extinguishment of debt	7,722	—	—	7,722
Income tax expense	3,914	483	—	4,397
Capital expenditures (1)	$ 12,410	$ 10,915	$ —	$ 23,325

	Nine Months Ended September 30, 2015			
	North America	Europe	Eliminations/ Adjustments	Total
	(In thousands)			
Revenue from external customers	$ 616,729	$ 280,268	$ —	$ 896,997
Intersegment revenues	6,787	—	(6,787)	—
Cost of revenues	398,368	195,795	(6,787)	587,376
Selling, general, and administrative expenses	78,423	22,406	—	100,829
Acquisition and divestiture-related expenses	4,409	16,798	—	21,207
Loss (gain) on disposal of assets	1,852	(14,277)	—	(12,425)
Adjusted EBITDA	161,116	62,070	—	223,186
Depreciation and accretion expense	38,529	25,613	—	64,142
Adjusted EBITA	122,961	36,458	—	159,419
Amortization of intangible assets	22,339	6,701	—	29,040
Interest expense, net, including amortization of deferred financing costs and note discount	21,299	1,652	—	22,951
Income tax expense	25,613	4,224	—	29,837
Capital expenditures (1)	$ 68,584	$ 35,293	$ —	$ 103,877

	Nine Months Ended September 30, 2014			
	North America	Europe	Eliminations/ Adjustments	Total
	(In thousands)			
Revenue from external customers	$ 565,832	$ 205,116	$ —	$ 770,948
Intersegment revenues	4,447	—	(4,447)	—
Cost of revenues	372,371	145,957	(4,447)	513,881
Selling, general, and administrative expenses	66,706	13,430	—	80,136
Acquisition and divestiture-related expenses	1,733	11,295	—	13,028
Loss on disposal of assets	1,587	75	—	1,662
Adjusted EBITDA	142,606	45,717	—	188,323
Depreciation and accretion expense	35,776	21,116	—	56,892
Adjusted EBITA	107,863	24,591	—	132,454
Amortization of intangible assets	17,225	7,422	—	24,647
Interest expense, net, including amortization of deferred financing costs and note discount	25,199	1,310	—	26,509
Redemption costs for early extinguishment of debt	9,075	—	—	9,075
Income tax expense (benefit)	18,243	(58)	—	18,185

Capital expenditures (1)	$ 35,316	$ 29,762	$ —	$ 65,078

(1) Capital expenditure amounts include payments made for exclusive license agreements, site acquisition costs, and other intangible assets. Additionally, capital expenditure amounts for Mexico (included in the North America segment) are reflected gross of any noncontrolling interest amounts.

Identifiable Assets:

	September 30, 2015	December 31, 2014
	(In thousands)	
North America	$ 1,144,446	$ 1,028,047
Europe	382,160	398,602
Eliminations	(169,211)	(170,859)
Total	$ 1,357,395	$ 1,255,790

(16) Supplemental Guarantor Financial Information

The 2022 Notes are fully and unconditionally guaranteed, subject to certain customary release provisions, on a joint and several basis by certain wholly owned domestic subsidiaries. The guarantees of the 2022 Notes by any Guarantor are subject to automatic and customary releases upon: (i) the sale or disposition of all or substantially all of the assets of the Guarantor; (ii) the disposition of sufficient capital stock of the Guarantor so that it no longer qualifies under the Indenture as a restricted subsidiary of the Company; (iii) the designation of the Guarantor as unrestricted in accordance with the Indenture; (iv) the legal or covenant defeasance of the notes or the satisfaction and discharge of the Indenture; (v) the liquidation or dissolution of the Guarantor; or (vi) provided the Guarantor is not wholly owned by the Company, its ceasing to guarantee other debt of the Company or another Guarantor. A Guarantor may not sell or otherwise dispose of all or substantially all of its properties or assets to, or consolidate with or merge with or into, another company (other than the Company or another Guarantor), unless no default under the Indenture exists and either the successor to the Guarantor assumes its guarantee of the 2022 Notes or the disposition, consolidation, or merger complies with the "Asset Sales" covenant in the Indenture.

The following information sets forth the condensed consolidating statements of operations and cash flows for the three and nine months ended September 30, 2015 and 2014 and the condensed consolidating balance sheets as of September 30, 2015 and December 31, 2014 of (i) Cardtronics, Inc., the parent company and issuer of the 2022 Notes ("Parent"); (ii) the Guarantors; and (iii) the Non-Guarantors:

Condensed Consolidating Statements of Comprehensive Income

	Three Months Ended September 30, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Revenues	$ —	$ 199,811	$ 115,084	$ (3,545)	$ 311,350
Operating costs and expenses	4,862	167,631	99,170	(3,545)	268,118
Operating (loss) income	(4,862)	32,180	15,914	—	43,232
Interest expense, net, including amortization of deferred financing costs and note discount	6,042	1,437	413	—	7,892
Equity in (earnings) losses of subsidiaries	(31,273)	(9,755)	—	41,028	—
Other (income) expense, net	(1,235)	(1,002)	3,292	12	1,067
Income before income taxes	21,604	41,500	12,209	(41,040)	34,273
Income tax (benefit) expense	(52)	9,891	2,790	—	12,629
Net income	21,656	31,609	9,419	(41,040)	21,644
Net loss attributable to noncontrolling interests	—	—	—	(365)	(365)
Net income attributable to controlling interests and available to common stockholders	21,656	31,609	9,419	(40,675)	22,009
Other comprehensive loss attributable to controlling interests	(1,716)	(7,158)	(13,680)	—	(22,554)
Comprehensive income (loss) attributable to controlling interests	$ 19,940	$ 24,451	$ (4,261)	$ (40,675)	$ (545)

