

Statement in support of application for merger authorisation

RE: PROPOSED MERGER BETWEEN LINFOX ARMAGUARD PTY LTD AND PROSEGUR AUSTRALIA HOLDINGS PTY LTD

PROSEGUR AUSTRALIA HOLDINGS PTY LTD

Co-Applicant

Statement of: **Ennio Paul Alberici**
Address: Level 1, 65 Epping Road, Macquarie Park, NSW
Occupation: Chief Financial Officer, Prosegur Australia Pty Ltd
Date: 23 August 2022

The document contains confidential information which is indicated as follows:

[Confidential to Prosegur:] for Prosegur Australia Holdings Pty Ltd and its related bodies corporate.

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A. INTRODUCTION

1. I am the Chief Financial Officer (**CFO**) of the Prosegur Group in Australia, consisting of Prosegur Australia Holdings Pty Ltd (**PAH**) and its controlled entities (**Prosegur Australia Group**).
2. I make this statement in support of the joint application for merger authorisation that will be lodged by Linfox Armaguard Pty Ltd (**AMA**) and PAH with respect to the proposed merger between the parties (**Proposed Transaction**).
3. This statement (including annexures) contains information, which is confidential to Prosegur Australia Group, its related bodies corporate, and, in some instances, to third parties. Disclosure of the confidential information contained in this statement (including any annexures) would cause prejudice to the Prosegur Australia Group.
4. I make this statement based on my own experience and knowledge of Prosegur Australia Group's operations based on my role and involvement in the business as set out in **Part B** below, a review of relevant records which are made and kept in the normal course and for the purposes of the Prosegur Australia Group business and enquiries made of relevant staff. Where information is obtained from another source, the information is true to the best of my knowledge and belief.

B. BACKGROUND

B.1 My role at Prosegur Group

5. I commenced my employment with Prosegur Australia Group in January 2020. I have held the role of CFO since this time. As CFO, I am a member of Prosegur Australia Group's Executive Committee, which is the Australian leadership and management team.
6. I was also appointed as an Executive Director of the following trading companies:
 - (a) PAH, Prosegur Australia Pty Limited (**PAPL**) and Precinct Hub Pty Ltd (**Precinct**) on 14 July 2021; and
 - (b) Prosegur Foreign Exchange Pty Limited (**PFX**) on 10 December 2021.

B.2 Responsibilities at Prosegur Australia Group

7. In my current role as CFO, I am responsible for:
 - (a) leading a team of approximately 20+ people;
 - (b) managing cashflow and directing all financial, statutory, tax, treasury and management reporting processes across Australia;

- (c) managing local and inter-company reporting, including to Prosegur Cash, S.A (**Prosegur Cash**) and Prosegur Compañía de Seguridad, S.A. (**PCDS**), and together with Prosegur Cash, **Prosegur Group**) in Spain;
 - (d) directing budgeting and forecasting processes across Australia, having regard to company profits and losses, balance sheets and cashflow; and
 - (e) overseeing all finance functions, treasury operations, payroll and procurement processes.
8. I report directly to the Asia, Oceania, Africa (**AOA**) CFO and have a dotted reporting line to the Managing Director of PAPL.

B.3 My experience and employment history

9. Prior to joining Prosegur Australia Group, I was employed by Aussie Industries Pty Ltd, a waste management and transport company, as the Group CFO from October 2018 to October 2019, following a career break from July to October 2018. In this role, I was responsible for managing financial, statutory and tax reporting processes for 14 entities, and overseeing the monthly management accounts, including profit and loss reports, and cash flow and balance sheets. I was also responsible for producing weekly profitability reports for four entities to enable Aussie Industries to assess operations.
10. I was the CFO and Executive Director for Sage Software Australia (**Sage**), a technology company, from May 2016 to July 2018. In this role, I was responsible for overseeing the company's financial operations, including statutory compliance and administration. I was also responsible for partnering with the Chief Executive Officer and Executive Vice Presidents to develop strategic, commercial and financial insights, forecasts and budgets, and reporting to the UK Parent Company. Prior to this, I was employed as the Finance Director of Sage Micropay, a Sage entity, from April 2014 to May 2016 where I was involved in overseeing, and reporting on, similar financial and business administration activities.
11. I was employed by NBN Co Limited (**NBN**) from April 2010 to April 2014. During this time, I held the following roles at NBN:
- (a) Infrastructure and Assets Finance Manager from February 2013 to April 2014, where I was responsible for establishing and maintaining finance and accounting best practices, providing strategic direction and expertise for asset and capitalisation systems, driving monthly depreciation forecasting processes and ensuring compliance with regulatory requirements and accounting standards;
 - (b) Acting General Manager of Finance Systems from July 2012 to January 2013, where I was responsible for implementing new enterprise resource planning (**ERP**) systems and reporting frameworks; and

