



***Real Estate - Diversified***

# **ATM White Paper: Cash Is Here To Stay Data & Trends**

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Over the years we've learned a lot about and have been very interested in Automated Teller Machines (ATM's) as an investment. They've been known to provide very high and consistent cash flow and we were intrigued to learn more.

ATM's as you know, have surcharge fee's, which are the primary source of revenue, but we were worried and had questions about the sustainability.

We kept asking ourselves, **are we heading towards a cashless society?**

**Are ATMs a dying technology?**

These are common misconceptions and even the most basic research through a simple google search provides countless sources showing that our society is cash driven and that cash is here to stay.

This white paper aims to provide the data behind the ongoing demand for cash and ATM's.

***"I would never predict the death of cash over the next decade or 2. I think cash is going to be with us for a long time to come".***

**- PayPal CEO Dan Schulman, August 2018**

Providing and maintaining a method of delivering cash into the hands of the general public while simultaneously integrating online/digital technologies is a golden investment opportunity achieved through the humble ATM machine. A “bank-in-a-box” device that recently turned 50 years old.

While 50 is often considered antiquated this is not the case with the ATM which continues to evolve in sophistication and usefulness. Thus, holding its position as an essential and integral part of everyday life providing useful services and opportunities for growth one couldn't have imagined 5 decades ago.

During the recession, the number of cash transactions actually increased, according to the Federal Reserve – and haven't yet subsided, even after the recession's official end.

***"It's still decades and decades, it's going to take our kid's lifetime before you start to see a cashless society".***

**- Venmo CEO Michael Vaughan, June 2018**

- All the technology around payment services, Google Pay, PayPal, Venmo etc., have not stopped cash from being a growth business. **Currency in circulation of cash grows 5% annually** which is substantially faster than the US population grows which is typically around 1% annually.
- **The number of notes in circulation has risen for 17 consecutive years** and doubled to 40 billion between 1996 and 2016.
- **Cash remains the most frequent method of payment in the U.S.**, representing roughly 31% of consumer transactions, more than electronic, credit, debit or checks and half of these are smaller transactions less than \$25.
- **30% of US households are unbanked or underbanked**, that's 45 million Americans that don't have access to payment systems other than cash.
- Even with internet sales led by Amazon growing quickly, **e-commerce represents only about 10 percent of all retail transactions.**
- Use of cash by U.S. households is consistent across most income levels, around 25 percent, and goes way up at the lowest incomes.
- Per the Director of Engraving and Printing: from 2008 – 2016 the **volume of currency in circulation has increased 43%.**
- The New Jersey Legislature and the Philadelphia City Council passed measures for **stores who do not accept cash to face financial penalties** because cashless stores seemingly discriminate against the unbanked, or underbanked, for that matter.

There are many reasons people continue to use cash. While it's not typically our peer demographic that uses an ATM, **there is a large demographic of people who are increasingly using ATM's**. This demographic could be generally characterized under one or multiple of the following summary points:

- Consumers who have a lack of credit and thus credit card access
- Has credit capacity, however, distrusts credit cards given security and hack breaches evidenced by an uptick in usage with security breaches at larger retailers in the past few years
- Use ATM's for EBT cards (government moved to debit cards in recent years)
- Use prepaid debit cards as they fall under the underbanked or unbanked demographic



Colin Gordon, Global ATM Marketing Manager, NCR says, "Various studies and reports have shown that cash remains extremely popular among consumers and has a key role to play in the global financial ecosystem." And "an estimated 16% of the world's ATMS are enabled for \*cash recycling." (\**withdraws and deposits*)

Other ATM users that generally do not fall in this demographic but use ATM's frequently, are those that will routinely go to a neighborhood ATM for their banking needs as part of their daily errand ritual and identify as habitual users because:

- Are heavy cash users and use convenience of ATM's vs. going into a bank branch
- Use an ATM, in lieu of bank branch, given the migration from employers over the last decade to ACH of weekly paycheck. These users no longer go to a bank branch to cash a payroll check and would rather use ATM's.
- ATM's are beginning to be considered as a "bank branch in a box" and every bank is seeing branch traffic decreasing over the last decade, thus increasingly embracing this Kiosk model



