

EURONET WORLDWIDE INC  
Form S-3/A  
November 05, 2003  
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As filed with the Securities and Exchange Commission on November 5, 2003

Registration No. 333-105478

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# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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## PRE-EFFECTIVE AMENDMENT NO. 1

TO

FORM S-3

REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

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## EURONET WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of incorporation)

4601 College Boulevard, Suite 300

Leawood, Kansas 66211

(913) 327-4200

74-2806888  
(I.R.S. Employer Identification No.)

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(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**CT Corporation System**

**Corporation Trust Center**

**1209 Orange Street**

**City of Wilmington, County of New Castle**

**Delaware 19801**

**(302) 658-7581**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*Copies to:*

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**Executive Vice President and General Counsel**

**Euronet Worldwide, Inc.**

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**Suite 1700, Tysons Corner**

**McLean, Virginia 22102**

**(703) 714-7400**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

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**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 5, 2003

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**Euronet Worldwide, Inc.**

**Common Stock**

This prospectus relates to 3,144,786 shares of our common stock that we issued in our acquisition of e-pay Ltd., or that may be issued upon conversion of notes we issued in the e-pay acquisition. These shares of common stock include preferred stock purchase rights attached to the common stock under our stockholder rights plan. The stockholders named in this prospectus under the heading **The Selling Stockholders** may offer and sell this common stock from time to time.

The selling stockholders or their pledgees, donees, transferees or other successors in interest may sell their common stock:

- in underwritten public offerings,
- in ordinary brokerage transactions on securities exchanges, including the Nasdaq National Market,
- to or through brokers or dealers who may act as principal or agent, or
- in one or more negotiated transactions.

The selling stockholders and the brokers or dealers through or to whom the shares of common stock may be sold may be deemed underwriters of the shares within the meaning of the Securities Act of 1933. In that event, all brokerage commissions or discounts and other compensation received by those brokers or dealers may be deemed underwriting compensation. To the extent required, the names of any underwriters and applicable commissions or discounts and any other required information with respect to any particular sale will be described in an accompanying prospectus supplement. See **Plan of Distribution** on page 16 for a further description of how the selling stockholders may dispose of the shares covered by this prospectus.

We will not receive any of the proceeds from sales of common stock made by the selling stockholders pursuant to this prospectus.

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Our common stock is listed on The Nasdaq National Market under the symbol EEFT. On November 4, 2003, the last reported sale price of our common stock prior to the date of this prospectus was \$15.09 per share.

**Investing in our common stock involves risks. See Risk Factors beginning on page 2 for certain risks and uncertainties that you should consider.**

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is \_\_\_\_\_, 2003.

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**About This Prospectus**

This prospectus is part of a resale registration statement. The selling stockholders may sell some or all of their shares in one or more transactions from time to time.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone else to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus, as well as the information we file with the SEC and incorporate by reference in this prospectus, is accurate only as of the date of the documents containing the information.

**Forward-Looking Statements**

We have included in this prospectus, and in the documents incorporated by reference in this prospectus, statements containing forward-looking information, as defined by the Private Securities Litigation Reform Act of 1995. Examples of statements containing forward-looking information that we make or incorporate by reference in this prospectus include, but are not limited to, statements regarding our expectations, beliefs, plans, goals, objectives and future financial or other performance. Words such as expects, anticipates, intends, plans, believes, seeks, estimates, variations of these words and similar expressions are intended to identify forward-looking statements. Any statement containing forward-looking information speaks only as of the date on which it is made. Except to fulfill our obligations under the United States securities laws, we do not undertake to update any forward-looking statement to reflect events or circumstances after the date on which it is made.

Our actual results may vary materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described in Risk Factors. These and other risks are also described in our periodic filings with the SEC, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2002 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003. Copies of these filings may be obtained by contacting us or the SEC.

Although we believe that the assumptions underlying the forward-looking statements contained or incorporated by reference in this prospectus are reasonable, any of the assumptions could be inaccurate. Therefore, we cannot give you any assurance that the forward-looking statements included or incorporated by reference in this prospectus will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included or incorporated by reference in this prospectus, you should not regard the inclusion of this information as a representation by us or any other person that the results or conditions described in those statements or our objectives and plans will be achieved.