- (c) Financial Control Manager from April 2010 to July 2012, where I was responsible for financial forecasting, variance analysis and financial reporting to the Board and Senior Management. I was also responsible for implementing new ERP systems, business control policies and ACCC reporting structures.
12. In addition to my employment history set out above, I previously held various roles including:
- (a) Group Manager of Capital Planning and Accounting at SingTel Optus Pty Ltd;
 - (b) Mobile Networks Commercial Manager at SingTel Optus Pty Ltd;
 - (c) Financial Controller and Commercial Manager at IBM Australia; and
 - (d) Accounting roles at Baxter International, Mayne Logistics, Pierlite Australia Pty Ltd, Jaguar Australia and Harvest Products Pty Ltd.

B.4 Qualifications and education

13. I hold a Bachelor of Commerce, Accounting from Western Sydney University (1994).
14. I am a Certified Practising Accountant, accredited through CPA Australia (2010).
15. I am a Fellow Certified Practising Accountant, accredited through CPA Australia (2015).

C. PROSEGUR AUSTRALIA GROUP'S OPERATIONS

C.1 Structure of Prosegur Australia Group

16. PAH is a proprietary company limited by shares and headquartered in Sydney, Australia (ACN 166 656 739).
17. PAH is wholly owned (via Prosegur Global CIT ROW) by Prosegur Cash, which in turn is, as at 18 July 2022, 79.42% owned by PCDS. Both Prosegur Cash and PCDS are incorporated and headquartered in Spain and are separately listed on the Madrid and other Spanish Stock Exchanges.
18. PAH has three trading subsidiaries in Australia – PAPL, Precinct (formerly Prosegur SPV1 Pty Limited) and PFX:
- (a) PAPL operates Prosegur Australia Group's cash in transit (**CIT**) business, device management and maintenance business, and valuable cargo transportation services in Australia. PAPL also owns and operates the independent Kwikcash ATM network;

- (b) Precinct's main current business is the operation of the Precinct ATM network, the fleet of Westpac non-branch ATMs acquired from Westpac in November 2019. Precinct is also in the early planning stages of a branch utility / hub offering in Australia;
 - (c) PFX commenced trading in 2022 and provides retail foreign currency exchange services, primarily at airports.
19. My role with respect to all businesses, including PAPL and Precinct, includes setting and tracking the budget for, and reporting and measuring the performance of, these businesses.

C.2 Operational Revenues

20. Prosegur Australia Group's revenue streams are derived from different business lines or products / services. I set out below the business lines in terms of how my team and I usually track revenues.

C.2.1 CIT services

21. CIT services comprise two main components:
- (a) transportation of cash between customer sites and PAPL's approved cash centres, with limited recarry services from customers directly to banks; and
 - (b) processing of cash in PAPL's cash centres.
22. PAPL derives revenue from:
- (a) the **transportation of cash** from fees charged to customers per service - i.e., a fee for the delivery or collection of cash based on each stop or job; and
 - (b) **processing cash** from the fees charged to customers based on the volume of cash processed, specifically the number of notes or value of notes counted.

Some existing contracts are priced on a single, fixed fee for transportation and cash processing combined.

