

## ASX Announcement

15 November 2010

ASX Code: GRG

### GRG to acquire Sydney-based eFunds Group including exclusive outsource partner of Suncorp-Metway Ltd

- **Adds second major bank branded partnership to GRG**
  - **eFunds Pty Ltd is the exclusive strategic outsourced ATM partner to Suncorp-Metway Ltd ("Suncorp")**
  - **239 ATMs already installed under the Suncorp agreements**
  - **49 ATMs already installed in non bank branded locations**
  - **No integration/replacement expenditure required on the installed base of eFunds Group ATMs**
- **GRG further strengthens its high profile management team with the executive owners of the eFunds Group agreeing to sign two year management contracts**
- **All owners of the eFunds Group show commitment to GRG's growth by committing to 12 month voluntary escrow on shares issued as initial consideration**
- **GRG does not intend to raise capital for the cash component of the acquisition**
- **Second tranche of consideration adjusted according to eFunds Group's CY2011 performance results**
- **eFunds Group forecast to add approximately \$10.4m revenue and \$3.6m EBITDA to GRG in CY2011**

GRG International Limited (ASX: GRG) has entered into a conditional agreement through its wholly-owned subsidiary GRG International Holdings Pty Ltd to acquire all the issued capital of eFunds Pty Ltd and ATM Serve Pty Ltd as well as the Electronic Retail Solutions business (collectively "eFunds Group"). The purchase price for the eFunds Group consists of two tranches. GRG will satisfy the first tranche of the consideration at completion by the payment of \$3.3 million cash and the issue of \$3.3 million worth of fully paid GRG shares to be issued at the lesser of \$0.20 per share and the volume weighted average price of GRG shares traded on the ASX on each of the 10 trading days immediately prior to the completion date.

The initial component of the transaction structure for the eFunds Group acquisition is as follows:

eFunds Group Entity	Transaction	Tranche 1 Consideration (Due at completion)	
		Cash	Shares (based on issue price of \$0.20 per share)
Electronic Retail Solutions business	Sale of business	\$806,355	4,031,775
ATM Serve Pty Limited atf the ATM Serve Unit Trust	Sale of shares and units	\$293,220	1,466,100
eFunds Pty Limited atf the AnZ Unit Trust	Sale of shares and units	\$2,220,870	11,104,350
<b>Total Tranche 1</b>		<b>\$3,320,445</b>	<b>16,602,225</b>

Tranche 2 is variable based on the performance of the eFunds Group business in calendar year 2011 ("CY11") and is to be paid on or before 15 March 2012. It will be calculated at 3.62 times the audited EBITDA earnings of the eFunds Group Entities for CY11 less the value of the Tranche 1 consideration. The Tranche 1 consideration equals \$6,640,890 for the

purposes of calculating the Tranche 2 consideration. Tranche 2 will also be funded half in cash and half in fully paid GRG shares. Tranche 2 shares will be issued at the volume weighted average price of GRG shares traded on the ASX on each of the 10 trading days immediately prior to 24 December 2011.

The maximum aggregate consideration of both cash and scrip for the eFunds Group is capped at \$15,000,000 for Tranche 1 and Tranche 2 regardless of the CY11 earnings. Accordingly, the maximum Tranche 2 consideration cannot exceed \$8,359,110.

The company does not intend to raise capital for the cash components of this transaction, which will be partly funded from existing cash reserves and partly from a finance facility to be provided by one of the major Australian banks.

The issue of Tranche 1 and Tranche 2 shares will be subject to shareholder approval, if required by the ASX Listing Rules.

GRG secures a key exclusive partnership with Suncorp via eFunds Pty Ltd which has already installed 239 ATMs under the Suncorp agreements. An additional 49 ATMs have been installed under the ATM Serve Pty Ltd's non bank branded agreement. GRG will not incur integration or replacement costs to continue the operations of the installed base of the eFunds Group ATMs.