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**Euronet Worldwide, Inc.**

We are a leading provider of secure electronic financial transaction solutions. We provide financial payment middleware, financial network gateways, outsourcing, and consulting services to financial institutions, retailers and mobile phone operators. We process transactions for a network of 3,008 automated teller machines (ATMs) across Europe. Through our software subsidiary, Euronet USA, Inc., we offer a suite of integrated electronic fund transfer (EFT) software solutions for electronic payment and transaction delivery systems. We provide comprehensive electronic payment solutions consisting of ATM network participation, outsourced ATM management solutions, electronic recharge services (for prepaid mobile airtime) and integrated EFT software solutions. Through our wholly-owned subsidiaries, including e-pay Ltd. and e-pay Australia Pty, Ltd. which we acquired on February 19, 2003, we operate a network of point-of-sale (POS) terminals providing electronic processing of prepaid mobile phone airtime ( top-up ) services in the U.K., Poland and Australia. Our principal customers are banks, mobile phone operators and retailers that require electronic financial transaction processing services. Our solutions are used in more than 60 countries around the world. We have eight offices in Europe, two in the United States and one each in India, Indonesia, Egypt and Australia.

**Risk Factors**

*You should consider carefully the following risk factors in evaluating us, our business and an investment in our securities. Any of the following risks, as well as other risks and uncertainties, could harm our business and financial results and cause the value of our securities to decline, which in turn could cause you to lose all or a part of your investment. The risks below are not the only ones facing our company. Additional risks not currently known to us or that we currently deem immaterial also may impair our business.*

***We have incurred net losses for almost all of our operating history. We may continue to generate net losses for the foreseeable future while we concentrate on expansion of our business.***

For the year ended December 31, 2002, we had net losses of approximately \$6.5 million and for the six months ended June 30, 2003, excluding the one-time gain of \$18.0 million from the sale of our U.K. subsidiary on January 17, 2003, we had net losses of approximately \$5.4 million. For the year ended December 31, 2001, we had net income of approximately \$0.7 million and for the years ended 2000 and 1999, we had net losses of approximately \$49.6 million and \$30.9 million, respectively. Excluding the one-time gain of \$18.0 million from the sale of our U.K. subsidiary, this



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results in an aggregate net loss of approximately \$91.7 million for the period January 1, 1999 through June 30, 2003. We may experience operating losses again while we continue to concentrate on expansion of our business and increasing our market share. If we cannot achieve and sustain operating profitability or positive cash flow from operations, we may not be able to meet our debt service or working capital requirements.

*We have substantial indebtedness and we will need a substantial increase in cash flows to continue to be able to meet our debt service obligations.*

We have substantial indebtedness. As of December 31, 2002 and June 30, 2003, our total indebtedness was approximately \$44.4 million and \$71.8 million, respectively, and our total assets were approximately \$66.6 million and \$211.9 million, respectively. We incurred this indebtedness in part as a result of our issuance of certain 12 3/8 % senior discount notes that fall due on July 1, 2006. Interest payments under these notes became due beginning on January 1, 2003. These numbers reflect our February 19, 2003 acquisition of all of the outstanding share capital of e-pay Ltd. In connection with the e-pay acquisition, we incurred approximately \$27.0 million of additional debt and increased our total assets by approximately \$98.0 million.

We will be required to refinance a portion of our debt to ensure that we are able to repay such debt on a timely basis. In addition, if the opportunity of a strategic acquisition arises or if we enter into new contracts that require the installation or servicing of ATM machines on a faster pace than anticipated, we may require additional financing for these purposes and to fund our working capital needs. This additional financing may be in the form of additional indebtedness that would increase our overall leverage.

The level of our indebtedness could have important consequences to investors, including the following:

- we must substantially increase our net cash flow to meet our outstanding debt service obligations and to fund adequately our planned capital expenditures and operations,
- our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes may be limited or financing may be unavailable,
- a substantial portion of our cash flows must be dedicated to the payment of principal and interest on our indebtedness and other obligations and will not be available for use in our business,
- our level of indebtedness could limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate, and
- our high degree of indebtedness will make us more vulnerable to changes in general economic conditions and/or a downturn in our business, thereby making it more difficult for us to satisfy our obligations.

In addition, if we fail to make required debt payments, or if we fail to comply with other covenants in our debt service agreements, we would be in default under the terms of such agreements. This would permit the holders of the indebtedness to accelerate repayment of this debt and could cause defaults under other indebtedness that we have.



