CARDTRONICS INC
Form 10-Q
August 07, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

o **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**	**77042**
(Address of principal executive offices)	(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 þ No o

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 o No o

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Common Stock, par value: $0.0001 per share. Shares outstanding on August 3, 2009: 40,432,445

CARDTRONICS, INC.
TABLE OF CONTENTS

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

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,492	$ 3,424
Accounts and notes receivable, net of allowance of $526 and $504 as of June 30, 2009 and December 31, 2008, respectively	23,384	25,317
Inventory	2,903	3,011
Restricted cash, short-term	3,833	2,423
Prepaid expenses, deferred costs, and other current assets	11,110	17,273
Total current assets	47,722	51,448
Property and equipment, net	150,676	153,430
Intangible assets, net	99,942	108,327
Goodwill	165,483	163,784
Prepaid expenses, deferred costs, and other assets	4,313	3,839
Total assets	$ 468,136	$ 480,828
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Current portion of long-term debt and notes payable	$ 1,748	$ 1,373
Current portion of capital lease obligations	605	757
Current portion of other long-term liabilities	25,855	24,302
Accounts payable	12,202	17,212
Accrued liabilities	57,426	55,174
Total current liabilities	97,836	98,818
Long-term liabilities:		
Long-term debt, net of related discounts	326,698	344,816
Capital lease obligations		235
Deferred tax liability, net	13,564	11,673
Asset retirement obligations	22,777	21,069
Other long-term liabilities	17,512	23,967
Total liabilities	478,387	500,578
Commitments and contingencies		
Stockholders deficit:		
	4	4

Common stock, $0.0001 par value; 125,000,000 shares authorized; 45,750,333 and 45,642,282 shares issued as of June 30, 2009 and December 31, 2008, respectively; 40,440,310 and 40,636,533 shares outstanding as of June 30, 2009 and December 31, 2008, respectively				
Subscriptions receivable (at face value)				(34)
Additional paid-in capital		196,221		194,101
Accumulated other comprehensive loss, net		(53,792)		(64,025)
Accumulated deficit		(104,779)		(102,199)
Treasury stock; 5,310,023 and 5,005,749 shares at cost as of June 30, 2009 and December 31, 2008, respectively		(48,612)		(48,221)
Total parent stockholders deficit		(10,958)		(20,374)
Noncontrolling interests		707		624
Total stockholders deficit		(10,251)		(19,750)
Total liabilities and stockholders deficit	$	468,136	$	480,828

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenues:				
ATM operating revenues	$ 121,362	$ 122,868	$ 234,942	$ 239,165
ATM product sales and other revenues	3,286	4,107	5,051	8,385
Total revenues	124,648	126,975	239,993	247,550
Cost of revenues:				
Cost of ATM operating revenues (excludes depreciation, accretion, and amortization shown separately below. See *Note 1*)	83,975	93,904	166,204	183,336
Cost of ATM product sales and other revenues	3,153	3,662	4,967	7,826
Total cost of revenues	87,128	97,566	171,171	191,162
Gross profit	37,520	29,409	68,822	56,388
Operating expenses:				
Selling, general, and administrative expenses	10,584	9,800	21,439	18,351
Depreciation and accretion expense	9,935	9,978	19,574	19,010
Amortization expense	4,504	4,501	9,031	9,004
Loss on disposal of assets	1,676	1,115	3,784	2,435
Total operating expenses	26,699	25,394	53,828	48,800
Income from operations	10,821	4,015	14,994	7,588
Other expense (income):				
Interest expense, net	7,644	7,722	15,355	15,354
Amortization of deferred financing costs and bond discounts	603	530	1,171	1,038
Other (income) expense	(1,041)	17	(1,127)	(115)
Total other expense	7,206	8,269	15,399	16,277
Income (loss) before income taxes	3,615	(4,254)	(405)	(8,689)
Income tax expense (benefit)	1,016	(633)	2,033	(181)
Net income (loss)	2,599	(3,621)	(2,438)	(8,508)
Net income attributable to noncontrolling interests	111		142	
Net income (loss) attributable to controlling interests and available to common stockholders	$ 2,488	$ (3,621)	$ (2,580)	$ (8,508)
Net income (loss) per common share basic	$ 0.06	$ (0.09)	$ (0.07)	$ (0.22)

Net income (loss) per common share	diluted	$	0.06	$	(0.09)	$	(0.07)	$	(0.22)
Weighted average shares outstanding	basic		39,032,087		38,735,027		39,005,202		38,662,452
Weighted average shares outstanding	diluted		39,651,363		38,735,027		39,005,202		38,662,452

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash flows from operating activities:		
Net loss	$ (2,438)	$ (8,508)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, accretion, and amortization expense	28,605	28,014
Amortization of deferred financing costs and bond discounts	1,171	1,038
Stock-based compensation expense	2,120	811
Deferred income taxes	1,891	(317)
Loss on disposal of assets	3,784	2,435
Other reserves and non-cash items	(1,922)	(3,805)
Changes in assets and liabilities, net of acquisitions:		
Decrease in accounts and notes receivable, net	2,070	1,534
Decrease (increase) in prepaid, deferred costs, and other current assets	6,734	(1,621)
(Increase) decrease in inventory	(47)	157
Decrease in other assets	1,192	394
Decrease in accounts payable and accrued liabilities	(7,710)	(10,335)
Decrease in other liabilities	(2,745)	(2,371)
Net cash provided by operating activities	32,705	7,426
Cash flows from investing activities:		
Additions to property and equipment	(10,712)	(42,456)
Payments for exclusive license agreements and site acquisition costs	(87)	(497)
Principal payments received under direct financing leases		17
Net cash used in investing activities	(10,799)	(42,936)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	27,812	76,236
Repayments of long-term debt and capital leases	(46,486)	(43,829)
Repayments of borrowings under bank overdraft facility, net	(142)	(3,881)
Payments received on subscriptions receivable	34	101
Proceeds from exercises of stock options		286
Equity offering costs		(1,489)
Debt issuance and modification costs	(458)	(54)
Repurchase of common stock	(92)	
Net cash (used in) provided by financing activities	(19,332)	27,370
Effect of exchange rate changes on cash	494	(144)

Net increase (decrease) in cash and cash equivalents		3,068		(8,284)
Cash and cash equivalents as of beginning of period		3,424		13,439
Cash and cash equivalents as of end of period	$	6,492	$	5,155
Supplemental disclosure of cash flow information:				
Cash paid for interest, including interest on capital leases	$	15,525	$	16,096
Cash paid for income taxes	$	285	$	220

See accompanying notes to consolidated financial statements.

Table of Contents

CARDTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) General and Basis of Presentation

General

Cardtronics, Inc., along with its wholly- and majority-owned subsidiaries (collectively, the Company) owns or operates approximately 32,880 automated teller machines (ATMs) located in all 50 states of the United States, including 2,530 ATMs located throughout the United Kingdom, and 2,100 ATMs located throughout Mexico. The Company provides ATM management and equipment-related services (typically under multi-year contracts) to large, nationally-known retail merchants as well as smaller retailers and operators of facilities such as shopping malls and airports. Additionally, the Company operates the largest surcharge-free network of ATMs within the United States (based on the number of participating ATMs) and works with financial institutions to place their logos on the Company s ATM machines, thus providing convenient surcharge-free access to the financial institutions customers. This surcharge-free network, which operates under the Allpoint brand name, has more than 37,000 participating ATMs, including a majority of the Company s ATMs in the United States and all of the Company s ATMs in United Kingdom. Finally, the Company provides electronic funds transfer (EFT) transaction processing services to its network of ATMs as well as over 1,500 ATMs owned and operated by third parties.

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, 2008 (2008 Form 10-K), which includes a summary of the Company s significant accounting policies and other disclosures.

The financial statements as of June 30, 2009 and for the three and six month periods ended June 30, 2009 and 2008 are unaudited. The Consolidated Balance Sheet as of December 31, 2008 was derived from the audited balance sheet filed in the Company s 2008 Form 10-K. In management s opinion, all adjustments necessary for a fair presentation of the Company s interim and prior period results have been made, including those described in *Note 2 Revision of Prior Period Financial Statements*. The results of operations for the three and six month periods ended June 30, 2009 and 2008 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year. Additionally, the financial statements for prior periods include reclassifications that were made to conform to the current period presentation. Those reclassifications did not impact the Company s total reported net loss or stockholders deficit.