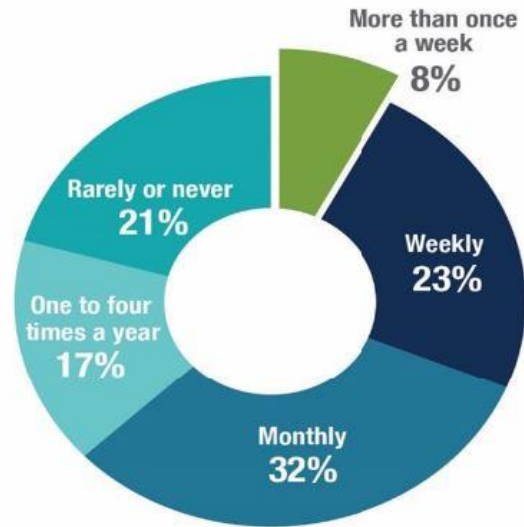
Doug Pertz, CEO, Brinks recently spoke about how Federal regulation requires that all banks have a certain amount of cash available same day. He also reminds us that world events can still send a sudden reminder of cash's critical role in the everyday economy..."Look at Puerto Rico, where all the ATM's went down for days post hurricane..." Brinks rushed in with truckloads of cash to help society continue to operate.



# WHY WE NEED ACCESS TO CASH & ATMS

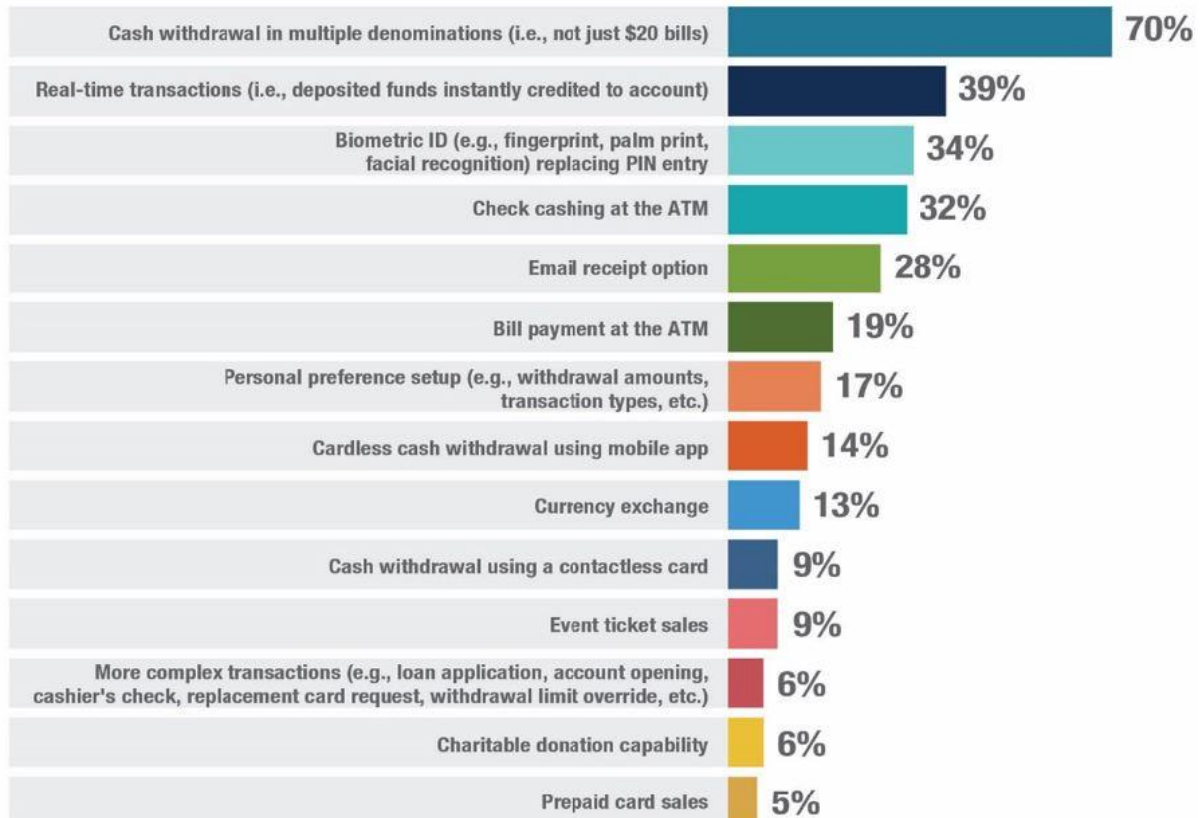


## 5. How often do you use an ATM?



## 6. Which of the following services would you most like to see at the ATM?

Participants selected their top three choices



U.S. CONSUMER SURVEY RESULTS | ATM FUTURE TRENDS 2017

## ATMS: WHERE ARE WE HEADED?

Having established that cash isn't going away any time soon, it would nevertheless be shortsighted to limit one's views of the ATM as remaining that of a simple 24/7/365 cash dispensing vehicle.