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*We face some uncertainties in integrating e-pay Ltd. s operations.*

The success of the e-pay acquisition is in part dependent on our ability following the acquisition to integrate operations and leverage our existing relationships with mobile phone operators and retailers. Although management of our company, with assistance of e-pay management, intends to work diligently to effectively integrate the operations of the two companies, we can give no assurance as to the timing or extent to which integration will be achieved. In addition, the loss of key e-pay employees, suppliers and customers could have a material adverse effect on our ability to successfully integrate e-pay s operations.

*A lack of business opportunities or financial resources may impede our ability to continue to expand at desired levels, and our failure to expand operations could have an adverse impact on our financial condition.*

Our expansion plans and opportunities are focused on three separate areas: (1) our network of owned and operated ATMs; (2) outsourced ATM management contracts; and (3) our prepaid mobile phone airtime services.

The continued expansion and development of our ATM business will depend on various factors including the following:

- the demand for our ATM services in our current target markets,
- the ability to locate appropriate ATM sites and obtain necessary approvals for the installation of ATMs,
- the ability to install ATMs in an efficient and timely manner,
- the expansion of our business into new countries as currently planned,
- entering into additional card acceptance and ATM management agreements with banks,
- the ability to obtain sufficient numbers of ATMs on a timely basis, and
- the availability of financing for the expansion.

We carefully monitor the growth of our ATM networks in each of our markets, and we accelerate or delay our expansion plans depending on local market conditions such as variations in the transaction fees we receive, competition, overall trends in ATM-transaction levels and performance of individual ATMs.

We cannot predict the increase or decrease in the number of ATMs we manage under outsourcing agreements, because this depends largely on the willingness of banks to enter into outsourcing contracts with us. Banks are very deliberate in negotiating these agreements and the process of negotiating and signing outsourcing agreements typically takes six to twelve months or longer. Moreover, banks evaluate a wide range of

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matters when deciding to choose an outsource vender and generally this decision is subject to extensive management analysis and approvals. The process is exacerbated by the legal and regulatory considerations of local countries as well as local language complexities. These agreements tend to cover large numbers of ATMs, so significant increases and decreases in our pool of managed ATMs could result from signature or termination of these management contracts. In this regard, the timing of both current and new contract revenues is uncertain and unpredictable.

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We plan to expand our prepaid mobile phone top-up business, which is currently focused on the U.K. and Australia, into our other markets, including the United States and Poland, by taking advantage of our existing relationships with mobile phone operators and retailers. This expansion will depend on various factors, including the following:

- the ability to negotiate new agreements for those markets with mobile phone operators and retailers,
- the continuation of the trend of increased use of electronic prepaid airtime among mobile phone users,
- the development of mobile phone networks in these markets and the increase in the number of mobile phone users, and
- the availability of financing for the expansion.

In addition, our continued expansion may involve acquisitions that could divert our resources and management time and require integration of new assets with our existing networks and services. Our ability to manage our rapid expansion effectively will require us eventually to expand our operating systems and employee base. An inability to do this could have a material adverse effect on our business, growth, financial condition or results of operations.

*We are subject to business cycles and other outside factors that may negatively affect mobile phone operators, retailers and our customers.*

A recessionary economic environment or other outside factors could have a negative impact on mobile phone operators, retailers and our customers, which could, in turn, negatively impact our financial results. If mobile phone operators experience decreased demand for their products and services or if the retail locations where we provide POS top-up services decrease in number, we will process fewer transactions, resulting in lower revenue. In addition, a recessionary economic environment could result in a higher rate of bankruptcy filings by mobile phone operators, retailers and our customers, which will have a negative impact on our business.

*Our prepaid mobile airtime top-up business may be susceptible to fraud occurring at the retailer level.*

We contract with retailers that accept payment on our behalf, which we then transfer to a trust account for payment to mobile phone operators. In the event a retailer does not transfer to us payments that it receives for mobile phone airtime, we are responsible to the mobile phone operator for the cost of the airtime credited to the customer's mobile phone. Although we maintain insurance policies and take other precautions to mitigate this risk, we can provide no assurance that retailer fraud will not increase in the future or that any proceeds we receive under our insurance policies will be adequate to cover losses resulting from retailer fraud, which could have a material adverse effect on our business, financial condition and results of operations.