The unaudited interim consolidated financial statements include the accounts of Cardtronics, Inc. and its wholly- and majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. Because the Company owns a majority (51.0%) interest in and realizes a majority of the earnings and/or losses of Cardtronics Mexico, S.A. de C.V. (Cardtronics Mexico), this entity is reflected as a consolidated subsidiary in the accompanying consolidated financial statements, with the remaining ownership interest not held by the Company being reflected as a noncontrolling interest. See *Note 16* for additional information on the presentation of noncontrolling interests in the Company s financial statements and the Company s adoption of Statement of Financial Accounting Standards (SFAS) No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 5*, which the Company adopted effective January 1, 2009.

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.

Table of Contents

The Company has evaluated subsequent events through August 7, 2009, which represents the date the financial statements were issued.

Cost of ATM Operating Revenues and Gross Profit Presentation

The Company presents Cost of ATM operating revenues and Gross profit within its Consolidated Statements of Operations exclusive of depreciation, accretion, and amortization expense related to ATMs and ATM-related assets. The following table sets forth the amounts excluded from Cost of ATM operating revenues and Gross profit for the three and six month periods ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Depreciation and accretion expenses related to ATMs and ATM-related assets	$ 8,237	$ 8,673	$ 16,274	$ 16,585
Amortization expense	4,503	4,501	9,030	9,004
Total depreciation, accretion, and amortization expenses excluded from Cost of ATM operating revenues and Gross profit	$ 12,740	$ 13,174	$ 25,304	$ 25,589

(2) Revision of Prior Period Financial Statements

During the second quarter of 2009, the Company identified an error related to certain capitalized costs associated with its United Kingdom operation. Upon analysis of the Company s fixed asset records, management identified certain assets primarily related to previously cancelled ATM sites that should have been expensed in prior periods. The impact of such error was an overstatement of fixed assets and depreciation expense, and an understatement of cost of sales and loss on disposal of assets for the years ended December 31, 2007 and 2008, including the related quarterly periods contained therein. The cumulative impact of such error on the statement of operations for the years affected would have been a total additional expense of approximately $1.7 million. In accordance with Staff Accounting Bulletin No. 108 (SAB 108), as issued by the Securities and Exchange Commission (SEC), management determined that the effects of the misstatement were not material to any previously reported quarterly or annual period. As such, the related corrections will be made to the applicable prior periods as such financial information is included in future filings with the SEC.

The Company s prior period financial statements included in this filing have been revised to reflect these adjustments, the effects of which have been summarized below.

Consolidated Balance Sheet:

	December 31, 2008		
	As Reported	Adjustments	As Adjusted
		(In thousands)	
Property and equipment, net	$ 154,829	$ (1,399)	$ 153,430
Total assets	482,227	(1,399)	480,828
Accumulated other comprehensive loss, net	(64,355)	330	(64,025)
Accumulated deficit	(100,470)	(1,729)	(102,199)

Total parent stockholders deficit	(18,975)	(1,399)	(20,374)
Total stockholders deficit	(18,351)	(1,399)	(19,750)
Total liabilities and stockholders deficit	482,227	(1,399)	480,828

Consolidated Statements of Operations:

	Three Months Ended June 30, 2008			Six Months Ended June 30, 2008		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
	(In thousands, excluding per share amounts)					
Cost of ATM operating revenues	$ 93,601	$ 303	$ 93,904	$ 182,702	$ 634	$ 183,336
Total cost of revenues	97,263	303	97,566	190,528	634	191,162
Gross profit	29,712	(303)	29,409	57,022	(634)	56,388
Depreciation and accretion expense	10,039	(61)	9,978	19,121	(111)	19,010
Loss on disposal of assets(1)		1,115	1,115		2,435	2,435
Total operating expenses(2)	24,340	1,054	25,394	46,476	2,324	48,800
Income from operations(2)	5,372	(1,357)	4,015	10,546	(2,958)	7,588
Other expense(2)	1,042	(1,025)	17	2,103	(2,218)	(115)
Total other expense(2)	9,294	(1,025)	8,269	18,495	(2,218)	16,277
Loss before income taxes	(3,922)	(332)	(4,254)	(7,949)	(740)	(8,689)
Income tax (benefit) expense	(540)	(93)	(633)	25	(206)	(181)
Net loss	(3,382)	(239)	(3,621)	(7,974)	(534)	(8,508)
Net loss attributable to controlling interests and available to common stockholders	(3,382)	(239)	(3,621)	(7,974)	(534)	(8,508)
Net loss per common share basic and diluted	(0.09)		(0.09)	(0.21)	(0.01)	(0.22)

(1) Previously reported as a component of Other expense .

(2) Of the Adjustments presented above, $1,025,000 and $2,218,000 for the three and six months ended June 30, 2008, respectively, relates to the reclassification of Loss on disposal of assets from a

component of
"Other expense".

	Year Ended December 31, 2008			Year Ended December 31, 2007		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
	(In thousands, excluding per share amounts)					
Cost of ATM operating revenues	$ 361,902	$ 1,014	$ 362,916	$ 281,351	$ 354	$ 281,705
Total cost of revenues	377,527	1,014	378,541	293,293	354	293,647
Gross profit	115,487	(1,014)	114,473	85,005	(354)	84,651
Depreciation and accretion expense	39,414	(250)	39,164	26,859	(78)	26,781
Loss on disposal of assets(1)		5,807	5,807		2,485	2,485
Total operating expenses(2)	147,034	5,557	152,591	75,086	2,407	77,493
(Loss) Income from operations(2)	(31,547)	(6,571)	(38,118)	9,919	(2,761)	7,158
Minority interest in subsidiary(3)	(1,022)	1,022		(376)	376	
Other expense (income)(2)	5,377	(5,284)	93	1,585	(2,211)	(626)
Total other expense(2) (3)	37,552	(4,262)	33,290	32,373	(1,835)	30,538
Loss before income taxes	(69,099)	(2,309)	(71,408)	(22,454)	(926)	(23,380)
Income tax (benefit) expense	938	51	989	4,636	(159)	4,477
Net loss	(70,037)	(2,360)	(72,397)	(27,090)	(767)	(27,857)
Net loss attributable to noncontrolling interests		(1,022)	(1,022)		(376)	(376)
Net loss attributable to controlling interests and available to common stockholders	(70,037)	(1,338)	(71,375)	(63,362)	(391)	(63,753)
Net loss per common share basic and diluted	(1.81)	(0.03)	(1.84)	(4.11)	(0.02)	(4.13)

(1) Previously reported as a component of "Other expense".

(2) Of the Adjustments presented above, $5,284,000 and $2,211,000 for the years ended December 31, 2008 and 2007, respectively, relates to the reclassification

of Loss on disposal of assets from a component of Other expense .

(3) Of the Adjustments presented above, $1,022,000 and $376,000 for the years ended December 31, 2008 and 2007, respectively, relates to the reclassification of Minority interest in subsidiary to Net loss attributable to noncontrolling interests .

Table of Contents

Consolidated Statement of Cash Flows:

	Six Months Ended June 30, 2008		
	As Reported	Adjustments	As Adjusted
		(In thousands)	
Cash flows from operating activities:			
Net loss	$ (7,974)	$ (534)	$ (8,508)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, accretion, and amortization expense	28,125	(111)	28,014
Deferred income taxes	(111)	(206)	(317)
Loss on disposal of assets[1]	2,056	379	2,435
Other reserves and non-cash items[1]	(3,643)	(162)	(3,805)
Net cash provided by operating activities	8,060	(634)	7,426
Cash flows from investing activities:			
Additions to property and equipment	(43,090)	634	(42,456)
Net cash used in investing activities	(43,570)	634	(42,936)

(1) Of the Adjustments presented above, $162,000 relates to the reclassification of certain non-cash items previously included in Loss on disposal of assets to Other reserves and non-cash items .

(3) Stock-Based Compensation

The Company accounts for stock-based compensation arrangements under SFAS No. 123 (revised 2004), *Share-Based Payment,* which requires a company to calculate the fair value of stock-based instruments awarded to employees on the date of grant and recognize the calculated fair value, net of estimated forfeitures, as compensation expense over the requisite service periods of the related awards. The following table reflects the total stock-based compensation expense amounts included in the Consolidated Statements of Operations for the three and six month periods ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
		(In thousands)		
Cost of ATM operating revenues	$ 193	$ 132	$ 384	$ 197

Selling, general, and administrative expenses		869		413		1,736		614
Total stock-based compensation expense	$	1,062	$	545	$	2,120	$	811

The increase in stock-based compensation expense during the three and six months ended June 30, 2009 was due to the issuance of 1,782,750 shares of restricted stock and 293,000 stock options to certain of its employees during 2008 and 2009. Both the restricted shares and the stock options were granted under the Company s 2007 Stock Incentive Plan.