Several important factors are facilitating the evolution of the ATM into an essential, multi-tasking and *vital* tool for the consumer.

One primary factor driving the evolution of the ATM are changes within traditional banking. Those changes are driven by the need to meet or exceed ever-changing consumer expectations for modernization and innovation while at the same time keeping costs low and remaining profitable.

Consumers are increasingly migrating to digital channels which contributes to banks closing unprofitable, low-traffic branches.

Because the ATM is still ranked by account holders as the Number 1 self-service channel and interaction method with a bank, even among smartphone users, its viability remains assured as the perfect bridge to fill the transactional gap created as banks continue to close branches.



***“So, banks need to put in place every effort to make cash management easier and more secure and consider cross-channel innovations. There are great opportunities to integrate cash management with mobile banking. Cardless pre-staged mobile withdrawal will become popular as the most convenient and safest method for accessing cash.”***

**– Antonella Comes, Chief Marketing Officer, Auriga Italian Banking Solutions**



Today's advanced machines are capable of tasks no one imagined when they were first introduced 50 years ago such as:

- Opening accounts, granting loans and taking payments of almost any kind
- Cardless Options:
  - Mobile wallet compatibility: Cardless transaction with “tap and pay” technology in a near-field communication (NFC) enabled smartphone.
    - Customer initiates the transaction by signing into a leading mobile wallet app (Wells Fargo Wallet, Apple Pay, Android Pay or Samsung Pay) and holding the phone near an NFC-enabled ATM terminal. Once authenticated, the customer will input the PIN and complete the transaction.
    - More than 40% (5000+) of Wells Fargo ATMs are currently NFC enabled
  - Secure access code and PIN set up with card issuer via phone or mobile banking application
    - Locate nearest participating ATM from thousands nationwide using the ATM locator online or via the mobile app
    - Input access code and PIN to withdraw cash
    - Specify amount for withdraw
    - One-time or multi-use access code/PIN
    - Access codes are secure as they are not tied to a debit card and not stored on the phone



## ATMS: WHERE ARE WE HEADED?

The ATM is evolving into an interactive touchpoint for consumers requiring secure, reliable access to cash while also enabling an increasingly wide variety of transactions.

Transactions similar in nature to those routinely carried out on devices used by consumers every day such as tablets and smartphones. The ATM of the future will utilize innovative and flexible software changing it from a simple cash dispensing machine to a method of personalized communication with more depth allowing banks to deliver unprecedented, value-added levels of customer service.

Countless opportunities exist to rejuvenate existing ATMs with creative software applications, allowing them to deliver much needed profits for banks through new revenue streams via a true omnichannel banking strategy.



And, according to Jose Resendiz, Vice President and General Manager of Financial Services Solutions, NCR Corp: “The growth in the ATM channel is expected to happen rapidly. **The latest industry forecasts predict that the number of ATMs installed globally will grow to 4 million by 2021, up from 3.2 million in 2015.**”

Suzanne Cluckey, Senior Editor of ATM Marketplace writes “This is a future with enormous potential for both financial institutions and independent ATM deployers – especially those whose business model is flexible, adaptive and nimble and whose employee culture is collaborative, creative and, above all, service-driven.”

In addition to the ATM’s being a crucial ingredient in meeting the needs of the underbanked and unbanked, it has the added benefit of being in the unique position where card networks and digital channels – such as mobile apps – meet the people most likely to use them: in the streets and neighborhoods where people work, shop and transact the business of their daily lives.