C.2.2 Device management and maintenance services

23. PAPL generates revenues from device deployment and maintenance as follows:
- (a) **Kwikcash and other white label ATMs:** PAPL generates revenue from fees charged directly to end customers for use of the ATM to withdraw cash. Customers are charged a fee in addition to their withdrawal amount for using the ATM, which goes to PAPL;

(b) **Maintenance:** PAPL provides maintenance services on ATMs and other devices. Maintenance services include those provided on:

- (i) PAPL's own Kwikcash ATMs (but with no generation of revenue);
- (ii) Other white label ATMs (generally charged a fixed fee for CIT & maintenance);
- (iii) Precinct ATMs. While the Precinct ATMs sit within Precinct, the revenue and costs associated with the maintenance of these ATMs sit within PAPL. PAPL charges / invoices Precinct for these services on an arm's length basis;
- (iv) some third-party ATMs; and
- (v) non-ATM devices, being the Transport for NSW Opal top-up machines and ticketing gates.

24. PAPL engages mostly in first-line maintenance (**FLM**) which includes simple repairs such as jams or display issues and associated services. I understand PAPL only provides limited second-line maintenance (**SLM**), which includes more serious repairs, such as broken parts repairs and replacement.

25. For accounting purposes, FLM and SLM are not separated into different businesses. Maintenance is charged per service to external customers and at arm's length to the Precinct entity.

26. I understand from Michael Shipton, Managing Director and Ivan Capeski, Service Delivery Manager, that **[Confidential to Prosecur: [REDACTED]**
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

27. [REDACTED]
[REDACTED]
[REDACTED].

C.2.3 Valuable cargo

28. Valuable cargo involves the transportation of high value commodities for external customers other than currency, including raw materials, precious metals, bulk cash, jewellery, art and electronic devices.

29. In most cases, PAPL derives revenue on a cost-plus basis (quoted price) but some regular services are charged on a transport basis similar to CIT.

C.2.4 Cash Today (formerly Kwikbank) business

30. PAPL derives revenue from intelligent safe devices used by customers to manage cash from the time it enters the secure device to when it is removed and physically deposited with a bank. These intelligent devices are now referred to as Cash Today but were previously referred to as Kwikbank or 'SmartSafe' solution. PAPL also provides customers with a Wombat cash app but little revenue is derived from the app currently as this is a new service. We are now also offering the Wombat app service without our safe devices, using the customers' on site safes.

C.2.5 Onsite management at hospitality venues

31. PAPL derives revenue from the onsite management of cash, vault facilities and management of gaming machines at a small number of hospitality venues (e.g., clubs).

C.2.6 Precinct

32. The Precinct business currently derives revenue from the Precinct ATMs purchased from Westpac, when any customer uses the ATM to make a withdrawal, deposit or balance enquiry. Revenue includes a margin earned as a result of Dynamic Currency Conversion (DCC). DCC is offered to international cardholders when they withdraw cash, and our service providers facilitate the currency exchange to their local currency at the time of withdrawal. In common with many currency exchange facilities, a margin is earned at the time of exchange.

33. **[Confidential to Prosecur:** [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

D. SAFETY

34. As a director of PAH, PAPL and Precinct, I am aware that the Prosecur Australia Group treats the safety and security of its CIT operations and its employees seriously. Prosecur Australia Group has invested heavily to ensure that it provides a safe and secure CIT service for its employees and its customers. However, Prosecur Australia Group's poor financial performance means that the company has been in recent years and is continuing to look at ways to reduce its costs where it is able to in the future (discussed in section G.5 below).

35. An overview of Prosecur Australia Group's investment on key safety and security measures is outlined in paragraphs 36 to 43 below. As can be seen, while these costs are substantial, they have remained relatively constant over the last few years. In addition to investments in upgrading and maintaining its vehicle fleet, Prosecur Australia Group requires **[Confidential to**

Prosegur: [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

D.1 Fleet investment

36. PAPL recently made a significant investment in its armoured truck fleet. In around July 2020, **[Confidential to Prosegur: [REDACTED]]** At that time, PAPL had successfully tendered for the Woolworths CIT contract and required additional trucks to service that contract. Due to lead times, the new trucks were delivered between January and June 2021, at a cost of **[Confidential to Prosegur: [REDACTED]]**

37. [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

38. A breakdown of PAPL’s armoured and semi armoured fleet used for CIT services by age that I have obtained from Michael Linder is provided in **Table 1** below.