Options. A summary of the Company s outstanding stock options as of June 30, 2009 and changes during the six months ended June 30, 2009 are presented below:

	Number of Shares		**Weighted Average Exercise Price**
Options outstanding as of January 1, 2009	4,288,942	$	7.96
Granted	40,000	$	2.11
Exercised	(8,051)	$	0.03
Forfeited	(44,807)	$	10.02
Options outstanding as of June 30, 2009	4,276,084	$	7.90
Options vested and exercisable as of June 30, 2009	3,416,352	$	7.20

The options granted in 2009 had a total grant-date fair value of approximately $41,600, or $1.04 per share.

Table of Contents

Restricted Stock. A summary of the Company s outstanding restricted shares as of June 30, 2009 and changes during the six months ended June 30, 2009 are presented below:

	Number of Shares
Restricted shares outstanding as of January 1, 2009	1,679,250
Granted	100,000
Forfeited	(195,000)
Vested	(375,438)
Restricted shares outstanding as of June 30, 2009	1,208,812

During the second quarter of 2009, the Company granted 100,000 restricted shares to certain members of its board of directors with a total grant-date fair value of $290,000, or $2.90 per share. Compensation expense associated with the restricted stock grants totaled approximately $74,000 during the three and six month periods ended June 30, 2009, leaving approximately $216,000 of unrecognized compensation cost associated with these shares as of June 30, 2009. Such amount will be amortized over the remainder of 2009. Additionally, as of June 30, 2009, there was approximately $8.9 million in unrecognized compensation expense associated with prior restricted share grants.

(4) Earnings per Share

The Company reports its earnings per share in accordance with SFAS No. 128, *Earnings per Share*. Potentially dilutive securities are excluded from the calculation of diluted earnings per share (as well as their related income statement impacts) when their impact on net income (loss) available to common stockholders is anti-dilutive. Such securities include all outstanding stock options and all shares of restricted stock. For the three month period ended June 30, 2008, and for the six month periods ended June 30, 2009 and 2008, the Company incurred net losses and, accordingly, excluded all potentially dilutive securities from the calculation of diluted earnings per share as their impact on the net loss available to common stockholders was anti-dilutive. Dilutive securities were included in the calculation of diluted earnings per share for the three month period ended June 30, 2009 since the Company reported net income for the period.

Additionally, the shares of restricted stock issued by the Company have a non-forfeitable right to cash dividends, if and when declared by the Company. Accordingly, such restricted shares are considered to be participating securities pursuant to Financial Accounting Standards Board (FASB) Staff Position (FSP) Emerging Issues Task Force (EITF) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*. The Company has allocated the undistributed earnings for the three months ended June 30, 2009 among the Company s outstanding common shares and issued but unvested restricted shares as follows:

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

	Three months ended June 30, 2009	
	Common Stock	Unvested Restricted Shares
Net income attributed to each class of common stock and participating security	$ 2,398	$ 90
Weighted-average shares outstanding Basic	39,032,087	1,487,744
Weighted-average shares outstanding Diluted	39,651,363	1,487,744
Earnings per share Basic and Diluted	$ 0.06	$ 0.06

For the three months ended June 30, 2009, 5,805 potentially dilutive common shares related to restricted stock were excluded from the computation of diluted EPS for common shares as their effect was antidulutive.

8

Table of Contents

(5) Comprehensive Income (Loss)

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for reporting comprehensive income (loss) and its components in the financial statements. Total comprehensive income (loss) consisted of the following:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(In thousands)			
Net income (loss)	$ 2,599	$ (3,621)	$ (2,438)	$ (8,508)
Unrealized gains on interest rate hedges, net of taxes	343	18,421	1,536	4,956
Foreign currency translation adjustments	10,113	157	8,697	(1,249)
Total comprehensive income (loss)	13,055	14,957	7,795	(4,801)
Less: comprehensive income (loss) attributable to noncontrolling interests	162	(14)	171	10
Comprehensive income (loss) attributable to controlling interests	$ 12,893	$ 14,971	$ 7,624	$ (4,811)

Accumulated other comprehensive loss is displayed as a separate component of stockholders deficit in the Consolidated Balance Sheets and consisted of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Unrealized losses on interest rate hedges	$ (30,616)	$ (32,152)
Foreign currency translation adjustments	(23,176)	(31,873)
Total accumulated other comprehensive loss	$ (53,792)	$ (64,025)

The Company currently believes that a majority of the unremitted earnings of its foreign subsidiaries will be reinvested in the foreign countries in which those subsidiaries operate 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 those subsidiaries or the foreign currency translation adjustment amounts reflected in the tables above. Additionally, as a result of the Company s overall net loss position for tax purposes, the Company has not recorded deferred tax benefits on the loss amounts related to its interest rate swaps, as management does not currently believe the Company will be able to realize the benefits associated with its net deferred tax asset positions.

(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 of June 30, 2009, as well as the changes in the net carrying amounts for the six months ended June 30, 2009, by segment:

	Goodwill			Trade Name		
	U.S.	U.K.	Mexico	U.S.	U.K.	Total
	(In thousands)					
Balance as of January 1, 2009	$ 150,461	$ 12,603	$ 720	$ 200	$ 2,922	$ 166,906
Foreign currency translation adjustments		1,704	(5)		395	2,094

Balance as of June 30, 2009	$ 150,461	$ 14,307	$ 715	$ 200	$ 3,317	$ 169,000

Intangible Assets with Definite Lives

The following is a summary of the Company s intangible assets that are subject to amortization as of June 30, 2009:

	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
		(In thousands)	
Customer and branding contracts/relationships	$ 158,585	$ (72,895)	$ 85,690
Deferred financing costs	14,535	(6,694)	7,841
Exclusive license agreements	5,475	(2,885)	2,590
Non-compete agreements	432	(128)	304
Total	$ 179,027	$ (82,602)	$ 96,425

Table of Contents

(7) Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Accrued merchant fees	$ 11,588	$ 10,291
Accrued interest expense	10,565	10,643
Accrued maintenance fees	6,663	4,273
Accrued armored fees	5,229	5,372
Accrued compensation	4,919	3,396
Accrued merchant settlement amounts	3,856	3,111
Accrued cash rental and management fees	2,943	3,693
Accrued processing costs	2,403	1,804
Accrued purchases	1,872	1,085
Accrued interest rate swap payments	1,847	1,836
Accrued ATM telecommunications costs	1,249	1,916
Other accrued expenses	4,292	7,754
Total	$ 57,426	$ 55,174

(8) Long-Term Debt

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

	June 30, 2009	December 31, 2008
	(In thousands)	
Revolving credit facility	$ 24,500	$ 43,500
Senior subordinated notes due August 2013 (net of unamortized discounts of $3.1 million and $3.4 million as of June 30, 2009 and December 31, 2008)	296,932	296,637
Other	7,014	6,052
Total	328,446	346,189
Less: current portion	1,748	1,373
Total long-term debt, excluding current portion	$ 326,698	$ 344,816

Revolving Credit Facility

In February 2009, the Company amended its revolving credit facility to (i) authorize the repurchase of common stock up to an aggregate of $10.0 million; (ii) increase the amount of aggregate Investments (as such term is defined in the revolving credit facility) that the Company may make in non wholly-owned subsidiaries from $10.0 million to $20.0 million and correspondingly increase the aggregate amount of Investments that may be made in subsidiaries that are not Loan Parties (as such term is defined in the revolving credit facility) from $25.0 million to $35.0 million; (iii) increase the maximum amount of letters of credit that may be issued under the revolving credit facility from $10.0 million to $15.0 million; and (iv) modify the amount of capital expenditures that may be incurred on a rolling 12-month basis, as measured on a quarterly basis.

As of June 30, 2009, $24.5 million of borrowings were outstanding under the Company s $175.0 million revolving credit facility. Additionally, the Company had posted $2.7 million in letters of credit under the facility in favor of the lessors under the Company s ATM equipment leases and $4.3 million in letters of credit to secure the Company s borrowing under its United Kingdom subsidiary s overdraft facility (as further discussed below). These letters of credit, which the applicable third parties may draw upon in the event the Company defaults on the related obligations, further reduce the Company s borrowing capacity under its revolving credit facility. As of June 30, 2009, the Company s available borrowing capacity under the facility, as determined under the earnings before interest expense, income taxes, depreciation and accretion expense, and amortization expense (EBITDA) and interest expense covenants contained in the agreement, totaled approximately $143.5 million. As of June 30, 2009, the Company was in compliance with all applicable covenants and ratios under the facility.