	Three Months Ended September 30, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Revenues	$ —	$ 185,217	$ 85,334	$ (4,704)	$ 265,847
Operating costs and expenses	4,891	155,918	77,787	(4,444)	234,152
Operating (loss) income	(4,891)	29,299	7,547	(260)	31,695
Interest expense, net, including amortization of deferred financing costs	7,571	2,367	380	—	10,318
Redemption costs for early extinguishment of debt	7,722	—	—	—	7,722
Equity in (earnings) losses of subsidiaries	(27,718)	(1,520)	—	29,238	—
Other (income) expense, net	(3,293)	(359)	5,294	23	1,665
Income before income taxes	10,827	28,811	1,873	(29,521)	11,990
Income tax expense	2,952	727	718	—	4,397
Net income	7,875	28,084	1,155	(29,521)	7,593
Net loss attributable to noncontrolling interests	—	—	—	(471)	(471)
Net income attributable to controlling interests and available to common stockholders	7,875	28,084	1,155	(29,050)	8,064
Other comprehensive income (loss) attributable to controlling interests	5,178	(12,016)	6,475	(98)	(461)
Comprehensive income attributable to controlling interests	$ 13,053	$ 16,068	$ 7,630	$ (29,148)	$ 7,603

	Nine Months Ended September 30, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Revenues	$ —	$ 587,142	$ 317,665	$ (7,810)	$ 896,997
Operating costs and expenses	14,062	494,259	289,658	(7,810)	790,169
Operating (loss) income	(14,062)	92,883	28,007	—	106,828
Interest expense, net, including amortization of deferred financing costs and note discount	16,327	4,830	1,794	—	22,951
Equity in (earnings) losses of subsidiaries	(71,050)	(16,614)	—	87,664	—
Other (income) expense, net	(313)	(2,633)	5,815	13	2,882
Income before income taxes	40,974	107,300	20,398	(87,677)	80,995
Income tax (benefit) expense	(12,403)	37,706	4,534	—	29,837
Net income	53,377	69,594	15,864	(87,677)	51,158

Net loss attributable to noncontrolling interests	—	—	—	(1,081)	(1,081)
Net income attributable to controlling interests and available to common stockholders	53,377	69,594	15,864	(86,596)	52,239
Other comprehensive (loss) income attributable to controlling interests	(8,813)	1,300	(2,425)	874	(9,064)
Comprehensive income attributable to controlling interests	$ 44,564	$ 70,894	$ 13,439	$ (85,722)	$ 43,175

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	Nine Months Ended September 30, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Revenues	$ —	$ 540,153	$ 238,283	$ (7,488)	$ 770,948
Operating costs and expenses	11,864	452,694	232,916	(7,228)	690,246
Operating (loss) income	(11,864)	87,459	5,367	(260)	80,702
Interest expense, net, including amortization of deferred financing costs	16,463	8,546	1,500	—	26,509
Redemption costs for early extinguishment of debt	9,075	—	—	—	9,075
Equity in (earnings) losses of subsidiaries	(81,468)	(2,849)	—	84,317	—
Other (income) expense, net	(951)	(5,122)	2,890	(382)	(3,565)
Income before income taxes	45,017	86,884	977	(84,195)	48,683
Income tax expense	14,652	3,356	177	—	18,185
Net income	30,365	83,528	800	(84,195)	30,498
Net loss attributable to noncontrolling interests	—	—	—	(1,120)	(1,120)
Net income attributable to controlling interests and available to common stockholders	30,365	83,528	800	(83,075)	31,618
Other comprehensive income (loss) attributable to controlling interests	5,576	(12,243)	10,094	(84)	3,343
Comprehensive income attributable to controlling interests	$ 35,941	$ 71,285	$ 10,894	$ (83,159)	$ 34,961

Condensed Consolidating Balance Sheets

	As of September 30, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Assets:					
Cash and cash equivalents	$ 6	$ 1,811	$ 16,666	$ —	$ 18,483
Accounts and notes receivable, net	—	46,948	44,888	—	91,836
Current portion of deferred tax asset, net	—	17,411	3,124	—	20,535
Other current assets	476	19,536	77,502	—	97,514
Total current assets	482	85,706	142,180	—	228,368
Property and equipment, net	—	227,147	148,623	—	375,770
Intangible assets, net	9,021	88,645	70,380	—	168,046
Goodwill	—	396,939	155,116	—	552,055
Investments in and advances to subsidiaries	606,053	359,273	—	(965,326)	—
Intercompany receivable	476,915	157,895	496,096	(1,130,906)	—
Deferred tax asset, net	—	—	12,607	—	12,607
Prepaid expenses, deferred costs, and other noncurrent assets	137	6,908	13,504	—	20,549
Total assets	$ 1,092,608	$ 1,322,513	$ 1,038,506	$ (2,096,232)	$ 1,357,395
Liabilities and Stockholders' Equity:					
Current portion of other long-term liabilities	—	31,631	4,694	—	36,325
Accounts payable and accrued liabilities	7,196	99,832	121,690	—	228,718
Total current liabilities	7,196	131,463	126,384	—	265,043
Long-term debt	608,220	—	27,750	—	635,970
Intercompany payable	134,545	399,454	596,907	(1,130,906)	—
Asset retirement obligations	—	28,400	26,580	—	54,980
Deferred tax liability, net	—	10,613	2,103	—	12,716
Other long-term liabilities	137	42,218	3,821	—	46,176
Total liabilities	750,098	612,148	783,545	(1,130,906)	1,014,885
Stockholders' equity	342,510	710,365	254,961	(965,326)	342,510
Total liabilities and stockholders' equity	$ 1,092,608	$ 1,322,513	$ 1,038,506	$ (2,096,232)	$ 1,357,395