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***Because we typically enter into short-term contracts with mobile phone operators and retailers, our top-up business is subject to the risk of non-renewal of those contracts.***

Our contracts with mobile phone operators to process prepaid mobile phone airtime recharge services typically have terms of two years or less. Many of those contracts may be canceled by either party upon three months' notice. Our contracts with mobile phone operators are not exclusive, so these operators may enter into top-up contracts with other service providers. In addition, our top-up service contracts with major retailers typically have terms of one to two years and our contracts with smaller retailers typically may be canceled by either party upon three months' notice. The cancellation or non-renewal of one or more of our significant mobile phone operator or retail contracts, or of a large enough group of our contracts with smaller retailers, could have a material adverse effect on our business, financial condition and results of operations.

***The level of transactions on our ATM networks is subject to substantial seasonal variation, which may cause our quarterly results to fluctuate materially and create volatility in the price of our shares.***

Our experience is that the level of transactions on our networks is subject to substantial seasonal variation. Transaction levels have consistently been much higher in the last quarter of the year due to increased use of ATMs during the holiday season. The level of transactions drops in the first quarter, during which transaction levels are generally the lowest we experience during the year. Since revenues of the EFT Processing Services Segment are primarily transaction-based, this segment is directly affected by this cyclicity. As a result of these seasonal variations, our quarterly operating results may fluctuate materially and could lead to volatility in the price of our shares.

***The stability and growth of our ATM business depend on maintaining our current card acceptance and ATM management agreements with banks and international card organizations, and on securing new arrangements for card acceptance and ATM management.***

The stability and future growth of our ATM business depend in part on our ability to sign card acceptance and ATM management agreements with banks and international card organizations. Card acceptance agreements allow our ATMs to accept credit and debit cards issued by banks and international card organizations. ATM management agreements generate service income from our management of ATMs for banks. These agreements are the primary source of our revenues.

These agreements have expiration dates and banks and international card organizations are generally not obligated to renew them. In some cases, banks may terminate their contracts prior to the expiration of their terms. We cannot assure you that we will be able to continue to sign or maintain these agreements on terms and conditions acceptable to us or that international card organizations will continue to permit our ATMs to accept their credit and debit cards. The inability to continue to sign or maintain these agreements, or to continue to accept the credit and debit cards of local banks and international card organizations at our ATMs in the future, could have a material adverse effect on our business, growth, financial condition or results of operations.

***Retaining the founders of our company and of e-pay and finding and retaining qualified personnel in Europe are essential to our continued success.***

Our strategy and its implementation depend in large part on the founders of our company, in particular Michael Brown and Daniel Henry, and their continued involvement in Euronet in the future. In addition, the success of the expansion of e-pay's business depends in large part upon the retention of e-



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pay s founders, Paul Althasen and John Gardiner. Our success also depends in part on our ability to hire and retain highly skilled and qualified management, operating, marketing, financial and technical personnel. The competition for qualified personnel in Central Europe and the other markets where we conduct our business is intense and, accordingly, we cannot assure you that we will be able to continue to hire or retain the required personnel.

Our officers and some of our key personnel have entered into service or employment agreements containing non-competition, non-disclosure and non-solicitation covenants and providing for the granting of incentive stock options with long-term vesting requirements. However, most of these contracts do not guarantee that these individuals will continue their employment with us. The loss of our key personnel could have a material adverse effect on our business, growth, financial condition or results of operations.

*Our operating results depend in part on the volume of transactions on ATMs in our network and the fees we can collect from processing these transactions.*

Transaction fees from banks and international card organizations for transactions processed on our ATMs have historically accounted for a substantial majority of our revenues. Although we are less dependent on these fees due to our recent acquisition of e-pay, the future operating results of our ATM business depend on the following factors:

- the increased issuance of credit and debit cards,
- the increased acceptance of our ATM processing and outsourced management services in our target markets,
- the maintenance of the level of transaction fees we receive,
- the installation of larger numbers of ATMs, and
- the continued use of our ATMs by credit and debit cardholders.

Although we believe that the volume of transactions in developing countries will tend to increase due to growth in the number of cards being issued by banks in these markets, we anticipate that transaction levels on any given ATM in developing markets will not increase significantly. We can improve the levels of transactions on our ATM network overall by acquiring good sites for our ATMs, eliminating poor locations, entering new less-developed markets and adding new transactions to the sets of transactions that are available on our ATMs. However, we may not be successful in materially increasing transaction levels through these measures.