Other Facilities

Cardtronics Mexico equipment financing agreements. As of June 30, 2009, other long-term debt consisted of seven separate equipment financing agreements entered into by Cardtronics Mexico. These agreements, which are denominated in Mexican pesos and bear interest at an average fixed rate of 10.98%, were utilized for the purchase of additional ATMs to support the Company s Mexico operations. Pursuant to the terms of the equipment financing agreements, the Company has issued a guaranty for 51.0% of the obligations under these agreements (consistent with its ownership percentage in Cardtronics Mexico.) As of June 30, 2009, the total amount of the guaranty was $47.2 million pesos (approximately $3.6 million U.S.).

Bank Machine overdraft facility. In addition to Cardtronics, Inc. s $175.0 million revolving credit facility, Bank Machine Ltd., the Company s wholly-owned subsidiary operating in the United Kingdom, has a £1.0 million overdraft facility. This facility, which bears interest at 1.75% over the bank s base rate (0.5% as of June 30, 2009) and is secured by a letter of credit posted under the Company s corporate revolving credit facility, is utilized for general corporate purposes for the Company s United Kingdom operations. As of June 30, 2009, no amounts were outstanding under this facility.

(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. In most cases, the Company is legally required to perform this deinstallation and restoration work. In accordance with SFAS No. 143, *Asset Retirement Obligations,* for each group of ATMs, the Company has recognized the fair value of a liability for an asset retirement obligation and capitalized that cost as part of the cost basis of the related asset. The related assets are being depreciated on a straight-line basis over the estimated useful lives of the underlying ATMs, and the related liabilities are being accreted to their full value over the same period of time.

The following table is a summary of the changes in Company s asset retirement obligation liability for the six months ended June 30, 2009 *(in thousands)*:

Asset retirement obligation as of January 1, 2009	$	21,069
Additional obligations		1,522
Accretion expense		973
Payments		(1,783)
Foreign currency translation adjustments		996
Asset retirement obligation as of June 30, 2009	$	22,777

See *Note 12* for additional disclosures on the Company s asset retirement obligations required by SFAS No. 157, *Fair Value Measurements*.

(10) Other Liabilities

Other liabilities consisted of the following:

		June 30, 2009		December 31, 2008
		(In thousands)		
Current Portion of Other Long-Term Liabilities:				
Interest rate swaps	$	19,834	$	13,788
Obligations associated with acquired unfavorable contracts		3,677		8,203
Deferred revenue		1,954		1,879
Other		390		432
Total	$	25,855	$	24,302

Other Long-Term Liabilities:				
Interest rate swaps	$	10,782	$	18,364
Deferred revenue		2,922		3,604
Other long-term liabilities		3,808		1,999
Total	$	17,512	$	23,967

The decline in the non-current portion of other long-term liabilities was primarily the result of the reclassification of unrealized losses on the Company s interest rate swap transactions from long-term to current.

Table of Contents

(11) Derivative Financial Instruments

Accounting Policy

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended* (SFAS No. 133), requires that the Company recognize all of its derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (e.g., gains or losses) of those derivative instruments depends on (i) whether such instruments have been designated (and qualify) as part of a hedging relationship and (ii) on the type of hedging relationship actually designated. For derivative instruments that are designated and qualify as hedging instruments, the Company must designate 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. In addition to SFAS No. 133, SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS No. 161), requires that the Company provide expanded qualitative and quantitative disclosures about its derivative instruments. The Company adopted SFAS No. 161 effective January 1, 2009 and has provided the additional disclosures required by such statement below.

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

As of June 30, 2009, the notional amounts, weighted-average fixed rates, and terms associated with the Company s interest rate swap contracts were as follows:

Notional Amounts United States		Notional Amounts United Kingdom		Notional Amounts Consolidated[(1)]		Weighted Average Fixed Rate	Term
		(In thousands)					
$	550,000	£		$	550,000	4.30%	July 1, 2009 December 31, 2009
$	600,000	£	50,000	$	682,936	3.92%	January 1, 2010 December 31, 2010
$	550,000	£	50,000	$	632,936	3.66%	January 1, 2011 December 31, 2011
$	350,000	£	25,000	$	391,468	3.82%	January 1, 2012 December 31, 2012
$	100,000	£		$	100,000	4.11%	January 1, 2013 December 31, 2013

(1) United Kingdom pound sterling amounts have been converted into United States

dollars at $1.65873 to £1.00, which was the exchange rate in effect as of June 30, 2009.

In accordance with SFAS No. 133, the Company has designated its interest rate swap contracts as cash flow hedges of the Company s forecasted vault cash rental obligations. Accordingly, changes in the fair values of the related interest rate swap contracts have been reported in accumulated other comprehensive loss in the Consolidated Balance Sheets. As a result of the Company s overall net loss position for tax purposes, the Company has not recorded deferred tax benefits on the loss amounts related to these interest rate swap contracts as management does not currently believe that the Company will be able to realize the benefits associated with its net deferred tax asset positions.

Cash Flow Hedging Strategy

For derivative instruments that are designated and qualify 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 domestic vault cash rental obligations, the amount of ineffectiveness associated with such interest rate swap contracts has historically been immaterial. Accordingly, no ineffectiveness amounts have been recorded in the Company s consolidated financial statements.

Table of Contents

The interest rate swap contracts entered into with respect to the Company s vault cash rental obligations effectively modify the Company s exposure to interest rate risk by converting a portion of the Company s monthly floating-rate vault cash rental obligations to a fixed rate. Such contracts are in place through December 31, 2012 for the Company s United Kingdom vault cash rental obligations, and December 31, 2013 for the Company s United States 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 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 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.

Tabular Disclosures

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

Balance Sheet Data

	Liability Derivative Instruments			
	June 30, 2009		**December 31, 2008**	
Derivatives Designated as Hedging Instruments Under SFAS No. 133	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
		(In thousands)		
Interest rate swap contracts	Current portion of other long-term liabilities	$ 19,834	Current portion of other long-term liabilities	$ 13,788
Interest rate swap contracts	Other long-term liabilities	10,782	Other long-term liabilities	18,364
Total		$ 30,616		$ 32,152

The Company does not currently have any derivative instruments that are not designated as hedging instruments under SFAS No. 133. Additionally, all of the Company s derivative instruments that were designated as hedging instruments under SFAS No. 133 were in a liability position as of June 30, 2009 and December 31, 2008. Accordingly, no asset derivative instrument positions have been reflected in the table above.

Statements of Operations Data

	Three Months Ended June 30,		
Derivatives in SFAS No. 133 Cash Flow Hedging	**Amount of Gain (Loss) Recognized in OCI on Derivative**	**Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective**	**Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)**

Relationships	Instruments (Effective Portion) 2009	2008	Portion)	2009	2008
	(In thousands)			*(In thousands)*	
Interest rate swap contracts	$ 5,934	$ 21,551	Cost of ATM operating revenues	$ (5,591)	$ (3,130)

13

Table of Contents

Derivatives in SFAS No. 133 Cash Flow Hedging Relationships	Six Months Ended June 30, Amount of Gain (Loss) Recognized in OCI on Derivative Instruments (Effective Portion) 2009	2008	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) 2009	2008
	(In thousands)			*(In thousands)*	
Interest rate swap contracts	$ 12,574	$ 9,973	Cost of ATM operating revenues	$ (11,038)	$ (5,017)

The Company does not currently have any derivative instruments that have been designated as fair value or net investment hedges pursuant to SFAS No. 133. Additionally, the Company does not recognize any gains or losses related to the ineffective portion of its interest rate swaps as such amounts have historically been, and, based on the Company s analysis as of June 30, 2009, are expected to continue to be, immaterial. Furthermore, the Company has not historically, and does not currently anticipate, discontinuing its existing derivative instruments prior to their expiration date. However, 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 (income) line item of the Company s Consolidated Statements of Operations.

As of June 30, 2009, the Company expects to reclassify $19.8 million of net derivative-related losses contained within accumulated OCI to earnings during the next twelve months concurrent with the recording of the related vault cash rental expense amounts.

See *Note 12* for additional disclosures on the Company s interest rate swap contracts required by SFAS No. 157, *Fair Value Measurements*.

(12) Fair Value Measurements

The Company adopted the provisions of SFAS No. 157, *Fair Value Measurements*, on January 1, 2008, with the exception of the application of the statement to non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis. Effective January 1, 2009, in accordance with FSP No. 157-2, *Effective Date of Financial Accounting Standards Board (FASB) Statement No. 157*, the Company adopted the provisions of SFAS No. 157 for non-financial assets and non-financial liabilities, which include those measured at fair value in goodwill impairment testing, indefinite-lived intangible assets measured at fair value for impairment assessment, non-financial long-lived assets measured at fair value for impairment assessment, asset retirement obligations initially measured at fair value, and those initially measured at fair value in a business combination. The adoption did not have an impact on the Company s financial statements.