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	As of December 31, 2014				
				Eliminations	
	Parent	Guarantors	Non-Guarantors		Total
	(In thousands)				
Assets:					
Cash and cash equivalents	$ —	$ 9,391	$ 22,484	$ —	$ 31,875
Accounts and notes receivable, net	—	43,588	36,733	—	80,321
Current portion of deferred tax asset, net	16,522	2,973	4,808	—	24,303
Other current assets	5,299	23,260	32,347	—	60,906
Total current assets	21,821	79,212	96,372	—	197,405
Property and equipment, net	—	201,864	133,931	—	335,795
Intangible assets, net	10,207	109,170	58,163	—	177,540
Goodwill	835	395,878	115,250	—	511,963
Investments in and advances to subsidiaries	538,890	297,095	—	(835,985)	—
Intercompany receivable	354,266	101,737	466	(456,469)	—
Deferred tax asset, net	—	—	10,487	—	10,487
Prepaid expenses, deferred costs, and other noncurrent assets	—	4,860	17,740	—	22,600
Total assets	$ 926,019	$ 1,189,816	$ 432,409	$ (1,292,454)	$ 1,255,790
Liabilities and Stockholders' Equity:					
Current portion of long-term debt	$ —	$ —	$ 35	$ —	$ 35
Current portion of other long-term liabilities	—	33,154	1,783	—	34,937
Accounts payable and accrued liabilities	13,773	104,870	97,307	—	215,950
Total current liabilities	13,773	138,024	99,125	—	250,922
Long-term debt	612,662	—	—	—	612,662
Intercompany payable	—	375,372	133,508	(508,880)	—
Asset retirement obligations	—	27,456	24,583	—	52,039
Deferred tax liability, net	13,049	185	2,682	—	15,916
Other long-term liabilities	—	37,716	—	—	37,716
Total liabilities	639,484	578,753	259,898	(508,880)	969,255
Stockholders' equity	286,535	611,063	172,511	(783,574)	286,535
Total liabilities and stockholders' equity	$ 926,019	$ 1,189,816	$ 432,409	$ (1,292,454)	$ 1,255,790

Condensed Consolidating Statement of Cash Flows

	Nine Months Ended September 30, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Net cash (used in) provided by operating activities	$ (61,116)	$ 138,086	$ 68,875	$ 1,267	$ 147,112
Additions to property and equipment	—	(60,522)	(39,089)	(376)	(99,987)
Payments for exclusive license agreements, site acquisition costs, and other intangible assets	—	(3,890)	—	—	(3,890)
Acquisitions, net of cash acquired	—	(80,504)	(23,370)	—	(103,874)
Sale of assets and businesses	—	—	36,661	—	36,661
Net cash used in investing activities	—	(144,916)	(25,798)	(376)	(171,090)
Proceeds from borrowings under revolving credit facility	312,500	—	27,750	—	340,250
Repayments of borrowings under revolving credit facility	(324,186)	—	—	—	(324,186)
Repayments of borrowings under bank overdraft facility, net	—	—	(30)	—	(30)
Repayments of intercompany notes payable	75,545	(750)	(74,795)	—	—
Proceeds from exercises of stock options	586	—	—	—	586
Excess tax benefit from stock-based compensation expense	1,287	—	—	—	1,287
Repurchase of capital stock	(4,610)	—	—	—	(4,610)
Net cash provided by (used in) financing activities	61,122	(750)	(47,075)	—	13,297
Effect of exchange rate changes on cash	—	—	(1,820)	(891)	(2,711)
Net increase (decrease) in cash and cash equivalents	6	(7,580)	(5,818)	—	(13,392)
Cash and cash equivalents as of beginning of period	—	9,391	22,484	—	31,875
Cash and cash equivalents as of end of period	$ 6	$ 1,811	$ 16,666	$ —	$ 18,483

	Nine Months Ended September 30, 2014				
				Eliminations	
	Parent	Guarantors	Non-Guarantors		Total
	(In thousands)				
Net cash (used in) provided by operating activities	$ (28,970)	$ 91,495	$ 40,555	$ (20)	$ 103,060
Additions to property and equipment	—	(29,361)	(33,808)	—	(63,169)
Payments for exclusive license agreements, site acquisition costs, and other intangible assets	—	—	(1,909)	—	(1,909)
Acquisitions, net of cash acquired	—	(8,803)	—	—	(8,803)
Net cash used in investing activities	—	(38,164)	(35,717)	—	(73,881)
Proceeds from borrowings of long-term debt	250,000				250,000
Repayment of long-term debt	(200,000)				(200,000)
Repayments of borrowings under revolving credit facility	(3,401)	(4)	(1,026)	—	(4,431)
Repayments of borrowings under bank overdraft facility, net	—	—	(1,402)	—	(1,402)
Debt issuance, modification, and redemption costs	(14,750)	—	—	—	(14,750)
Payment of contingent consideration	—	(200)	(316)	—	(516)
Proceeds from exercises of stock options	331	—	—	—	331
Excess tax benefit from stock-based compensation expense	3,084	—	—	—	3,084
Repurchase of capital stock	(6,684)	—	—	—	(6,684)
Net cash provided by (used in) financing activities	28,580	(204)	(2,744)	—	25,632
Effect of exchange rate changes on cash	—	—	(889)	—	(889)
Net (decrease) increase in cash and cash equivalents	(390)	53,128	1,205	(20)	53,922
Cash and cash equivalents as of beginning of period	412	73,379	13,148	—	86,939
Cash and cash equivalents as of end of period	$ 22	$ 126,506	$ 14,353	$ (20)	$ 140,861