*Developments in electronic financial transactions, such as the increased use of debit cards by customers and pass-throughs of ATM transaction fees by banks to customers, or in the mobile phone industry, could materially reduce ATM transaction levels and our revenues.*

Certain developments in the field of electronic financial transactions may reduce the amount of cash that individuals need on a daily basis, including the promotion by international card organizations and banks of the use of bank debit cards for transactions of small amounts. These developments may reduce the transaction levels that we experience on our ATMs in the markets where they occur. Banks also could elect to pass



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through to their customers all, or a large part of, the fees we charge for transactions on our ATMs. This would increase the cost of using our ATM machines to the banks' customers, which may cause a decline in the use of our ATM machines and, thus, have an adverse effect

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on revenues. If transaction levels over our existing ATM network do not increase, growth in our revenues will depend primarily on rolling out ATMs at new sites and developing new markets, which requires capital investment and resources and reduces the margin we realize from our revenues.

The mobile phone industry is a rapidly evolving area, in which technological developments, in particular the development of new methods or services, may affect the demand for other services in a dramatic way. The development of any new technology that reduced the need or demand for prepaid mobile phone time could materially and adversely affect our business.

*We generally have little control over the ATM transaction fees established in the markets where we operate, and therefore cannot control any potential reductions in these fees.*

The amount of fees we receive per transaction is set in various ways in the markets in which we do business. We have card acceptance agreements or ATM management agreements with some banks under which fees are set. However, we derive the bulk of our revenues in most markets from interchange fees that are set by the central ATM processing switch. The banks that participate in these switches set the interchange fee, and we are not in a position in any market to influence greatly these fees, which may increase or decrease over time. A significant decrease in the interchange fee in any market could adversely affect our results in that market.

*In some cases, we are dependent upon international card organizations and national transaction processing switches to provide assistance in obtaining settlement from card issuers of funds relating to transactions on our ATMs.*

Our ATMs dispense cash relating to transactions on credit and debit cards issued by banks. We have in place arrangements for the settlement to us of all of those transactions, but in some cases we do not have a direct relationship with the card issuing bank and rely for settlement on the application of rules that are administered by international card associations (such as Visa or MasterCard) or national transaction processing switches. If a bank fails to settle transactions in accordance with those rules, we are dependent upon cooperation from such organizations or switches to enforce our right of settlement against such banks. Failure by such organizations or switches to provide the required cooperation could result in our inability to obtain settlement of funds relating to transactions and adversely affect our business.

*We derive a significant amount of revenue in our business from service contracts signed with financial institutions to own and/or operate their ATM machines.*

Certain contracts have been and, in the future, may be terminated by the financial institutions resulting in a substantial reduction in revenue. Contract termination payments, if any, may be inadequate to replace revenues and operating income associated with these contracts.

*Because our business is highly dependent on the proper operation of our computer network and telecommunications connections, significant technical disruptions to these systems would adversely affect our revenues and financial results.*

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Our business involves the operation and maintenance of a sophisticated computer network and telecommunications connections with banks, financial institutions, mobile operators and retailers. This, in turn, requires the maintenance of computer equipment and infrastructure, including telecommunications and electrical systems, and the integration and enhancement of complex software applications. There are

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operational risks inherent in this type of business that can result in the temporary shut-down of part or all of our processing systems, such as failure of electrical supply, failure of computer hardware, failure of communications networks and software errors. Excluding our German ATMs, we operate all of our ATMs through our Budapest processing center, and any operational problem in Budapest may have a significant adverse impact on the operation of our network generally. In addition, we operate all of our top-up services through our processing center in the U.K., and any operational problem there could have a significant adverse impact on the operation of our top-up network.

We employ experienced operations and computer development staff and have created redundancies and procedures, particularly in our Budapest and U.K. processing centers, to decrease these risks. However, these risks cannot be eliminated entirely. Any technical failure that prevents operation of our systems for a significant period of time will prevent us from processing transactions during that period of time and will directly and adversely affect our revenues and financial results.

***We have the risk of liability for fraudulent bankcard and other card transactions involving a breach in our security systems, as well as for ATM theft and vandalism.***

We capture, transmit, handle and store sensitive information in conducting and managing electronic, financial and mobile transactions, such as card information and PIN numbers. These businesses involve certain inherent security risks, in particular the risk of electronic interception and theft of the information for use in fraudulent card transactions. We incorporate industry-standard encryption technology and processing methodology into our systems and software to maintain high levels of security. Although this technology and methodology decrease security risks, they cannot be eliminated entirely, as criminal elements apply increasingly sophisticated technology to attempt to obtain unauthorized access to the information handled by ATM and electronic financial transaction networks.