Table 1 Breakdown of Prosegur Australia Group’s fleet by age [Confidential to Prosegur:

Age (years)	Number of vehicles
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total	[REDACTED]

[Confidential to Prosegur: [REDACTED]
[REDACTED]
[REDACTED]]

39. Table 2 below sets out the costs of fleet maintenance for PAPL's owned vehicles for the years 2019 to 2021:

Table 2: Prosegur Australia Group - vehicle repairs and maintenance costs [Confidential to Prosegur:

Category	2019 \$'000	2020 \$'000	2021 \$'000	Grand Total \$'000
Accident Damage Repairs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Repairs & Maintenance – MV Parts	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Repairs & Maintenance – MV & CCTV	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

40. While Prosegur Australia Group is focused on ensuring the maintenance of its ageing fleet, [Confidential to Prosegur: [REDACTED]
[REDACTED]
[REDACTED]]

D.2 Staff training and equipment

41. Prosegur Australia Group makes significant investments each year into safety equipment and the training and safety of its staff. Whilst there are no laws that require all CIT drivers to carry firearms and wear bullet proof vests, Prosegur Australia Group sees the safety of its personnel as paramount and requires all drivers to carry firearms and wear bullet proof vests. Under the voluntary CIT Code of Practice prepared by the Australian Security Industry Association Limited, CIT providers are required to provide certain duress functions for drivers. [Confidential to Prosegur: [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]]

42. Table 3 shows Prosegur Australia Group's direct spending on employee training, protective equipment and firearms between 2019 and 2021:

Table 3: Prosegur Australia Group investment in employee safety [Confidential to Prosegur:

Category	2019	2020	2021	Grand Total
First Aid Training	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Training of Employees	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bullet proof vests / safety clothing	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Firearm costs / maintenance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Safety Equipment & Others	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

D.3 Cash centre investments

43. PAPL makes significant investments at each of its cash centres to ensure that its employees working at those centres are kept safe and the cash stored at those premises is kept secure. To illustrate, I am informed by Michael Linder that the cost of establishing a cash centre would be approximately **[Confidential to Prosegur: [REDACTED]]**. While most of PAPL's cash centres are generally leased warehouses, the spend from PAPL is to upgrade the premises to secure locations - that is, vaults, additional wall thickness, cameras / CCTV systems, access controls, barriers / bollards, as well as equipment including cash counting equipment.

E. BUDGET PREPARATION AND APPROVAL PROCESS

E.1 Budget setting

44. The process for setting the Prosegur Australia Group budgets and forecasts is in line with the Prosegur Group, with the financial year being January to December. The Prosegur Australia Group typically starts preparing the budget and forecasts for the following year in July and generally completes it by late August or early September. Preparing the draft budget involves me and my team working in consultation with the commercial and management teams of the Prosegur Australia Group.
45. The budget preparation process is iterative. Once the draft budget is prepared, it typically goes through various rounds of review with regional and global leaders and representatives of the Prosegur Group who provide feedback for the budget to be revised and refined. Since I have been CFO, this has included the Global Prosegur Cash CFO Javier Hergueta and Global Prosegur Cash CEO Jose Antonio Lasanta Luri. Often feedback is passed through the AOA CFO Luis Javier Sahuquillo.
46. The review process involves liaising with the Australian commercial teams to determine how to address the feedback received from the Prosegur Group in the budget, before the budget is

accepted by the Prosegur Cash CEO for submission as part of the global budget to the Board for approval.

47. As Prosegur Australia Group has been sustaining significant losses, there has been a significant and increasing focus from the Prosegur Group on how the Prosegur Australia Group business can reduce costs, create efficiencies and increase revenues to try to make the business sustainable. I discuss in section F below the financial position of Prosegur Australia Group and in section G, the cost cutting and other measures Prosegur Australia Group has taken.