(17) Concentration Risk

Significant Customers. 7-Eleven, Inc. (“7-Eleven”) in the U.S. represents the largest merchant customer in the Company’s portfolio, and comprised approximately 17.5% and 22.0% of the Company’s unaudited pro forma revenues for the years ended December 31, 2014 and 2013, respectively. In July 2015, the Company received notification from 7-Eleven that 7-Eleven does not intend on renewing its ATM placement agreement with Cardtronics upon expiration. The existing agreement between Cardtronics and 7-Eleven remains in effect until mid-2017, and calls for a transition period that, at 7-Eleven’s request, could extend our contract in part for up to six months. See Part II. Other Information, Item 1A. Risk Factors.

(18) New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued FASB Accounting Standards Updates ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition.

The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step process to achieve that core principle. ASU 2014-09 requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

ASU 2014-09 was originally effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, using one of two retrospective application methods. However, in July 2015, FASB approved the deferral of the effective date of ASU 2014-09 to interim and annual periods beginning after December 15, 2017. Early application is not permitted. In May 2015 the FASB issued proposed amendments to clarify and simplify accounting for licenses of intellectual property and the identification of performance obligations. The Company is currently monitoring the amendments and evaluating the effect that the adoption of ASU 2014-09 will have on the Company's financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. ASU 2015-03 requires retrospective application and is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The Company does not expect ASU 2015-03 to have a material effect on the Company's results of operations; however, it will impact future balance sheet presentation and financial statement disclosures related to the Company's debt issuance costs.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11"). ASU 2015-11 applies to inventory that is measured using either the first-in, first-out or average cost methods and requires entities to measure their inventory at the lower of cost and net realizable value. ASU 2015-11 defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for annual periods beginning after December 15, 2016, and interim periods therein. The Company does not expect ASU 2015-11 to have a material effect on the Company's results of operations.

In August 2015, the FASB issued ASU No. 2015-15, "Interest-Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements-Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting" ("ASU 2015-15"), which clarifies the treatment of debt issuance costs from line-of-credit arrangements after the adoption of ASU 2015-03. ASU 2015-15 clarifies that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to a line-of-credit arrangement as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of such arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company does not expect ASU 2015-15 to have a material effect on the Company's results of operations; however, it could impact future balance sheet presentation and financial statement disclosures related to the Company's debt issuance costs.

The Company plans to implement ASU No 2015-03 and 2015-15 for its year commencing on January 1, 2016.

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting Measurement-Period Adjustments” (“ASU 2015-16”). ASU 2015-16 requires an acquirer to recognize adjustments to provisional amounts in the period in which the adjustment amount is determined. The acquirer is also required to record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition the acquirer is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This guidance is effective for fiscal years and interim periods beginning after December 15, 2015, and requires prospective application. The Company does not expect ASU 2015-16 to have a material effect on the Company’s results of operations.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and information in this Form 10-Q may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “project,” “believe,” “estimate,” “expect,” “future,” “anticipate,” “intend,” “contemplate,” “foresee,” “would,” “could,” “plan,” and similar expressi intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- our financial outlook and the financial outlook of the ATM industry and the continued usage of cash by consumers at rates near historical patterns;
- our ability to respond to recent and future network and regulatory changes, including forthcoming requirements surrounding Europay, MasterCard, and Visa (“EMV”) security standards;
- our ability to renew our existing customer relationships on comparable economic terms and add new customers;
- our ability to pursue and successfully integrate acquisitions;
- changes in interest rates and foreign currency rates;
- our ability to successfully manage our existing international operations and to continue to expand internationally;
- our ability to manage concentration risks with key customers, vendors and service providers;
- our ability to prevent thefts of cash;
- our ability to manage cybersecurity risks and prevent data breaches;
- our ability to respond to potential reductions in the amount of net interchange fees that we receive from global and regional debit networks for transactions conducted on our ATMs due to pricing changes implemented by those networks as well as changes in how issuers route their ATM transactions over those networks;
- our ability to provide new ATM solutions to retailers and financial institutions including placing additional banks’ brands on ATMs currently deployed;
- our ATM vault cash rental needs, including potential liquidity issues with our vault cash providers and our ability to continue to secure vault cash rental agreements in the future;
- our ability to manage the risks associated with our third-party service providers failing to perform their contractual obligations;
- our ability to successfully implement our corporate strategy;
- our ability to compete successfully with new and existing competitors;
- our ability to meet the service levels required by our service level agreements with our customers;
- the additional risks we are exposed to in our U.K. armored transport business; and
- our ability to retain our key employees and maintain good relations with our employees.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see (i) Part II. Other Information, Item 1A. Risk Factors in this Form 10-Q and (ii) Part I. Item 1A. Risk Factors in the 2014 Form 10 K.

