



ION PROPRIETARY

Veritas among suitors for NCR, sources say

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Veritas Capital is among the parties in pursuit of enterprise technology company **NCR** [NYSE:NCR], five sources familiar with the matter said.

Meanwhile, **Apollo Global Management** is continuing to court the provider of point-of-sale and digital banking solutions, these sources said. This news service reported in April that Apollo was among interested parties eyeing NCR.

Final bids for the Atlanta-based ATM operator are expected to be collected next month, some of the sources and an additional source familiar said.

Strategics have shown stronger interest in parts of the business, multiple sources said, with some of them adding that the NCR board is focused on a sale of the whole company.

In late March, the company's filing revealed that long-term investor and 3.3% shareholder **Engaged Capital's** founder Glenn Welling would be one of its nominees for the AGM. Welling joined the NCR board in May.

A few months prior, in February, the USD 4bn market cap company announced it was reviewing a full range of strategic alternatives to unlock value. **Bank of America**, **Goldman Sachs** and **Evercore** are advising the payments technology company.

Apollo has eyed both NCR and fellow ATM operator Cardtronics over the years and is familiar with the industry, some of the sources said. In January 2021, NCR outbid Apollo and hedge fund **Hudson Executive Capital** to acquire Cardtronics for USD 2.5bn in enterprise value.

One of the sources said Apollo could execute a similar monetization strategy with NCR as it did with its USD 1.6bn acquisition of Outerwall's portfolio of consumer services businesses in 2016. Engaged Capital had pushed Outerwall to consider strategic alternatives ahead of its sale to the financial sponsor.

NCR has been on the auction block multiple times in recent years. In 2015, a sale process ended with an agreement to sell USD 820m in convertible preferred shares to **Blackstone**, which has since exited its investment. In 2019, this news service reported that **Warburg Pincus** and Apollo were among suitors in yet another process.

While financial sponsors have shown interest in the company over the years, potential buyers have struggled to find a feasible long-term turnaround strategy, two of the sources said.

Meanwhile, NCR in its attempt to find growth overpaid to acquire Cardtronics last year, the same sources said. While it was the most logical buyer given the synergies, it did not necessarily provide NCR with new avenues of growth, a sector advisor said.

At the time of announcing the Cardtronics acquisition, NCR CEO Michael Hayford said the deal shifted NCR's revenue mix more towards software, services and recurring revenue. He said Cardtronics' surcharge free ATM network Allpoint was "highly complementary" to NCR's payments platform.

Since the closure of the deal on 21 June last year, NCR shares are down 32%. The shares ended Tuesday at USD 31.29, valuing the company at around 7.5x LTM adjusted EBITDA and 6.5x projected FY22 EBITDA.

The Cardtronics acquisition has also given some strategics pause, multiple sources said.

Self-service banking represents NCR's largest segment by revenues, accounting for USD 611m of its over USD 1.8bn topline in 1Q22. Other segments, including payments and network, digital banking, as well as retail and hospitality comprise the rest of the business. The company reported USD 271m in adjusted EBITDA for 1Q.

While announcing its results in April, NCR also cut its full year adjusted EBITDA guidance to USD 1.4bn to USD 1.5bn for the year. The company said results for the quarter were "negatively impacted" by COVID-19 resurgence, a war in Eastern Europe and cost inflation. It has over USD 5bn in long-term debt with USD 400m in cash and cash equivalents.

In March, NCR said it suspended the sale of products in Russia in light of the latter's invasion of Ukraine. Russia and Ukraine account for 1% of NCR's total revenues.

Given the size and complexity of the business, it is not an "easy deal to get done" in a challenging financing environment, some of the sources said.

In the event a sale is struck, an NCR buyout may require an equity check to the tune of 25% to 35% of total deal value, two of the sources said. Debt financing could comprise the participation of direct lenders alongside a bank syndicate, they said.

NCR and Veritas did not respond to requests for comment. Apollo declined to comment.

By Bhavna Kaul, Ryan Gould, Diane Alter and Rachel Stone

Grade: Strong evidence

TARGETS

NCR Corporation

Financial advisor
Bank of America

Goldman Sachs & Co. LLC
Evercore Inc.

BIDDERS

Apollo Global Management, LLC

Veritas Capital Fund Management, L.L.C.

USA

Computer services

Topics: Mergers and Acquisitions

Intelligence ID: intelcms-vvq3q7

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