The following table provides the liabilities carried at fair value measured on a recurring basis as of June 30, 2009:

	Total Carrying Value	Fair Value Measurements Level 1	Level 2	Level 3
		(In thousands)		
Liabilities associated with interest rate swaps	$ 30,616	$	$ 30,616	$

The following table provides the liabilities measured at fair value on a non-recurring basis at June 30, 2009. These items are included in the asset retirement obligations line in the Company s Consolidated Balance Sheet:

	Total Carrying Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
		(In thousands)		
Asset retirement obligations liabilities added during the six months ended June 30, 2009	$ 1,522	$	$	$ 1,522

Table of Contents

The following is a description of the Company s valuation methodology for assets and liabilities measured at fair value:

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

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

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

The methods described above 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.

SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, requires the disclosure of the estimated fair value of the Company s financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. SFAS No. 107 does not require the disclosure of the fair value of lease financing arrangements and non-financial instruments, including intangible assets such as goodwill and the Company s merchant contracts/relationships.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments.* This FSP amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require publicly-traded companies, as defined in APB Opinion No. 28, *Interim Financial Reporting*, to provide disclosures on the fair value of financial instruments in interim financial statements. The Company adopted this standard effective June 30, 2009 and has provided the additional disclosures required below.

The carrying amount of the Company s cash and cash equivalents and other current assets and liabilities approximates fair value due to the relatively short maturities of these instruments. The fair value of the Company s interest rate swaps was a liability of $30.6 million as of June 30, 2009. Please refer to *Note 11* for information on how the fair value of these swaps was calculated. 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 such borrowings are subject to short-term floating market interest rates. As of June 30, 2009, the fair value of the Company s $300.0 million senior subordinated notes (see *Note 8*) totaled $271.5 million, based on the quoted market price for such notes as of June 30, 2009.

(13) Commitments and Contingencies

Legal and Other Regulatory Matters

In June 2006, Duane Reade, Inc. (Customer), one of the Company s merchant customers filed a complaint in the New York State Supreme Court alleging that the Company had breached its ATM operating agreement with the Customer by failing to pay the Customer the proper amount of fees under the agreement. Cardtronics denied any improper payment of fees. On May 8, 2009, Cardtronics and Duane Reade settled this lawsuit. In connection with that settlement, under which neither side admitted any wrongdoing, the Company agreed to terminate its ATM placement agreement with Duane Reade no later than October 31, 2009, and the related bank branding agreement associated with those ATMs. In connection with these terminations, Cardtronics made a termination payment to Duane Reade and received a termination payment from the associated bank branding partner, the net effect of which was not material to the Company s financial condition or results of operations.

In the fall of 2008, the Company was made a party to Nathanson v. Cardtronics, Inc. et. al., a lawsuit concerning balance inquiry transactions at the Company s ATMs located in California. The plaintiff alleged that the ATMs of the companies named in the lawsuit violated California state laws by not disclosing the possibility that consumers financial institutions would impose fees for balance inquiry transactions conducted through the Company s ATMs. The plaintiff sought unspecified damages and injunctive relief for himself and a class of other consumers who allegedly paid such fees without notice in the four-year period prior to the filing of the lawsuit. The lawsuit was originally filed on or about October 21, 2008 in the Superior Court of California, County of Los Angeles, and the Company removed the lawsuit to the United States District Court, Central District of California. On July 24, 2009, the Company and the plaintiff entered into a settlement agreement wherein all claims were dismissed without the Company admitting any liability. Under the settlement agreement, the Company made a one-time payment to the plaintiff, which did not have a material impact upon the Company s operations.

In June 2004, the Company acquired from E*Trade Access, Inc. (E*Trade) a portfolio of several thousand ATMs. In connection with that acquisition, the Company assumed E*Trade s position in that lawsuit in the United States District Court for the District of Massachusetts wherein the Commonwealth of Massachusetts (the Commonwealth) and the National Federation of the Blind (the NFB) has sued E*Trade alleging that E*Trade had the obligation to make its ATMs accessible to blind patrons via voice guidance. In June 2007, the Company, the Commonwealth, and the NFB entered into a class action settlement agreement regarding this matter. The Court approved the settlement in December 2007. The Company has requested a modification to the settlement agreement so as to permit it to upgrade or replace approximately 2,200 non-voice guided ATMs that it acquired in July 2007 over a period of time longer than originally contemplated by the 2007 settlement agreement. The Commonwealth and NFB are considering our proposal, but as of this date have not yet indicated whether they will accept it. If they demand a quicker conversion of these ATMs to voice-guidance and the Company agrees (or is ordered by the Court to comply with such demands), the Company s capital budget for 2009 and 2010 may have to be increased.

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

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 $22.8 million accrued for these liabilities as of June 30, 2009. For additional information on the Company s asset retirement obligations, see *Note 9*.

(14) Income Taxes

Income tax expense based on the Company s loss before income taxes was as follows for the three month periods ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)		*(In thousands)*	
Income tax expense (benefit)	$ 1,016	$ (633)	$ 2,033	$ (181)
Effective tax rate	28.1%	14.9%	(502.0)%	2.1%

The Company has established valuation allowances for its net deferred tax asset positions in all of its jurisdictions and is currently not recording any income tax benefits on current losses in those jurisdictions as it believes it is more likely than not that such benefits will not be realized. In addition, during the three and six month periods ended June 30, 2009, the Company increased its domestic valuation allowance by approximately $0.9 million and $1.9 million, respectively, resulting in the negative effective tax rate reflected above for the six month period ended June 30, 2009. The lower effective tax rates in 2008 were due to the recognition of certain deferred tax benefits in the Company s United Kingdom jurisdiction as the Company did not begin establishing valuation allowances in that jurisdiction until the fourth quarter of 2008. Finally, the Company is in a taxable income position with respect to its domestic state income taxes, which further contributed to the negative effective tax rate reflected above for the six month period ended June 30, 2009.

(15) Segment Information

As of June 30, 2009, the Company s operations consisted of its United States, United Kingdom, and Mexico segments. While each of these reporting segments provides similar kiosk-based and/or ATM-related services, each segment is currently managed separately, as they require different marketing and business strategies.

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

Below is a reconciliation of EBITDA to net loss attributable to controlling interests for the three and six month periods ended June 30, 2009 and 2008:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
	(In thousands)		*(In thousands)*	
EBITDA	$ 26,190	$ 18,477	$ 44,584	$ 35,717
Depreciation and accretion expense	9,935	9,978	19,574	19,010
Amortization expense	4,504	4,501	9,031	9,004
Interest expense, net, including amortization of deferred financing costs and bond discounts	8,247	8,252	16,526	16,392
Income tax expense (benefit)	1,016	(633)	2,033	(181)
Net income (loss) attributable to controlling interests	$ 2,488	$ (3,621)	$ (2,580)	$ (8,508)

The following tables reflect certain financial information for each of the Company s reporting segments for the three and six month periods ended June 30, 2009 and 2008. All intercompany transactions between the Company s reporting segments have been eliminated.

	For the Three Month Period Ended June 30, 2009				
	United States	**United Kingdom**	**Mexico**	**Eliminations**	**Total**
			(In thousands)		
Revenue from external customers	$ 102,270	$ 18,031	$ 4,347	$	$ 124,648
Intersegment revenues	512			(512)	
Cost of revenues	71,248	13,085	3,307	(512)	87,128
Selling, general, and administrative expenses (1)	9,050	1,268	266		10,584
Loss on disposal of assets	995	681			1,676
EBITDA	22,393	3,057	850	(110)	26,190

Depreciation and accretion expense	6,768	2,727	445	(5)	9,935
Amortization expense	4,051	443	10		4,504
Interest expense, net	6,817	1,260	170		8,247
Capital expenditures, excluding acquisitions (2)	$ 3,257	$ 2,106	$ 460	$	$ 5,823

Table of Contents

	For the Three Month Period Ended June 30, 2008				
	United States	United Kingdom	Mexico	Eliminations	Total
	(In thousands)				
Revenue from external customers	$ 104,051	$ 19,701	$ 3,223	$	$ 126,975
Intersegment revenues	365			(365)	
Cost of revenues	77,343	17,843(1)	2,745	(365)	97,566
Selling, general, and administrative expenses	7,985	1,538	277		9,800
Loss on disposal of assets	656	459			1,115
EBITDA	18,683	(255)(1)	49		18,477
Depreciation and accretion expense	6,583	2,994	406	(5)	9,978
Amortization expense	3,952	536	13		4,501
Interest expense, net	6,607	1,432	213		8,252
Capital expenditures, excluding acquisitions (2)	$ 6,115	$ 8,376	$ 2,696	$	$ 17,187