Readers are cautioned not to place undue reliance on forward-looking statements contained in this document, which speak only as of the date of this Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Cardtronics, Inc. provides convenient automated consumer financial services through its network of automated teller machines ("ATMs") and multi-function financial services kiosks. As of September 30, 2015, we were the world's largest retail ATM owner, providing services to approximately 190,000 devices throughout the United States ("U.S.") (including the U.S. territory of Puerto Rico), the United Kingdom ("U.K."), Germany, Poland, Canada, and Mexico. In the U.S., certain of our devices are multi-function financial services kiosks that, in addition to traditional ATM functions such as cash dispensing and bank account balance inquiries, perform other consumer financial services including bill payments, check cashing, remote deposit capture (which is deposit-taking at ATMs using electronic imaging), and money transfers. Also included in the number of devices in our network as of September 30, 2015 were approximately 112,200 ATMs to which we provided processing services or various forms of managed services solutions. Under a managed services arrangement, retailers, financial institutions, and ATM distributers rely on us to handle some or all of the operational aspects associated with operating and maintaining ATMs, typically in exchange for a monthly service fee or fee per service provided.

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

We also own and operate the Allpoint network ("Allpoint"), the largest surcharge-free ATM network within the U.S. (based on the number of participating ATMs). Allpoint, which has approximately 55,000 participating ATMs globally, provides surcharge-free ATM access to customers of approximately 1,300 participating financial institutions that lack a significant ATM network in exchange for either a fixed monthly fee per cardholder or a set fee per transaction that is paid by the financial institutions who are members of the network. Allpoint includes a majority of our ATMs in the U.S., and a portion of the Company's ATMs in the U.K., Canada, Puerto Rico, and Mexico. Allpoint also works with financial institutions that manage stored-value debit card programs on behalf of corporate entities and governmental agencies, including general purpose, payroll and electronic benefits transfer ("EBT") cards. Under these programs, the issuing financial institutions pay Allpoint a fee per issued stored-value card or per transaction in return for allowing the users of those cards surcharge-free access to Allpoint's participating ATM network.

For additional discussion of our operations and the manner in which we derive revenues, please refer to our 2014 Form 10-K.

Strategic Outlook

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

- Increase our Number of Deployed Devices with Existing and New Merchant Relationships. We believe that there are opportunities to deploy additional ATMs with our existing retail customers in locations that currently do not have ATMs. Furthermore, many of our retail customers continue to expand their number of active store locations, either through acquisitions or through new store openings, thus providing us with additional ATM deployment opportunities. Additionally, we seek opportunities to deploy ATMs with new retailers, including retailers that currently do not have ATMs, as well as those that have existing ATM programs but that are looking for a new ATM provider. We believe our expertise, broad geographic footprint, strong record of customer service, and significant scale positions us to successfully market to and enter into long-term contracts with additional leading merchants. In addition, we believe our existing relationships with leading U.S. and U.K. based retailers positions us to expand into international locations where these partners have operations.

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

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

· Increase Transaction Levels at our Existing Locations. We believe there are opportunities to increase the number of transactions that are occurring today at our existing ATM locations. On average, only a small fraction of the customers that enter our retail customers' locations utilize our ATMs and financial services kiosks. In addition to our existing initiatives that tend to drive additional transaction volumes to our ATMs, such as bank-branding and network-branding, we have developed and are continuing to develop new initiatives to drive incremental transactions to our existing ATM locations. For example, we have developed a data analysis technology that we refer to as SightLine to analyze transaction patterns at our ATMs, which we believe has value to retailers and financial institutions alike by enabling them to better understand their customers' behavior. We are also developing programs to steer cardholders of our existing financial institution partners and members of our Allpoint network to visit our ATMs in convenient retail locations. These programs may include incentives to cardholders such as coupons, rewards, and other offers that tend to provide incentives for customers to visit our ATMs within our existing retail footprint. While we are in various stages of developing and implementing many of these programs, we believe that these programs, when properly structured, can serve to benefit each party (i.e. the retailer, the financial institution, and the cardholder). These various initiatives are intended to drive increased transaction volumes, which would in turn drive increased revenues to us, and would also be beneficial to our retail and financial institution partners.

· Develop and Provide Additional Services at our Existing ATMs. Service offerings by ATMs continue to evolve over time. Certain ATM models are capable of providing numerous automated consumer financial services, including check cashing, image deposit capture, money transfer, bill payment services, and stored-value card reload services.

Certain of our devices are capable of, and currently provide, these types of services. We believe these additional consumer financial services offered by our devices, and other machines that we or others may develop, could provide a compelling and cost-effective solution for financial institutions and stored-value prepaid debit card issuers looking to provide convenient broader financial services to their customers at well-known retail locations. We also allow advertisers to place their messages on our ATMs equipped with advertising software in the U.S., Canada, and the U.K. Offering additional services at our devices, such as advertising, allows us to create new revenue streams from assets that have already been deployed, in addition to providing value to our customers through beneficial offers and convenient services. We plan to develop additional products and services that can be delivered through our existing ATM network.

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

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

- Pursue Acquisition Opportunities. We have historically generated a large part of our growth through acquisitions, and expect to continue to pursue select acquisition opportunities in the future. Since 2011, we have acquired: (i) eight domestic ATM operators, expanding our fleet in both multi-unit regional retail chains and individual merchant ATM locations in the U.S., (ii) two Canadian ATM operators, which allowed us to enter into and expand our international presence in Canada, (iii) Cardpoint Limited (“Cardpoint”) in August 2013, which further expanded our U.K. ATM operations and also allowed us to enter into the German market, and (iv) Sunwin Services Group (“Sunwin”) in November of 2014, which further expanded our cash-in-transit and maintenance servicing capabilities in the U.K. and allowed us to acquire and operate approximately 2,000 existing high-transacting ATMs located at the Co-operative Group (“Co-op”) Food stores and the opportunity to install and operate new ATMs in stores that do not currently have ATMs.