E.2 Forecasting

48. As part of the usual budgeting processes, Prosegur Australia Group also usually engages in medium-term (3 year) planning. The last forward estimates or projections were prepared in late 2020 with budget for 2021 and plan for 2022 and 2023. The medium-term planning is done every 3 years. One-year budgets are prepared in the other periods.
49. In late 2021, budgets were prepared only for the 2022 year, but during the year (i.e. 2022), my team and I track actual progress against the current budget on a monthly basis and prepare forecasts for each month for the remainder of the budget year to reflect the latest expected position.
50. Since I have been CFO, the ongoing impact of COVID-19 together with the broader difficulties facing the CIT industry has meant that Prosegur Australia Group has not met its budgets in 2020 and 2021 and, in my view, is highly unlikely to do so for 2022.
51. Table 4 below sets out the budget for 2021 and forward estimates for 2022 and 2023, as they were prepared in late 2020 (see paragraph 48 above), compared to FY2021 actuals, FY2022 budget (as prepared in late 2021) and FY2022 forecast based on June 2022 YTD.

Table 4: Prosegur Australia Group: Summary of 2021 budget and 2022/2023 plan (prepared in 2020) [Confidential to Prosegur:

\$'000s	FY2021 Budget	FY2021 Actuals	FY2022 Plan	FY2022 Budget	FY2022 forecast	FY2023 Plan
EBITA (before management fees)	██████	██████	██████	██████	██████	██████

Notes: above values are consolidated for all Australian trading entities

52. For the 2021 budget, which was prepared in the second half of 2020, Prosegur Australia Group factored in a [Confidential to Prosegur: █████] yearly reduction in the volume of cash to be collected or processed by the Prosegur Australia Group. I have observed in my role that the pandemic led to a period of much steeper decline in the use of cash thereby affecting the

[REDACTED]

56. [REDACTED]

F.2 Prosegur Australia Group’s data – 2017 to 2021

57. Prosegur Australia Group’s financial performance is tracked and measured internally in various ways, including:

- (a) through its management accounts on a consolidated profit and loss basis for each of PAPL and Precinct (which I discuss in section F.2.1 below). The management accounts differ from the statutory financial statements discussed above as the former do not include **[Confidential to Prosegur: [REDACTED]]** but do reflect inter-company revenues for the individual entities, PAPL and Precinct, as they are prepared on an individual basis. Management fees and interest also differ, with these charged below the EBITA line in the management accounts.
- (b) on a business line / product basis, by gross margin (which I discuss in section F.3 below). Performance on a product level basis is usually tracked on a gross margin basis as it is not possible to reliably allocate indirect / overhead costs to different products / services (and Prosegur Australia Group does not seek to do so); and
- (c) by cash centre, down to a gross margin level (which I discuss in section F.5 below).

58. The other key financial metrics that my team and I focus on is key performance indicators (**KPIs**) which measure how much it costs PAPL, on average, to:

- (a) service each customer per stop for the transportation of cash; and

(b) process cash per value counted.

59. These metrics help PAPL to determine how efficient the business is on average, having regard to the number of stops and volume of cash collected, and is used for pricing of new contracts and to improve yield on existing contracts. PAPL generally does not measure these costs on a customer-by-customer basis, because this analysis is difficult and extremely time consuming. However, in July 2021, I completed a yield analysis on a customer basis (based on June 2021 month data only) to inform future pricing and target areas where yield could be improved. The analysis summarised revenues and costs for transport, cash processing and maintenance for each individual customer, as well as gross margins before and after indirect costs were factored in. The analysis is annexed to this statement and marked **Confidential Annexure EA02**.

60. **[Confidential to Prosegur:** [REDACTED]
[REDACTED]
[REDACTED]

(a) [REDACTED]
[REDACTED]

(b) [REDACTED]
[REDACTED]

(c) [REDACTED]
[REDACTED]

61. [REDACTED]:

(a) [REDACTED]
[REDACTED]

(b) [REDACTED]
[REDACTED]

(c) [REDACTED]
[REDACTED]

62. [REDACTED]
[REDACTED]
[REDACTED]

63. [REDACTED]
[REDACTED]
[REDACTED]

[Redacted]

64. [Redacted]

F.2.1 Consolidated profit and loss for PAPL and Precinct

65. The majority of Prosegur Australia Group revenue is generated by PAPL. [Confidential to Prosegur: [Redacted]]

66. Set out in Table 6 below is a summary of PAPL’s consolidated profit and loss reflected in its management accounts for the financial years 2017 to 2021. The figures below exclude the amounts PAPL received in FY2020 for the Job Keeper benefit but include [Confidential to Prosegur: [Redacted]]