	For the Six Month Period Ended June 30, 2009				
	United States	United Kingdom	Mexico	Eliminations	Total
	(In thousands)				
Revenue from external customers	$ 199,037	$ 32,808	$ 8,148	$	$ 239,993
Intersegment revenues	886			(886)	
Cost of revenues	142,030	23,792	6,235	(886)	171,171
Selling, general, and administrative expenses (3)	18,686	2,285	468		21,439
Loss on disposal of assets	1,390	2,394			3,784
EBITDA	38,901	4,348	1,467	(132)	44,584
Depreciation and accretion expense	13,573	5,163	848	(10)	19,574
Amortization expense	8,170	842	19		9,031
Interest expense, net	13,739	2,476	311		16,526
Capital expenditures, excluding acquisitions (2)	$ 6,312	$ 3,873	$ 614	$	$ 10,799

	For the Six Month Period Ended June 30, 2008				
	United States	United Kingdom	Mexico	Eliminations	Total
	(In thousands)				

Revenue from external customers	$ 204,404	$ 37,341	$ 5,805	$	$ 247,550
Intersegment revenues	365			(365)	
Cost of revenues	154,029	32,566(1)	4,932	(365)	191,162
Selling, general, and administrative expenses	15,310	2,466	575		18,351
Loss on disposal of assets	1,528	907			2,435
EBITDA	34,310	1,231(1)	176		35,717
Depreciation and accretion expense	12,696	5,626	715	(27)	19,010
Amortization expense	7,905	1,074	25		9,004
Interest expense, net	13,110	2,888	394		16,392
Capital expenditures, excluding acquisitions [2]	$ 21,958	$ 18,232	$ 2,763	$	$ 42,953

(1) During the second quarter of 2008, we experienced a significant increase in transactions conducted on our ATMs in the United Kingdom with counterfeit credit cards. Due to a delay in the completion of our Europay MasterCard Visa (EMV) security standard certification with the network whose brand was on those cards, we are liable under the network s rules for the resulting claims, which totaled approximately

$1.3 million. As a result, our cost of revenues and EBITDA were negatively impacted by the $1.3 million charge during the three and six month periods ended June 30, 2008.

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

(3) Selling, general, and administrative expenses for the six months ended June 30, 2009 includes $1.2 million in severance costs associated with the departure of the Company s former Chief Executive Officer in March 2009.

18

Identifiable Assets:

	June 30, 2009	December 31, 2008
	(In thousands)	
United States	$ 705,177	$ 733,921
United Kingdom	83,810	74,876
Mexico	13,011	11,736
Eliminations	(333,862)	(339,705)
Total	$ 468,136	$ 480,828

(16) New Accounting Pronouncements

Adopted

In addition to its adoption of SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities,* (see *Note 11*) and the provisions of SFAS No. 157, *Fair Value Measurements*, to non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis (see *Note 12*), the Company adopted the following pronouncements effective January 1, 2009:

Noncontrolling Interests. SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*, provides guidance on the presentation of minority interests in the financial statements and the accounting for and reporting of transactions between the reporting entity and the holders of noncontrolling interests. This standard requires that minority interests be presented as a separate component of stockholders equity rather than as a mezzanine item between liabilities and stockholders equity and requires that minority interests be presented as a separate caption in the income statement. In addition, this standard requires all transactions with minority interest holders, including the issuance and repurchase of minority interests, be accounted for as equity transactions unless a change in control of the subsidiary occurs. The provisions of SFAS No. 160 are to be applied prospectively with the exception of reclassifying noncontrolling interests to equity and recasting consolidated net income (loss) to include net income (loss) attributable to both the controlling and noncontrolling interests, which are required to be adopted retrospectively. The Company adopted the provisions of SFAS No. 160 on January 1, 2009. As a result of the adoption, the Company has reported noncontrolling interests as a component of equity in the Consolidated Balance Sheets and the net income attributable to noncontrolling interests has been separately identified in the Consolidated Statements of Operations. The prior period presentation has been modified to conform to the current classification required by SFAS No. 160.

Business Combinations. SFAS No. 141R, *Business Combinations*, provides revised guidance on the accounting for acquisitions of businesses. This standard changed the previous guidance on business combinations and now requires that all acquired assets, liabilities, minority interest, and certain contingencies, including contingent consideration, be measured at fair value, and certain other acquisition-related costs, including costs of a plan to exit an activity or terminate and relocate employees, be expensed rather than capitalized. SFAS No. 141R applies to acquisitions effective after December 31, 2008. The Company will apply the requirements of the statement to future business combinations, and the impact of the Company s adoption will depend upon the nature and terms of business combinations, if any, that the Company consummates in the future.

Useful Life of Intangible Assets. FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets,* amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). The intent of FSP FAS 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R (discussed above) and other applicable accounting literature. The Company will (1) apply the useful life estimation provisions of FSP FAS 142-3 to all intangible assets associated with new or renewed contracts on a prospective basis and (2) apply the disclosure provisions to all intangible assets.

Unvested Participating Securities. FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities,* states that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The initial adoption of this standard did not impact the Company s financial position or results of operations as the Company reported a net loss for the three month period ended March 31, 2009. However, the provisions of this standard have been applied to the Company s earnings per share calculation for the three month period ended June 30, 2009, contained elsewhere herein.

Table of Contents

Interim Disclosures about Fair Value. In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments.* This FSP amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require publicly-traded companies, as defined in APB Opinion No. 28, *Interim Financial Reporting*, to provide disclosures on the fair value of financial instruments in interim financial statements. The Company adopted this standard effective June 30, 2009 and has provided the additional disclosures required by such statement in *Note 12, Fair Value Measurements*.

Subsequent Events. SFAS No. 165, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 defines the subsequent events period and the circumstances under which an entity should recognize events or transactions in its financial statements, as well as requires additional disclosures regarding subsequent events. The Company adopted this standard effective June 30, 2009 and has provided the additional disclosures required by such statement in *Note 1, General and Basis of Presentation*.

Issued but Not Yet Adopted

FASB Accounting Standards Codification . In June 2009, the FASB issued under SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162* (the Codification). The Codification, which was launched on July 1, 2009, became the single source of authoritative non-governmental U.S. GAAP, except for SEC rules and interpretive releases. The Codification eliminates the GAAP hierarchy contained in SFAS No. 162 and establishes one level of authoritative GAAP, deeming all other non-SEC accounting and reporting standards as non-authoritative. This standard is effective for the Company for its quarter ending September 30, 2009. Adoption of the standard will not impact the Company s consolidated financial position or results of operations; however, it will change references to authoritative GAAP sources for the Company s accounting policies and disclosures in future filings.

(17) Supplemental Guarantor Financial Information

The Company s $300.0 million of senior subordinated notes are guaranteed on a full and unconditional basis by all of the Company s domestic subsidiaries. The following information sets forth the condensed consolidating statements of operations and cash flows for the three and six month periods ended June 30, 2009 and 2008 and the condensed consolidating balance sheets as of June 30, 2009 and December 31, 2008 of (1) Cardtronics, Inc., the parent company and issuer of the senior subordinated notes (Parent); (2) the Company s domestic subsidiaries on a combined basis (collectively, the Guarantors); and (3) the Company s international subsidiaries on a combined basis (collectively, the Non-Guarantors):

Condensed Consolidating Statements of Operations

	Three Months Ended June 30, 2009				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
			(In thousands)		
Revenues	$	$ 102,782	$ 22,378	$ (512)	$ 124,648
Operating costs and expenses	1,156	90,956	22,232	(517)	113,827
Operating income (loss)	(1,156)	11,826	146	5	10,821
Interest expense, net, including amortization of deferred financing costs and bond discounts	812	6,005	1,430		8,247
Equity in earnings of subsidiaries	(5,483)			5,483	
Other income, net	(24)	(882)	(135)		(1,041)
Income (loss) before income taxes	3,539	6,703	(1,149)	(5,478)	3,615
Income tax expense	945	71			1,016

Net income (loss)		2,594		6,632		(1,149)		(5,478)		2,599
Net income attributable to noncontrolling interests								111		111
Net income (loss) attributable to controlling interests and available to common stockholders	$	2,594	$	6,632	$	(1,149)	$	(5,589)	$	2,488