In addition to ATM acquisitions, we have also made strategic acquisitions including (i) LocatorSearch in August 2011, a domestic leading provider of location search technology deployed by financial institutions to help customers and members find the nearest, most appropriate and convenient ATM location based on the service they seek, (ii) i-design group plc (“i-design”) in March 2013, which is a Scotland-based provider and developer of marketing and advertising software and services for ATM operators, and (iii) Columbus Data Services, L.L.C ("CDS") in July 2015, a leading independent transaction processor for ATM deployers and payment card issuers, providing leading-edge solutions to ATM sales and service organizations and financial institutions.

Recent Events and Trends

Over the last several years, we have grown our business through a combination of organic growth through the strategies described above and with acquisitions. During the nine months ended September 30, 2015, total revenues, on a constant-currency basis, grew by approximately 20.5% over the prior year, reflecting approximately 16.9% growth from acquisitions and 3.6% from organic growth.

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

In 2014, we received notice from one of our largest branding partners, JP Morgan Chase & Co. (“Chase”), of their intention not to renew or extend a number of ATM branding contracts with us. While this action is having a moderately negative impact on 2015 results, we do not believe that it will have a long-term adverse impact on our financial results and our ability to continue offering bank-branding solutions to financial institutions. We have already reached agreements with several financial institutions and are in advanced discussions with multiple other financial institutions to replace the branding on a significant number of the ATMs previously branded by Chase.

Excluding locations that were impacted by the Chase debranding activity, the remainder of our U.S. fleet produced same-store withdrawals that were essentially flat for both the three and nine months ended September 30, 2015. Same-store revenues for our U.S. ATMs were up approximately 2% for the three months ended September 30, 2015, and this slightly higher growth rate compared to the near-flat same-store withdrawal transaction growth rate is primarily attributable to an increase in bank and network-branding and surcharge rate increases at certain locations.

Total same-store cash withdrawal transactions conducted on our U.S. ATMs decreased for the three and nine months ended September 30, 2015 by 6.3% and 5.4%, respectively, compared to the prior year, inclusive of the locations previously branded by Chase. The decline was due to a number of our ATMs having the Chase brand removed during the first quarter of 2015. This debranding activity caused a shift in consumer behavior at some of our ATMs, as ATMs that were previously free-to-use to Chase cardholders, now charge convenience fees to those cardholders. Chase may also charge its customers an out of network fee, making the ATM less attractive for Chase cardholders to use them. For the remainder of 2015, we expect to see a decline in same-store withdrawal transactions as a result of the debranding activity mentioned above. Excluding ATM locations that have been debranded during the year, we expect an approximately flat withdrawal transaction growth rate on a same-store basis on our domestic ATMs in the near-term.

In July 2015, we received notification from 7-Eleven, Inc. (“7-Eleven”) that 7-Eleven does not intend on renewing its ATM placement agreement with us upon expiration of the agreement in mid-2017. 7-Eleven announced that it has selected a related entity of 7-Eleven’s parent company as its next ATM provider. 7-Eleven in the U.S. represents the single largest merchant customer in our portfolio, and comprised approximately 17.5% and 22.0% of our unaudited pro forma revenues for the years ended December 31, 2014 and 2013, respectively. The existing agreement between Cardtronics and 7-Eleven remains in effect until mid-2017. At this time, we do not expect a significant change in our revenues and earnings through mid-2017 as a result of this notification. See Part II. Other Information, Item 1A. Risk Factors.

Withdrawal Transaction and Revenue Trends – Europe. In recent periods, we have installed more free-to-use ATMs as opposed to surcharging pay-to-use ATMs in the U.K., which is our largest operation in Europe, due in part to our major corporate customer contract additions that tend to operate mostly in high traffic locations where free-to-use ATMs are more prevalent. Although we earn less revenue per cash withdrawal transaction on a free-to-use machine, the significantly higher volume of transactions conducted on free-to-use machines have generally translated into higher overall revenues. Our same-store withdrawal transactions have been slightly negative (2.0 - 3.0%) in recent periods in the U.K. However, in the current quarter, our overall organic revenue growth rate in Europe was over 10% on a constant-currency basis, driven primarily by success in the U.K., as we have been able to secure several ATM operating agreements with new and existing relationships and we also benefited from a higher interchange rate. Additionally, through our significant operating scale in this market, we have been able to grow our profit margins with the additional revenues from the expanded ATM estate.

Financial Regulatory Reform in the U.K. and the European Union. In March 2013, the U.K. Treasury department (the "Treasury") issued a formal recommendation to further regulate the U.K. payments industry, including LINK, the nation's formal ATM scheme. In October 2013, the U.K. government responded by establishing the new Payment Systems Regulator ("PSR") to oversee any payment system operating in the U.K. and its participants. The PSR went live in April 2015 and to date there has been no significant immediate effect on Cardtronics or its operations. We will continue to monitor and report on any further developments.

In July 2013, the European Commission put forward a new draft directive to regulate payment service providers operating in the European Union ("PSD2"). Broadly, PSD2 sought to harmonize rules for the licensing of payment institutions and introduce certain common rules applicable to all payment service providers ("PSPs") throughout the European Union. PSD2 set out the rights and obligations of payment service users and PSPs together with transparency and security requirements to facilitate safe, efficient payment transactions. PSD2 was finalized on October 8, 2015, carrying forward the exemption related to independent ATM operators that was present in the prior directive ("PSD1").