There is inherent technology obsolescence risk with every investment. Below is a summary as to why the risk profile is quite low with ATMs:

- Ethnic groups in larger cities use ATM's as a banking system and will continue to do so
- Majority of demographic using ATM's will always use cash, regardless of other options
- Monetary (cash) system is growing annually regardless of new mobile technologies, etc.
  - Despite all the new technology, crypto currency, apple pay, google wallet and others, **the use of cash has actually increased steadily over the last decade, see the [Article in the USA Today](#)**
- **New Technologies Risk Assessment:**
  - New mobile and other payment technologies (Google Wallet, Apply Pay, crypto currency, etc.) are greater risks for credit card companies, not ATM and cash users
  - The current credit distressed demographic, who are heavy ATM users, will have the same credit challenges with any new mobile, chip or alternative technologies they had with credit card access, thus, are unlikely to change from ATM's
  - Adoption of any new disruptive technology takes 5-7 years to hit stride and, we are finding nothing on the horizon that could usurp ATM relevance
  - As noted earlier, mobile phones will be used to communicate with ATM's to withdraw cash (versus ATM card) providing increased relevance and use of ATM's



While there are many different forms of ATM monetization, there is a unique opportunity to acquire enough assets (ATM/locations) to have a material impact for advertisers and, thus, become more attractive to them.

**Proximity Marketing:** data is compiled through a small camera device built into the screen (see photo to right) which evaluates the demographics and traffic of people near the ATM. This is valuable information to advertisers and the retail owner who can cater their messaging accordingly on the screen.

**Facial Recognition:** technology that provides facial recognition of ATM users, as those looking at the video screens provides analytic data to advertisers.

**Gift Card Kiosks:** integrate gift card distribution into ATM's, along with placing kiosks (leveraging floor lease) alongside ATM's in malls/travel plazas, etc. and then get paid a fixed fee per month.



**Digital Signage:** video screens on top of ATM's that are dual output capable and can provide weather and other news updates at the bottom of the screen, while providing streaming and rotating advertising allowing multiple advertisers to pay to get their ads on the ATM screen.

**Wrapping:** many company's pay to "wrap" the ATM machine with their advertising/logo.

**Bank Branding:** regional or national banks pay \$50-\$250 per month for branding in strategic locations.

**Coupons Monetization:** advertising on transaction receipts with bar codes that can be utilized as coupons for specific product discount (i.e. \$1 off a foot-long sub at Subway).



Customers are increasingly demanding convenience and more digital and mobile engagement. The banking industry is undergoing a transformation in order to respond to their customers' needs. In part, shrinking the number of bank branches to respond to these demands. Therein lies a golden opportunity for the ATM.

A recent article in ATM Marketplace cites compelling trends supporting a positive outlook for the future of independent ATM operators:

*“Independent ATM operators have good reason to be bullish about the future when even at the scale of a top five bank, they see independent ATMs in top-tier retail locations as critical infrastructure for transforming customer service. That is a powerful statement on how intertwined digital banking and ATMs have become in fulfilling the self-service demands of consumers, especially at a time when ATMs increasingly are becoming America’s source for cash.”*

What this means is that transformation within the banking industry has created an unprecedented opportunity for the independent ATM operator. The article goes on to state that banks and other financial institutions such as credit unions, are looking to the independent ATM as the perfect complement to their digital strategy:

*“The independent ATM industry can be the low-cost, high-value physical infrastructure that empowers banks to focus on their digital channels.”*

According to financial services industry insiders sourced for this report, the future of the ATM looks bright with innovations anticipated for all segments of the ATM industry.

***“ATMs have become far more than machines that dispense cash. They are portals into a full array of technologies that let people bank anytime and anywhere. ATMs are now at the forefront of omnichannel technologies that are redefining the digital economy.”***

**- Bill Nuti, CEO, NCR**

- [Paper, coins still have a place in our wallets and purses, federal officials say.](#)
- [The ATM in 2019 and Its Digital First Future](#)
- [The US Will Not Be Cashless Anytime Soon](#)
- [In The U.S. Cash Is Sticking Around](#)
- [The Use Of Cash: "I'm Not Dead Yet"](#)
- [Venmo executive says we're still 'decades away' from a cashless society](#)
- [The cashless society myth: PayPal, Square, and bitcoin have not stopped cash from being a growth business](#)
- [Americans can't quit cash](#)
- [Cash is still king and people still use banks – here's where technology hasn't taken over](#)
- [This Legislation Could Force Stores to Take Your Cash](#)
- [ATM Future Trends Report](#)



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