	Three Months Ended June 30, 2008				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
			(In thousands)		
Revenues	$	$ 104,416	$ 22,924	$ (365)	$ 126,975
Operating costs and expenses	673	95,846	26,811	(370)	122,960
Operating income (loss)	(673)	8,570	(3,887)	5	4,015
Interest expense, net, including amortization of deferred financing costs and bond discounts	34	6,573	1,645		8,252
Equity in losses of subsidiaries	2,201			(2,201)	
Other (income) expense, net	(116)	(135)	268		17
Income (loss) before income taxes	(2,792)	2,132	(5,800)	2,206	(4,254)
Income tax expense (benefit)	834		(1,467)		(633)
Net income (loss)	(3,626)	2,132	(4,333)	2,206	(3,621)
Net income attributable to noncontrolling interests					
Net income (loss) attributable to controlling interests and available to common stockholders	$ (3,626)	$ 2,132	$ (4,333)	$ 2,206	$ (3,621)

	Six Months Ended June 30, 2009				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
			(In thousands)		
Revenues	$	$ 199,923	$ 40,956	$ (886)	$ 239,993
Operating costs and expenses	2,289	181,560	42,046	(896)	224,999
Operating income (loss)	(2,289)	18,363	(1,090)	10	14,994
Interest expense, net, including amortization of deferred financing costs and bond discounts	1,308	12,431	2,787		16,526
Equity in earnings of subsidiaries	(2,849)			2,849	
Other income, net	(191)	(904)	(32)		(1,127)
Income (loss) before income taxes	(557)	6,836	(3,845)	(2,839)	(405)
Income tax expense	1,891	142			2,033
Net income (loss)	(2,448)	6,694	(3,845)	(2,839)	(2,438)
Net income attributable to noncontrolling interests				142	142
	$ (2,448)	$ 6,694	$ (3,845)	$ (2,981)	$ (2,580)

Net income (loss) attributable to controlling interests and available to common stockholders

	Six Months Ended June 30, 2008				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
			(In thousands)		
Revenues	$	$ 204,769	$ 43,146	$ (365)	$ 247,550
Operating costs and expenses	690	190,778	48,886	(392)	239,962
Operating income (loss)	(690)	13,991	(5,740)	27	7,588
Interest expense, net, including amortization of deferred financing costs and bond discounts	83	13,027	3,282		16,392
Equity in losses of subsidiaries	5,918			(5,918)	
Other (income) expense, net	(172)	(236)	293		(115)
Income (loss) before income taxes	(6,519)	1,200	(9,315)	5,945	(8,689)
Income tax expense (benefit)	2,016	136	(2,333)		(181)
Net income (loss)	(8,535)	1,064	(6,982)	5,945	(8,508)
Net income attributable to noncontrolling interests					
Net income (loss) attributable to controlling interests and available to common stockholders	$ (8,535)	$ 1,064	$ (6,982)	$ 5,945	$ (8,508)

Table of Contents

Condensed Consolidating Balance Sheets

	As of June 30, 2009				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
			(In thousands)		
Assets:					
Cash and cash equivalents	$ 34	$ 2,273	$ 4,185	$	$ 6,492
Receivables, net	11,127	20,346	3,583	(11,672)	23,384
Other current assets	3,526	7,876	9,909	(3,465)	17,846
Total current assets	14,687	30,495	17,677	(15,137)	47,722
Property and equipment, net		91,094	59,746	(164)	150,676
Intangible assets, net	7,286	82,444	10,212		99,942
Goodwill		150,461	15,022		165,483
Investments in and advances to subsidiaries	(45,466)			45,466	
Intercompany receivable (payable)	357,851	13,099	(6,923)	(364,027)	
Prepaid expenses, deferred costs, and other assets		3,226	1,087		4,313
Total assets	$ 334,358	$ 370,819	$ 96,821	$ (333,862)	$ 468,136
Liabilities and Stockholders (Deficit) Equity:					
Current portion of long-term debt	$	$	$ 1,748	$	$ 1,748
Current portion of capital lease obligations		605			605
Current portion of other long-term liabilities		25,400	455		25,855
Accounts payable and accrued liabilities	10,582	57,072	17,106	(15,132)	69,628
Total current liabilities	10,582	83,077	19,309	(15,132)	97,836
Long-term debt, net of related discounts	321,431		5,267		326,698
Intercompany payable		242,716	120,992	(363,708)	
Capital lease obligations					
Deferred tax liability, net	12,596	968			13,564
Asset retirement obligations		13,920	8,857		22,777
Other non-current liabilities		17,411	101		17,512
Total liabilities	344,609	358,092	154,526	(378,840)	478,387
Stockholders (deficit) equity	(10,251)	12,727	(57,705)	44,978	(10,251)
Total liabilities and stockholders (deficit) equity	$ 334,358	$ 370,819	$ 96,821	$ (333,862)	$ 468,136

22

Table of Contents

	As of December 31, 2008				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
			(In thousands)		
Assets:					
Cash and cash equivalents	$ 20	$ 3,165	$ 239	$	$ 3,424
Receivables, net	2,329	22,872	2,965	(2,849)	25,317
Other current assets	2,547	12,245	10,406	(2,491)	22,707
Total current assets	4,896	38,282	13,610	(5,340)	51,448
Property and equipment, net		96,965	56,640	(175)	153,430
Intangible assets, net	7,612	90,844	9,871		108,327
Goodwill		150,462	13,322		163,784
Investments in and advances to subsidiaries	(48,700)			48,700	
Intercompany receivable (payable)	378,319	12,342	(7,771)	(382,890)	
Prepaid expenses, deferred costs, and other assets		2,899	940		3,839
Total assets	$ 342,127	$ 391,794	$ 86,612	$ (339,705)	$ 480,828
Liabilities and Stockholders (Deficit) Equity:					
Current portion of long-term debt	$	$	$ 1,373	$	$ 1,373
Current portion of capital lease obligations		757			757
Current portion of other long-term liabilities		24,302			24,302
Accounts payable and accrued liabilities	11,035	51,016	15,669	(5,334)	72,386
Total current liabilities	11,035	76,075	17,042	(5,334)	98,818
Long-term debt, net of related discounts	340,137		4,679		344,816
Intercompany payable		273,346	109,544	(382,890)	
Capital lease obligations		235			235
Deferred tax liability, net	10,705	968			11,673
Asset retirement obligations		13,247	7,822		21,069
Other non-current liabilities		23,944	23		23,967
Total liabilities	361,877	387,815	139,110	(388,224)	500,578
Stockholders (deficit) equity	(19,750)	3,979	(52,498)	48,519	(19,750)
Total liabilities and stockholders (deficit) equity	$ 342,127	$ 391,794	$ 86,612	$ (339,705)	$ 480,828

Condensed Consolidating Statements of Cash Flows

	Six Months Ended June 30, 2009				
	Parent	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Total**
			(In thousands)		
Net cash (used in) provided by operating activities	$ (10,100)	$ 36,437	$ 6,368	$	$ 32,705
Additions to property and equipment		(6,256)	(4,456)		(10,712)
Payments for exclusive license agreements and site acquisition costs		(56)	(31)		(87)
Net cash used in investing activities		(6,312)	(4,487)		(10,799)
Proceeds from issuance of long-term debt	26,500	12,500	2,312	(13,500)	27,812
Repayments of long-term debt and capital leases	(45,500)	(43,517)	(599)	43,130	(46,486)
Issuance of long-term notes receivable	(13,500)			13,500	
Payments received on long-term notes receivable	43,130			(43,130)	
Repayments of borrowings under bank overdraft facility, net			(142)		(142)
Payments received for subscriptions receivable	34				34
Other financing activities	(458)				(458)
Repurchase of capital stock	(92)				(92)
Net cash provided by (used in) financing activities	10,114	(31,017)	1,571		(19,332)
Effect of exchange rate changes on cash			494		494
Net increase in cash and cash equivalents	14	(892)	3,946		3,068
Cash and cash equivalents as of beginning of period	20	3,165	239		3,424
Cash and cash equivalents as of end of period	$ 34	$ 2,273	$ 4,185	$	$ 6,492