Europay, MasterCard, Visa ("EMV") Standard in the U.S. The EMV standard provides for the security and processing of information contained on microchips embedded in certain debit and credit cards, known as "chip cards." This standard has already been adopted in the U.K., Germany, Poland, Mexico, and Canada, and our ATMs in those markets are in compliance. In the U.S., MasterCard has announced plans for a liability shift from the issuers of these cards to the party that has not made the investment in EMV equipment (acquirer) on various dates. MasterCard's liability shift on International Maestro (MasterCard) transactions occurred in April 2013, and while the majority of our U.S. ATMs are not currently EMV-compliant, to date, we have not experienced and do not expect this liability shift to have a significant impact on our business or results as International Maestro transactions currently comprise less than 1.0% of our U.S. transaction volume. As of the Maestro liability shift date of April 2013, we implemented additional fraud monitoring methods to minimize fraud losses. To date, we have seen minimal fraud losses. MasterCard has also announced that liability shift for its domestic ATM transactions on EMV-issued cards will occur starting in October 2016. In February 2013, Visa announced plans for a liability shift to occur in October 2017 for all transactions types on domestic or international EMV-issued cards. At this time, neither MasterCard nor Visa are requiring mandatory upgrades to ATM equipment; however, all of our recent ATM deployments have been with ATMs that are EMV-ready, and we plan to upgrade the majority of our U.S. fleet in advance of the October 2016 MasterCard liability shift date for domestic transactions. We have commenced our plan to make our U.S. fleet EMV-compliant, and currently estimate that the incremental potential cost to make our entire current Company-owned U.S. ATM fleet, inclusive of recent acquisitions, fully compliant with the EMV standard is approximately $40.0 million to $50.0 million, a portion of which was incurred during 2014 and 2015. With the increased capital investments required as a result of EMV, our depreciation expense will likely increase in the future. Additionally, there is a possibility that we could incur asset write-offs or accelerated depreciation expense on certain ATM units. We may experience a higher rate of unit count attrition for our merchant-owned ATMs as a result of this standard, however, we are currently offering programs to make EMV upgrades attractive to merchants that own their own ATMs. At this time, through a combination of ordinary replacement of equipment, routine scheduled maintenance visits to our ATMs, and evolving technology to meet compliance, we do not expect the U.S. EMV standard, being driven by MasterCard- and Visa-announced liability shifts, to have a major impact on our operating results.

Capital Investments. In the next twelve to eighteen months, we anticipate a moderate increase in the rate of capital investment than our recent run-rate, but we do not expect that this temporary increased level of capital investment will continue past 2016. These expected temporary increases in capital spending levels are being driven by the upcoming EMV requirements discussed above, coupled with many other factors including: (i) our strategic initiatives to enhance the consumer experience at our ATMs and drive transaction growth; (ii) increased demand from merchants and financial institutions for multi-function ATMs; (iii) competition for new merchant and customer contracts and a significant number of long-term renewals of existing merchant contracts; (iv) certain software and hardware enhancements required to facilitate our strategic initiatives, enhance security and to continue running supported versions; and (v) other compliance related matters. As a result of the increased capital investments being planned, we are working to optimize our existing assets, but it is possible that as a result of this activity we could incur some asset write-offs or impairments and increased depreciation expense in the near term. However, we project that the long-term revenue benefits of the investments will drive increased profitability in future periods and allow us to expand our position as the leading ATM operator of non-bank branch locations.

Acquisitions. On July 1, 2015, we completed the acquisition of CDS for a total purchase price of $80.6 million. CDS is a leading independent transaction processor for ATM deployers and payment card issuers, providing leading-edge solutions to ATM sales and service organizations and financial institutions.

Divestitures. On July 1, 2015, we completed the divestiture of our retail cash-in-transit operation in the U.K. This business component, which mainly relates to the collection of cash by couriers at retail locations, was originally acquired through the Sunwin acquisition completed in November 2014. As this component was not deemed to be a core part of our on-going strategy, the business was sold to a third party operator. We expect to receive estimated proceeds of £23.2 million, or approximately $36.0 million on the sale transaction. Of this amount, £18.7 million, or approximately $29.1 million, was received during the third quarter. As of September 30, 2015, the gain recognized on this transaction was $14.7 million, recognized within the (Gain) loss on disposal of assets line item on the accompanying Consolidated Statement of Operations. We also recorded approximately $10.7 million in costs associated with the sale of the assets and costs to close certain facilities in the U.K. that were no longer profitable to operate as a result of the sale of the non-core retail cash-in-transit operation. These costs and other costs, including excess operating costs associated with work that was in transition to other facilities during the period, are recorded within the Acquisition and divestiture-related expense line in the accompanying Consolidated Statement of Operations.

For additional discussion related to the acquisition and divestiture discussions above, see Item 1. Financial Statements, Note 2. Acquisitions and Divestitures.

Factors Impacting Comparability Between Periods

- Foreign Currency Exchange Rates. Our reported financial results are subject to fluctuations in exchange rates. With relatively minor fluctuations in the average rates from 2011 to 2014, our overall results have not been significantly impacted. However, during the second half of 2014, the U.S. dollar began to significantly appreciate in value relative to the currencies we transact business in our foreign operations. During the nine months of 2015, our results were adversely impacted by a strengthened U.S. dollar. We estimate that the year-over-year strengthening in the U.S. dollar relative to the currencies in the foreign markets in which we operated caused our reported revenues to be lower by approximately $32.1 million or 3.6% for the nine months ended September 30, 2015.

- Acquisitions and Divestitures. The results of operations for any acquired entities during a particular year have been included in our consolidated results for that year since the respective dates of acquisition. Similarly, the results of operations for any divested operations have been excluded from our consolidated results since the dates of divestiture.

