

Corporate Credit > U.S. High Yield



Cardtronics Inc.

Updated: November 6, 2015

Trade Idea:

- ▶ Buy 5.125% 2022 Bonds

Investment Rationale:

- ▶ Cardtronics operates a network of automated teller machines across the US, Canada, UK, parts of Mexico and has recently entered Germany. Though small, the company's growth has been impressive. Revenues have grown in the low teens, and the company says that organic revenue growth is running 9%. Revenues in the 2008-09 period flat-lined, but did not drop, so it did well during the recession/credit crisis.
- ▶ Management intends to keep Net Debt/EBITDA at 2 to 2.5X (EBITDA adds back transaction costs and the company regularly does add-on acquisitions). The company says that for occasional larger acquisitions, leverage may go to 2.7X or 3.1X, but the addition of new EBITDA generally reduces this quickly. Leverage is 2.3X on affirmed 2015 EBITDA guidance. Although the company recently announced that 7-Eleven would not be renewing its agreement with the company to run ATMs in its convenience stores, we believe that the company will be able to grow and diversify away from this significant client (as a % of revenues business had been declining yearly and was 17% of revenues in 2014) by mid-2017 when the contract expires. Additionally, the company maintains more than adequate access to liquidity.
- ▶ We believe that the bonds are higher quality than the overall index based on ratings and factors mentioned above, so that bonds will perform better in more difficult conditions, thus they have a +1 rating.

Recommendation(s):

View	Trade Horizon	Ticker	Cpn	Maturity	Ratings		Ccy	Issue Size	YTW	OAS	Cash		ISIN	
					S&P	Moody's					Price	Target		
+1	12 months	CATM	5.125%	8/1/2022	Ba3	BB+	USD	250	5.35%	325	98.75	101.0	95.0	US14161HAJ77

* Levels as of 11/06/2015