

Linfox Armaguard Pty Ltd

Proposed Merger with Prosegur Australia Holdings Pty Ltd (Proposed Transaction)

Statement of: Michael Philip Cronin
Address: 37 Vaughan Street, Essendon Fields, Melbourne, Victoria 3041
Occupation: Chief Executive Officer at Linfox Armaguard Pty Ltd
Date: 25 August 2022

On 25 August 2022, I, Michael Philip Cronin of 37 Vaughan Street, Essendon Fields, Melbourne, say:

1. I am the Chief Executive Officer (**CEO**) at Linfox Armaguard Pty Ltd (**Armaguard**).
2. I have been asked to make a statement by MinterEllison for the purpose of the Australian Competition and Consumer Commission's (**ACCC**) review of Armaguard and Prosegur Australia Holdings Pty Ltd's (**Prosegur**) application for merger authorisation (**ACCC's Review**).
3. I am authorised to make this statement on behalf of Armaguard for the purpose of the ACCC's Review.

EXPERIENCE AND EMPLOYMENT HISTORY

4. I hold a Master of Business Administration from Deakin University and I have over 25 years' experience in supply chain management, logistics, operations and procurement.
5. In 2021, I was appointed as the CEO of Armaguard. In this role, I am responsible for leading the Linfox Armaguard Group which has operations in Australia, South East Asia and New Zealand and report to the Board of Armaguard. As CEO, I lead Armaguard's Executive Leadership Team, which includes the Chief Financial Officer, the Head of Customer and Executive General Manager for Group Transformation and Growth.
6. I have extensive operational, strategic and change management expertise, and a strong focus on safety, sustainability and customer service in my role.
7. I have held a number of senior roles prior to being appointed as the CEO of Armaguard including:
 - (a) from 2004 to 2006, as National Manager of Retail for Linfox;
 - (b) from 2006 to 2010, as National Manager of Retail and Fast-Moving Consumer Goods at Toll Holdings Limited;
 - (c) from 2011 to 2014, as Vice President of Commercial and Marketing at Aurizon;
 - (d) from 2014 to 2015, as Executive General Manager at Downer;
 - (e) from 2015 to 2016, as General Manager of Project Delivery at Salini Impregilo;

- (f) from 2016 to 2018 as General Manager of Strategy and Commercial at NSW Ports;
- (g) from 2018 to 2021, as President Retail at Linfox; and
- (h) from 2021 to present, as CEO at Armaguard.

ARMAGUARD'S CIT BUSINESS

8. Armaguard's annual revenues from its cash management business have been in significant decline since approximately 2012. The CIT business is currently loss making and is forecast to continue to be loss making into the future. This ongoing decline means that Armaguard's CIT business is no longer financially viable in its current form. [REDACTED]

9. [REDACTED]

10. In my role as CEO, I have directed the Executive Leadership Team to take all necessary steps to improve the financial position of the Group's results and actively consider the options available to the Board. To this end:

(a) Armaguard has continued to, and accelerated, the implementation of numerous initiatives – some dating back to 2019 – to reduce the costs of the business in response to the significant decline in the volume of cash being processed, including:

- (i) implementing changes to the branch network through the closure of Approved Cash Centres (**ACCs**), as well as the conversion of select ACCs into transport hubs;
- (ii) implementing a range of changes to personnel, including branch organisation structure reviews, removal of 'lunch on truck' allowances and significant corporate overhead restructures; and
- (iii) undertaking operational continuous improvement initiatives, including single pass processing, transport efficiency programs, reduced operating days and next day cash processing.

(b) [REDACTED]

(iii) pursuing industry reform through continuous engagement with government and the Reserve Bank of Australia (**RBA**).

- 11. Notwithstanding all of these initiatives and considerations, they are not sufficient to return Armaguard's CIT business to profitability.
- 12. The only initiative which I consider could return Armaguard's CIT business to some level of profitability and make it financially sustainable on an ongoing basis is the Proposed Transaction with Prosegur. The Proposed Transaction would address the fundamental, and otherwise insurmountable, problem in providing cash management services that requires high fixed cost infrastructure, in circumstances where the use of cash as a payment method is in ongoing decline, and customers are increasingly unwilling to pay a price that enables recovery of the cost of providing the services.
- 13. For this reason I have recommended to the Armaguard Board, and the Board has accepted my recommendation, that Armaguard pursues the Proposed Transaction.
- 14. In the event the Proposed Transaction does not proceed, I anticipate that the Board will immediately request advice as to the full range of options available, including whether or not Armaguard should continue to provide CIT services. [REDACTED]

[REDACTED]

15. [REDACTED]

(a) [REDACTED]

(b) [REDACTED]

(c) [REDACTED]

(d) [REDACTED]

16. [REDACTED]

- [REDACTED]
- [REDACTED]
17. Unlike the options mentioned in paragraph 15 above, the Proposed Transaction will ensure the ongoing supply of CIT services to Armaguard's existing customers and the security and resilience of the cash payment system in Australia despite the declining use of cash as a payment method.

Signed by Michael Philip Cronin on 25 August 2022

[REDACTED]

Michael Philip Cronin