Results of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
ATM operating revenues	95.3 %	96.6 %	93.9 %	96.9 %
ATM product sales and other revenues	4.7	3.4	6.1	3.1
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues:				
Cost of ATM operating revenues (excludes depreciation, accretion, and amortization of intangible assets shown separately below) (1)	59.5	62.9	59.9	63.6
Cost of ATM product sales and other revenues	4.5	3.3	5.6	3.0
Total cost of revenues	63.9	66.3	65.5	66.7
Gross profit	36.1	33.7	34.5	33.3
Operating expenses:				
Selling, general, and administrative expenses	11.5	10.4	11.2	10.4
Acquisition and divestiture-related expenses	4.3	0.9	2.4	1.7
Depreciation and accretion expense	7.1	7.1	7.2	7.4
Amortization of intangible assets	3.2	3.0	3.2	3.2
(Gain) loss on disposal of assets	(3.9)	0.4	(1.4)	0.2
Total operating expenses	22.2	21.8	22.6	22.9
Income from operations	13.9	11.9	11.9	10.5
Other expense:				
Interest expense, net	1.6	2.0	1.6	2.1
Amortization of deferred financing costs and note discount	0.9	1.8	0.9	1.3
Redemption costs for early extinguishment of debt	—	2.9	—	1.2
Other expense (income)	0.3	0.6	0.3	(0.5)
Total other expense	2.9	7.4	2.9	4.2
Income before income taxes	11.0	4.5	9.0	6.3
Income tax expense	4.1	1.7	3.3	2.4
Net income	7.0	2.9	5.7	4.0
Net loss attributable to noncontrolling interests	(0.1)	(0.2)	(0.1)	(0.1)
Net income attributable to controlling interests and available to common stockholders	7.1 %	3.0 %	5.8 %	4.1 %

(1) Excludes effects of depreciation, accretion, and amortization of intangible assets of $27.2 million and $23.9 million for the three months ended September 30, 2015 and 2014, respectively, and $77.8 million and $72.4 million for the nine months ended September 30, 2015 and 2014, respectively. The inclusion of such amounts in Cost of ATM

operating revenues would have increased our Cost of ATM operating revenues as a percentage of total revenues by 8.7% and 9.0% for the three months ended September 30, 2015 and 2014, respectively, and 8.7% and 9.4% for the nine months ended September 30, 2015 and 2014, respectively.

Key Operating Metrics

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

EXCLUDING ACQUISITIONS:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Average number of transacting ATMs:				
United States: Company-owned	31,114	30,338	30,635	29,895
United Kingdom	13,639	12,194	13,231	11,920
Mexico	1,432	2,191	1,558	2,174
Canada	1,915	1,686	1,757	1,663
Germany and Poland	1,048	882	987	871
Subtotal	49,148	47,291	48,168	46,523
United States: Merchant-owned (1)	17,542	22,002	16,911	22,152
Average number of transacting ATMs – ATM operations	66,690	69,293	65,079	68,675
Managed Services and Processing				
United States: Managed services – Turnkey	2,181	2,155	2,165	2,121
United States: Managed services – Processing Plus and Processing operations, net	15,700	12,298	14,666	11,794
United Kingdom: Managed services	20	21	20	21
Canada: Managed services	1,120	668	1,011	426
Average number of transacting ATMs – Managed services and processing	19,021	15,142	17,862	14,362
Total average number of transacting ATMs	85,711	84,435	82,941	83,037
Total transactions (in thousands):				
ATM operations	265,950	264,494	771,682	766,860
Managed services and processing, net	23,764	19,958	66,810	56,071
Total transactions	289,714	284,452	838,492	822,931
Cash withdrawal transactions (in thousands):				
ATM operations	159,020	156,562	466,780	453,627
Per ATM per month amounts (excludes managed services and processing):				
Cash withdrawal transactions	795	753	797	734
ATM operating revenues	$ 1,239	$ 1,197	$ 1,230	$ 1,174

Cost of ATM operating revenues (2)	779		781		787		771	
ATM operating gross profit (2) (3)	$ 460		$ 416		$ 443		$ 403	
ATM operating gross profit margin (2) (3)	37.1	%	34.8	%	36.0	%	34.3	%

(1) Certain ATMs previously reported in this category are now included in the United States: Managed services – Processing Plus and Processing operations, net category below.
(2) Amounts presented exclude the effect of depreciation, accretion, and amortization of intangible assets, which is presented separately in our Consolidated Statements of Operations.
(3) ATM operating gross profit and ATM operating gross profit margin are measures of profitability that are calculated based on only the revenues and expenses that relate to operating ATMs in our portfolio. Revenues and expenses relating to managed services and ATM equipment sales and other ATM-related services are not included.

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

INCLUDING ACQUISITIONS:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Average number of transacting ATMs:				
United States: Company-owned	38,510	30,338	38,310	29,895
United Kingdom	15,582	12,194	14,762	11,920
Mexico	1,432	2,191	1,558	2,174
Canada	1,915	1,686	1,757	1,663
Germany and Poland	1,048	882	987	871
Subtotal	58,487	47,291	57,374	46,523
United States: Merchant-owned (1)	19,609	22,002	20,301	22,152
Average number of transacting ATMs – ATM operations	78,096	69,293	77,675	68,675
Managed Services and Processing				
United States: Managed services – Turnkey	2,181	2,155	2,165	2,121
United States: Managed services – Processing Plus and Processing operations, net (2)	107,326	12,298	61,421	11,794
United Kingdom: Managed services	20	21	20	21
Canada: Managed services	1,120	668	1,011	426
Average number of transacting ATMs – Managed services and processing	110,647	15,142	64,617	14,362