Table of Contents

	Six Months Ended June 30, 2008				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
			(In thousands)		
Net cash (used in) provided by operating activities	$ (5,239)	$ 5,930	$ 6,735	$	$ 7,426
Additions to property and equipment, net of proceeds from sale of property and equipment		(21,908)	(20,548)		(42,456)
Payments for exclusive license agreements and site acquisition costs		(50)	(447)		(497)
Principal payments received under direct financing leases			17		17
Net cash used in investing activities		(21,958)	(20,978)		(42,936)
Proceeds from issuance of long-term debt	76,400	44,179	16,870	(61,213)	76,236
Repayments of long-term debt	(42,900)	(34,735)	(251)	34,057	(43,829)
Issuance of long-term notes receivable	(61,213)			61,213	
Payments received on long-term notes receivable	34,057			(34,057)	
Repayments of borrowings under bank overdraft facility, net			(3,881)		(3,881)
Payments received for subscriptions receivable	101				101
Proceeds from exercises of stock options	286				286
Other financing activities	(1,543)				(1,543)
Net cash provided by financing activities	5,188	9,444	12,738		27,370
Effect of exchange rate changes on cash			(144)		(144)
Net decrease in cash and cash equivalents	(51)	(6,584)	(1,649)		(8,284)
Cash and cash equivalents at beginning of period	76	11,576	1,787		13,439
Cash and cash equivalents at end of period	$ 25	$ 4,992	$ 138	$	$ 5,155

Table of Contents

Cautionary Statement Regarding Forward-Looking Statements

Certain statements and information in this Quarterly Report on Form 10-Q (this Form 10-Q) may constitute forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. The words believe, expect, anticipate, plan, intend, foresee, should, would, could or other similar expressions are 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 currently anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for 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;*
- *our ability to cope with and develop business strategies dealing with the deterioration experienced in global credit markets;*
- *the consolidation of several of our existing branding customers;*
- *our ability to expand our bank branding and surcharge-free service offerings;*
- *our ability to provide new ATM solutions to financial institutions;*
- *our ATM vault cash rental needs, including liquidity issues with our vault cash providers;*
- *the implementation of our corporate strategy;*
- *our ability to compete successfully with our competitors;*
- *our financial performance;*
- *our ability to strengthen existing customer relationships and reach new customers;*
- *our ability to meet the service levels required by our service level agreements with our customers;*
- *our ability to pursue and successfully integrate acquisitions;*
- *our ability to expand internationally;*
- *our ability prevent security breaches; and*
- *the additional risks we are exposed to in our armored transport business.*

Other factors that could cause our actual results to differ from our projected results are described in (1) our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (2008 Form 10-K), (2) our reports and registration statements filed from time to time with the Securities and Exchange Commission (SEC) and (3) other announcements we make from time to time.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. 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.

Table of Contents

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

Overview

Cardtronics, Inc. operates the world s largest non-bank network of automated teller machines (ATM). As of June 30, 2009, our network included over 32,880 ATMs throughout the United States, the United Kingdom, and Mexico, primarily at national and regional merchant locations. We provide ATM management and equipment-related services and electronic funds transfer (EFT) transaction processing services to our network of ATMs as well as ATMs owned and operated by third parties. For a more detailed discussion of our operations and the manners in which we derive revenues, please refer to our 2008
Form 10-K.

Economic and Strategic Update

Over the past several years, we have made significant capital investments, including (1) our acquisition of our United Kingdom operations in 2005, (2) our expansion into Mexico in 2006, (3) our acquisition of the ATM and advanced-functionality kiosk business of 7-Eleven, Inc. (7-Eleven) in 2007, and (4) the launch of our in-house EFT transaction processing platform. Additionally, during this same period of time, we continued to deploy ATMs in high-traffic locations under our contracts with large, well-known retailers, which has led to the development of relationships with large financial institutions through bank branding opportunities and enhanced the value of our wholly-owned surcharge-free network, Allpoint. As a result of these past strategic actions and the relatively conservative use of capital during this time, we believe that the negative impact of the economic downturn on our business should continue to be mitigated by the following:

Stable and recurring nature of our business model. Our financial results for the six months ended June 30, 2009 demonstrate that the significant capital investments we have made over the past several years have provided us with an operating platform that we believe should continue to generate relatively stable earnings and consistent cash flows. Based on our most recent results, we believe transactions conducted on our ATMs have not been negatively affected by the economic downturn and expect that this trend will continue. For example, average monthly cash withdrawal transactions per ATM increased to 604 during the six months ended June 30, 2009 from 575 during the same period last year. Furthermore, while we have seen some modest declines in surcharge-related withdrawal transactions in the United States and the United Kingdom, we have continued to see slight increases in withdrawal transaction levels (especially surcharge-free withdrawal transactions.)

Strong liquidity position. We continue to believe we have a sufficient amount of liquidity to meet our anticipated operating needs for the foreseeable future. Our $175.0 million credit facility, which is in place until May 2012, had $31.5 million outstanding at June 30, 2009, including letters of credit, leaving us with $143.5 million in available, committed funding. The outstanding balance under our facility decreased by $21.2 million from $52.7 million (including letters of credit) at December 31, 2008, due primarily to repayments made during the three month period ended June 30, 2009. Furthermore, we continue to be in compliance with all covenants under the facility and would continue to be even if we substantially increased our borrowings or had substantially reduced earnings.

Product diversification. Over the past few years, we have consciously worked to diversify our product and service offerings beyond the traditional ATM surcharging model, which we believe will provide future growth opportunities that do not require significant amounts of new capital. Examples of these growth opportunities include (1) adding more third parties to our ATM transaction processing platform, similar to the arrangement we currently have in place to process transactions for over 1,500 ATMs owned and operated by a third-party convenience store chain in the United States; (2) continued expansion and improvement in the types of services that we currently offer on our advanced-functionality ATMs located in 7-Eleven convenience stores across the United States; and (3) continued growth in our branding and surcharge-free offerings. The recent expansion of our branding relationship with an existing bank branding partner to cover an additional 1,300 ATM locations in the United States is an example of one of these growth opportunities.

Although we believe that the characteristics described above should benefit us given current market conditions, the recent issues that have negatively impacted the economy and many of the nation s largest banks could have an adverse impact on our ongoing operations. For example, the continued loan delinquency and default issues facing financial institutions could have a negative impact on those financial institutions with whom we conduct business. Additionally, even though we recently executed a new bank branding agreement with one of our existing branding partners, the decision-making process on new bank branding arrangements continues to remain relatively slow compared to what we have experienced historically.

Table of Contents

While we are continuing to monitor current economic conditions, we cannot at this point accurately predict their impact. However, despite the factors discussed above, we currently believe that our revenues in 2009 will not differ materially from 2008 (excluding the effects of negative year-over-year foreign currency translation adjustments), and we currently expect that any reduction in revenues will be more than offset by certain cost reduction measures that have been put in place as well as anticipated lower interest rates in each of our key markets.

Recent Events

Foreign Currency Exchange Rates. The strengthening of the United States dollar relative to the British pound and Mexican peso negatively impacted our results during the first half of 2009 in terms of translating those foreign earnings into United States dollars. Despite the negative impact on our revenues and gross profits, we do not expect this trend to have a negative impact on our cash flows as we do not currently rely on cash generated by our international operations to fund our domestic operating needs and each operation conducts substantially all of its business in its local currency. Additionally, given the fact that we continue to explore potential growth opportunities in the two international markets in which we currently operate, the strengthening of the United States dollar could enhance our ability to invest in those markets at favorable exchange rates.

Stock Repurchase Program. In February 2009, our Board of Directors approved a common stock repurchase program up to an aggregate of $10.0 million. The shares will be repurchased from time to time in open market transactions or privately negotiated transactions at our discretion. The timing and extent of any purchases will depend on a variety of factors, such as market price, overall market and economic conditions, the level of cash generated from operations, alternative investment opportunities, regulatory considerations or other commitments. We plan to fund repurchases made under this program from available cash balances and cash generated from operations. The share repurchase program will expire on March 31, 2010, unless extended or terminated earlier by our Board of Directors. To date, we have purchased approximately 35,000 shares of our common stock at a total cost of $0.1 million and at an average price per share of $3.37.

Table of Contents

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
ATM operating revenues	97.4%	96.8%	97.9%	96.6%
ATM product sales and other revenues	2.6	3.2	2.1	3.4
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues:				
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below) (1)	67.4	74.0	69.3	74.1
Cost of ATM product sales and other revenues	2.5	2.9	2.1	3.2
Total cost of revenues	69.9	76.8	71.3	77.2
Gross profit	30.1	23.2	28.7	22.8
Operating expenses:				
Selling, general, and administrative expenses (2)	8.5	7.7	8.9	7.4
Depreciation and accretion expense	8.0	7.9	8.2	7.7
Amortization expense	3.6	3.5	3.8	3.6
Loss on disposal of assets	1.3	0.9	1.6	1.0
Total operating expenses	21.4	20.0	22.4	19.7
Income from operations	8.7	3.2	6.2	3.1
Other expense (income):				
Interest expense, net	6.6	6.5	6.9	6.6
Other (income) expense				