Table 6: Summary of PAPL’s financial performance 2017-2021 (excluding JobKeeper)
[Confidential to Prosegur: [Redacted]]

PAPL (CIT)	FY2017 \$'000	FY2018 \$'000	FY2019 \$'000	FY2020 \$'000	FY2021 \$'000
Revenue	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Total Direct Costs	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Gross Margin	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Overheads	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
EBITA	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

[Confidential to Prosegur: [Redacted]]

67. As shown above, in 2017, PAPL was profitable, with EBITA of [Confidential to Prosegur: [Redacted]]

68. I consider that the declining performance of PAPL has been driven primarily by the following:
[Confidential to Prosegur: [Redacted]]

(a) [REDACTED]

(b) the decline in the use and volume of cash in Australia, which has accelerated since the onset of the COVID-19 pandemic and has materially reduced the volume of cash flowing through Prosegur Australia Group’s transport and processing operations, as well as through its ATMs and other businesses. A return to pre-COVID levels has not occurred, making profitability very difficult to achieve.

69. While the Prosegur Australia Group has undertaken significant cost cutting measures over a number of years (which I discuss in section G below), these measures have not been able to offset the reduction in revenue and low margins from our customers.

70. There have been some improvements in the PAPL business in 2021 compared to 2020. I consider the main reasons for this are a slight reduction in the impacts of COVID on cash usage (although 2021 was still impacted by lockdowns) and further cost cutting and efficiencies by the business and reductions in indirect costs.

71. Set out in Table 7 below is a summary of Precinct’s consolidated profit and loss reflected in the management accounts since 2020, when Precinct began trading.

Table 7: Summary of Precinct’s financial performance 2020-2021 [Confidential to Prosegur:

Precinct Hub Pty Ltd	FY2020 \$'000	FY2021 \$'000
Revenue	[REDACTED]	[REDACTED]
Total Direct Costs	[REDACTED]	[REDACTED]
Gross Margin	[REDACTED]	[REDACTED]
Overheads	[REDACTED]	[REDACTED]
EBITA	[REDACTED]	[REDACTED]

72. The decline in cash use since the onset of the COVID-19 pandemic has meant that Precinct’s profitability has been much lower than originally expected, and [Confidential to Prosegur: [REDACTED]]. In particular, I estimate that the number of ATM withdrawals

Maintenance P&L	FY2017 \$'000	FY2018 \$'000	FY2019 \$'000	FY2020 \$'000	FY2021 \$'000
Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Direct Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Margin %	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

85. **[Confidential to Prosecur: [REDACTED]**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

86. Set out in **Table 12** below is a summary of the financial performance of PAPL's Cash Today (formerly Kwikbank) business.

Table 12: Summary of Cash Today results 2019-2021 [Confidential to Prosecur:

Kwikbank P&L	FY2017 \$'000	FY2018 \$'000	FY2019 \$'000	FY2020 \$'000	FY2021 \$'000
Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Direct Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Margin %	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

87. **[Confidential to Prosecur: [REDACTED]**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

88. Set out in **Table 13** below is a summary of the financial performance of PAPL's Hospitality business.

Table 13: Summary of hospitality results 2019-2021 [Confidential to Prosecur:

Hospitality P&L	FY2017 \$'000	FY2018 \$'000	FY2019 \$'000	FY2020 \$'000	FY2021 \$'000
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Direct Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Margin %	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

89. **[Confidential to Prosegur:** [REDACTED]
[REDACTED]
[REDACTED]

90. Set out in Table 14 below is a summary of the financial performance of PAPL's valuable cargo business.

Table 14: Summary of valuable cargo results 2017-2021 [Confidential to Prosegur:

Val Cargo P&L	FY2017 \$'000	FY2018 \$'000	FY2019 \$'000	FY2020 \$'000	FY2021 \$'000
Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Direct Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Margin %	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

91. **[Confidential to Prosegur:** [REDACTED]
[REDACTED]
[REDACTED]

F.4 COVID-19 and JobKeeper

92. **[Confidential to Prosegur:** [REDACTED]
[REDACTED]
[REDACTED]

93. [REDACTED]
[REDACTED] While Precinct may see some increase in ATM withdrawals from the slow return of international travellers into the country, I expect the uplift will be small.