Any breach in our security systems could result in the perpetration of fraudulent financial transactions for which we may be found liable. We are insured against various risks, including theft and negligence, but our insurance coverage is subject to deductibles, exclusions and limitations that may leave us bearing some or all of any losses arising from security breaches.

In addition to electronic fraud issues, the possible theft and vandalism of ATMs present risks for our ATM business. We install ATMs at high-traffic sites and consequently our ATMs are exposed to theft and vandalism. Although we are insured against these risks, exclusions or limitations in our insurance coverage may leave us bearing some or all of any loss arising from theft or vandalism of ATMs.

***We are required under German law and the rules of financial transaction switching networks in all of our markets to have sponsors to operate ATMs and switch ATM transactions. Our failure to secure sponsor arrangements in any market could prevent us from doing business in that market.***

Under German law, only a licensed financial institution may operate ATMs, and we are therefore required to have a sponsor bank to conduct our German ATM operations. In addition, in all of our markets, our ATMs are connected to national financial transaction switching networks owned or operated by banks, and to other international financial transaction switching networks operated by organizations such as Citibank, Visa and MasterCard. The rules governing these switching networks require any company sending transactions through these switches to be a bank or a technical service processor that is approved and monitored by a bank. As a result, the operation of our ATM network in all of our markets depends on our ability to secure these sponsor-type arrangements with financial institutions.



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To date, we have been successful in reaching contractual arrangements that have permitted us to operate in all of our target markets. However, we cannot assure you that we will continue to be successful in reaching these arrangements, and it is possible that our current arrangements will not continue to be renewed.

*Our competition in the EFT Processing Services Segment and Prepaid Processing Services Segment include large, well-financed companies and banks and, in the software market, companies larger than us with earlier entry into the market. As a result, we may lack the financial resources and access needed to capture increased market share.*

**EFT Processing Services Segment** Our principal EFT Processing Services Segment competitors include ATM networks owned by banks and national switches consisting of consortiums of local banks that provide outsourcing and transaction services only to banks and independent ATM deployers in that country. Large, well-financed companies that operate ATMs, such as EDS, American Express, First Data Corporation or Concord EFS may also establish ATM networks or offer outsourcing services that compete with us in various markets. Competitive factors in our EFT Processing Services Segment include network availability and response time, price to both the bank and to its customers, ATM location and access to other networks. Our competitors may introduce or expand their ATM networks in the future, which would lead to a decline in the usage of our ATMs.

There are certain independent (non bank-owned) companies providing electronic recharge on ATMs in individual markets in which we provide this service. We are not aware of any individual independent companies providing electronic recharge on ATMs across multiple markets in which we provide this service. In this area, we believe competition will come principally from the banks providing such services on their own ATMs through relationships with mobile operators or from card transaction switching networks that add recharge transaction capabilities to their offerings (as is the case in the United Kingdom through the LINK network). However, there are relatively few barriers to entry in this business and larger companies that have more financial resources than we do could successfully compete with us based on a number of factors, including price.

**Software Solutions Segment** We believe we are the leading supplier of electronic financial transaction processing software for the IBM iSeries (formerly AS/400) platform. Other suppliers service the software requirements of large mainframe systems and UNIX based platforms.

Competitors of the Software Solutions Segment compete across all EFT software components in the following areas: (1) ATM, network and point-of-sale software systems, (2) Internet banking software systems, (3) credit card software systems and (4) wireless banking software systems. One competitor is Applied Communications Inc. based in Omaha, Nebraska, which enjoys a large market share due to its early entry into the financial systems software market and a client base of larger banks and financial institutions. Other competitors include Mosaic Software and Oasis Software International.

Competitive factors in the Software Solutions business include price, technology development and the ability of software systems to interact with other leading products.

**Prepaid Processing Services Segment** Several companies offer electronic recharge services for mobile phone airtime on POS terminals in the markets where we do business. These companies include Alphyra, Paypoint, Omega Logic, Barclays Merchant Services and Anpost in the U.K.; On-Q and Ezipin in Australia; and Milo, Kolporter and GTech in Poland.