The acquisition adds new blue-chip clients, Australian geographical diversity and is forecast to contribute approximate annual revenues of \$10.4 million and EBITDA of \$3.6 million to GRG in CY2011.

In committing to the consolidation of GRG and the eFunds Group, the current executive owners of the eFunds Group have agreed to sign two year management contracts and all owners of the eFunds Group have agreed to a 12 month voluntary escrow period over the Tranche 1 shares received as consideration. ASX may impose its own restrictions on the Tranche 1 and Tranche 2 shares pursuant to Listing Rule 9.1 and GRG has lodged a submission with ASX seeking clarification on this point.

The company will further strengthen its global operations with the addition of the eFunds Group's expert banking and ATM resources.

### **eFunds Group Overview**

The eFunds Group was established in 1998 and is a combination of three operating units; eFunds Pty Ltd, ATM Serve Pty Ltd and Electronic Retail Solutions (ERS). Each unit specialises in a specific niche of the ATM market and the combination is a full service ATM operator with the ability to procure, install, operate and maintain ATMs in NSW and mostly in the Sydney metro area.

eFunds Pty Ltd is the exclusive outsourced partner to Suncorp for the placement and deployment of Suncorp branded ATMs to select retail locations. The agreements provide for eFunds to receive a fixed monthly management fee for providing ATM locations and to receive rebate revenue from its merchant filled ATMs. There are 239 installed ATMs under the Suncorp agreements and the total is expected to increase at minimum to 70 additional units per year. The Suncorp agreements expire in September 2015 and this has been a highly successful partnership to date.

eFunds Pty Ltd's primary objective has been the roll-out of Suncorp branded ATMs to city convenience stores. The focus of this campaign has been the Sydney CBD and targeted Sydney metro areas supporting Suncorp's branch retail growth strategy. It has created strong brand recognition for Suncorp by specifically targeting the convenience store merchant market which typically operate with extended retail hours. Branding is enhanced by the installation of branded interior light boxes as well as the inclusion of branding inserts on underawning street signs. Suncorp has highlighted a strong commitment to WA and to a lesser extent Victoria and SA which will provide for potential geographical expansion of eFunds under the agreements.

### **GRG International Background**

GRG recently listed on the ASX raising \$4.5 million to fund organic growth opportunities and for working capital. There is currently no external interest bearing debt. The strong asset base is supported by quality cash flows from key customer contracts including its partnership with Bendigo Bank.

GRG is in joint venture with GRG Banking of Guangzhou, the largest ATM manufacturer in China. The company leverages GRG Banking's resources to design, develop, manufacture and sell ATMs, ATM management software and spare parts

without incurring the associated overheads. GRG International will also sell the comprehensive range of other GRG Banking products such as Recyclers, Teller Cash Dispenser, Automatic Depository and Kiosk products. GRG International has exclusive rights to distribute the GRG Banking products in the United States, Canada, Australia, United Kingdom and Ireland and non exclusive rights to the Mexican, South African and Indian markets.

GRG has a high profile Western management team; established distribution chains; a roll out schedule under existing contracts; and for Australian market growth a high quality low cost product that is both EMV1 and EMV2 or 'chip and pin' ready compliant for Australian compulsory regulations coming into effect in 2012. All new and existing ATM machines installed in Australia must meet the EMV compliance specifications following the implementation of the new regulations.

GRG has a unique business model allowing international sales with significant margins on a 'ship and send' basis from the Chinese GRG Banking manufacturer. This allows the company to be very price competitive in markets such as Australia where it operates ATM fleets as its is effectively a full end-to-end supplier of ATM products in the sector. GRG expects to grow the business based on establishing market share in its already operating markets of USA, Canada, Mexico and Australia, whilst developing the emerging markets of United Kingdom, India, Mexico and South Africa.

GRG is firmly committed to its designated corporate 'modus operandi' of rapid growth organically and by acquisition.  
[www.grg atm.com](http://www.grg atm.com)

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