94. I expect this to be the new norm in cash volume and revenues as Australians adopt the use of non-cash payments and technology.

95. Prosegur Australia Group received a net benefit from JobKeeper in 2020 of around [Confidential to Prosegur: [REDACTED]] in 2021.

F.5 Financial performance of individual cash centres

96. As mentioned above, financial performance is also analysed and tracked on an individual cash centre basis. PAPL's reporting of cash centres involves tracking P&L to a gross margin level, with depot costs sitting below the gross margin line and indirect costs associated with the broader business, e.g., HR, finance staff, etc also not factored into in. However, PAPL also separately tracks depot costs for each cash centre, which are used to analyse a more accurate gross margin for each cash centre. Sales attributed to each cash centre include revenues from Transport, Cash Today / Kwikbank, cash processing, and ATM services provided in the vicinity of the cash centre in question, with a separate analysis for Valuable Cargo. The P&Ls for each cash centre are analysed monthly by the operational teams to review and assess whether costs are on track and where further savings can be made.

97. The margin data referred to in paragraphs 98 to 101 below is based on PAPL's "true" gross margin including depot costs.

98. [Confidential to Prosegur: [REDACTED]]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

99. [REDACTED]
[REDACTED]

- (a) [REDACTED]
- (b) [REDACTED]
- (c) [REDACTED]
- (d) [REDACTED]
- (e) [REDACTED]
- (f) [REDACTED]
- (g) [REDACTED]
- (h) [REDACTED]

(i) [REDACTED]

100. [REDACTED]

101. [REDACTED]

102. It is difficult to operate many regional and remote cash centres profitably. However, PAPL needs to service these areas to provide a service to its national customers. In addition to typically having significantly longer runs as customers are further apart, there tends to be lower cash volumes to process in regional and remote centres while labour costs tend to be higher in some areas. For example, I am aware that it is very difficult to find labour in Port Hedland (Wedgfield cash centre). I also understand it is often more expensive to service regional areas from other cash centres (see paragraph 123 below).

G. COST CUTTING MEASURES

G.1 Need for cost-cutting measures

103. CIT businesses can be more successful (dependant on the pricing achieved from customers) when they have significant volume, which allows for full transport run and route planning efficiencies. I understand that in the Australian CIT industry, a large proportion of that volume comes from the largest seven contracts in the market. These largest 7 contracts are the four major banks (CBA, NAB, ANZ and WBC) the two largest supermarket chains (Woolworths and Coles) and Australia Post.

104. As I discuss in paragraph 68(a) above, I became aware after joining the Prosegur Australia Group that **[Confidential to Prosegur: [REDACTED]**

105. I also became aware after joining Prosegur Australia Group that it was impacted by a global cyber-attack which occurred in late October 2019. Almost all of Australia's systems were down

[Redacted text block]

(b) [Redacted text block]

(c) [Redacted text block]

(d) [Redacted text block]

(e) [Redacted text block]

(f) [Redacted text block]

(g) [Redacted text block]

[Redacted]

(h) [Redacted]

(i) [Redacted]

111. The impact of the cost cutting has been a reduction in costs for PAPL from **[Confidential to Prosegur: [Redacted]]**

112. PAPL has and is continuing to seek to implement a number of initiatives to improve its margins with customers. I and other members of the Executive Committee consider that PAPL has little choice but to seek to negotiate these initiatives with customers given the dire financial position of the business. These initiatives include: **[Confidential to Prosegur:**

[Redacted]

[Redacted]

[Redacted]

[Redacted]

G.3 One-man vehicles

113. [Confidential to Prosegur: [REDACTED]]
[REDACTED]
[REDACTED]

114. [REDACTED]

115. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

116. [REDACTED]
[REDACTED]
[REDACTED]

117. [REDACTED]
[REDACTED]
[REDACTED]

118. [REDACTED]
[REDACTED]

119. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

120. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

G.4 Cash centres

121. [Confidential to Prosegur: [REDACTED]]
[REDACTED]
[REDACTED]

[Redacted]

(a) [Redacted]

(b) [Redacted]

(c) [Redacted]

(d) [Redacted]

122. [Redacted]

123. [Redacted]

G.5 Future cost cutting

124. In my view, there is very little further cost cutting that will have any appreciable impact on Prosegur Australia Group's financial performance that would not start to directly affect the quality, safety and security of our services and impact our remaining employees, although with likely rising costs Prosegur Australia Group will always look to implement other cost efficiencies including as part of GMIPs. I consider that Prosegur Australia Group has stripped back to "bare bones" on key costs and in particular labour / headcount, which is a major cost item.

125. I do not see the Prosegur Australia Group returning to profitability or having a sustainable future with a focus on the CIT and ATM businesses under the current competitive landscape.

[Confidential to Prosegur: [Redacted]

126. As I discussed above, the Prosegur Australia Group has **[Confidential to Prosegur:** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

127. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

H. CURRENT PERFORMANCE AND OUTLOOK FOLLOWING COVID

H.1 2022 Budget

128. Set out in **Table 15** is a summary of PAPL’s budget for 2022, actuals for June 2022 against budget, together with the forecast for the full FY2022 based on June 2022 YTD actuals. As discussed in paragraph 49 above, I adjust the forecasts for the remainder of the budgeted year after the end of each month based on actuals for the year up to that month.

Table 15: PAPL 2022 Financials **[Confidential to Prosegur:**

Prosegur Australia Pty Ltd	2022 YTD BUDGET \$'000	2022 YTD ACTUAL \$'000	2022 FY BUDGET \$'000	2022 FY FORECAST \$'000
Total Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Direct Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Margin %	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EBITA	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

129. For the first six months of 2022, the PAPL business has **[Confidential to Prosegur:** [REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

130. [Redacted]

131. [Redacted]

132. [Redacted]

(a) [Redacted]

(b) [Redacted]

133. [Redacted]

H.2 2022 budget assumptions

134. [Confidential to Prosecur: [Redacted]]

(a) [Redacted]

(b) [Redacted]

(c) [Redacted]

(d) [Redacted]

H.2.1 Winning new business

135. [Confidential to Prosecur: [Redacted]]

136. [Redacted]
[Redacted]
[Redacted]

H.2.2 Service reductions

137. [Confidential to Prosecur: [Redacted]
[Redacted]
[Redacted]
[Redacted]

138. [Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

139. [Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

140. [Redacted]
[Redacted]

141. [Redacted]
(a) [Redacted]
(b) [Redacted]

142. [Redacted]
(a) [Redacted]
(b) [Redacted]

143. [Redacted]
(a) [Redacted]

(b) [Redacted]

H.2.3 2022 annual price increases

144. [Confidential to Prosegur: [Redacted]]

145. [Redacted]

146. [Redacted]

147. [Redacted]

I. FORECAST FINANCIAL PERFORMANCE

148. Based on year-to-date performance to June 2022, including [Confidential to Prosegur: [Redacted]]

149. [Redacted]

150. [Redacted]

151. [Redacted]

152. However, I have not yet factored into my forecasts the impact of rising cash rates which is directly raising Prosegur Australia Group's bailment cost. Bailment is the fee paid to Westpac for the use of their cash to replenish the ATM network. [Confidential to Prosegur: [Redacted]]

[Redacted text block]

153. Precinct is forecast to generate around [Confidential to Prosegur: [Redacted text]].

154. Precinct's forecast EBITA for 2022 is [Confidential to Prosegur: [Redacted text]].

J. PROSEGUR AUSTRALIA GROUP'S FINANCIAL OBLIGATIONS

155. [Confidential to Prosegur: [Redacted text]]

156. [Redacted text block]

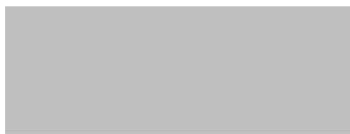
157. [Redacted text block]

158. [Redacted text block]

159. [Redacted text block]

Signed by Ennio Paul Alberici

on 23 August 2022



Signature of Ennio Paul Alberici