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We believe, however, that we have a competitive advantage in certain markets due to various factors. First, in the U.K. and Australia, our newly acquired subsidiary has been in existence for longer than most of our competitors and has significant market share in those markets. We have approximately 35% of the POS recharge market in the U.K. and 70% in Australia. In addition, we offer complementary ATM and mobile recharge solutions through our processing center. We believe this will improve our ability to solicit the use of networks of devices owned by third parties (for example, banks and switching networks) to deliver recharge services. In selected developing markets we hope to establish a first to market advantage by rolling out terminals rapidly before competition is established. We also have an extremely flexible technical platform that enables us to tailor point of sale solutions to individual merchant requirements where appropriate.

The principal competitive factors in this area include price (that is, the level of commission charged for each recharge transaction) and up time offered on the system. Major retailers with high volumes are in a position to demand a larger share of the commission, which increases the amount of competition among service providers.

As the volume of transactions increases, we believe the principal factor in competition will be quality and price, as competitors may offer lower commissions to secure business.

In addition to the competitive factors, it is possible that mobile operators themselves may take over the distribution of their own prepaid mobile phone time. They would be able to terminate our contracts with them, which could have a material adverse impact on our business.

***We conduct a significant portion of our business in Central and Eastern European countries, and we have subsidiaries in the Middle East and Asia, where the risk of continued political, economic and regulatory change that could impact our operating results is greater than in the U.S. or Western Europe.***

Certain tax jurisdictions that we operate in have complex rules regarding the valuation of inter-company services, payments between company-countries and the related effects on income tax, value added tax (VAT), transfer tax and share registration tax. From time to time, we may be reviewed by tax authorities and required to make additional tax payments should the review result in different interpretations, allocations or valuations of our services. We obtain legal, tax and regulatory advice as necessary to ensure compliance with tax and regulatory matters.

We have subsidiaries in Hungary, Poland, the Czech Republic, Romania, Croatia, India, and Indonesia and have operations in other countries in Central Europe, the Middle East and Asia. We sell software in many other markets in the developing world. These countries have undergone significant political, economic and social change in recent years and the risk of new, unforeseen changes in these countries remains greater than in the U.S. or Western Europe. In particular, changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, could materially adversely affect our business, growth, financial condition or results of operations.

For example, currently there are no limitations on the repatriation of profits from all of the countries in which we have subsidiaries, but foreign exchange control restrictions, taxes or limitations may be imposed or increased in the future with regard to repatriation of earnings and investments from these countries. If exchange control restrictions, taxes or limitations are imposed, our ability to receive dividends or other payments from affected subsidiaries could be reduced, which may have a material adverse effect on us.

In addition, corporate, contract, property, insolvency, competition, securities and other laws and regulations in Hungary, Poland, the Czech Republic, Romania, Croatia and other countries in Central Europe have been, and continue to be, substantially revised during the completion of their transition to market economies. Therefore, the interpretation and procedural safeguards of the new legal and regulatory systems are in the



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process of being developed and defined, and existing laws and regulations may be applied inconsistently. Also, in some circumstances, it may not be possible to obtain the legal remedies provided for under these laws and regulations in a reasonably timely manner, if at all.

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Transmittal of data by electronic means and telecommunications is subject to specific regulation in most Central European countries. Although these regulations have not had a material impact on our business to date, changes in these regulations, including taxation or limitations on transfers of data across national borders, could have a material adverse effect on our business, growth, financial condition or results of operations.

***Because we derive our revenue from a multitude of countries with different currencies, our business is affected by local inflation and foreign exchange rates and policies.***

We attempt to match any assets denominated in a currency with liabilities denominated in the same currency. Nonetheless, substantially all of our indebtedness is denominated in Euro and a significant amount of our expenditures, including the acquisition of ATMs and executive salaries, are made in U.S. Dollars. As exchange rates among the U.S. Dollar, the Euro and other currencies fluctuate, the translation effect of these fluctuations may have a material adverse effect on our results of operations or financial condition as reported in U.S. dollars. Moreover, exchange rate policies have not always allowed for the free conversion of currencies at the market rate.

In recent years, Hungary, Poland and the Czech Republic have experienced high levels of inflation. Consequently, these countries' currencies have continued to decline in value against the major currencies of the OECD over this time period. Due to the significant reduction in the inflation rate of these countries in recent years, none of these countries are considered to have a hyper-inflationary economy. Nonetheless, rates of inflation in these countries may continue to fluctuate from time to time. The majority of our subsidiaries' revenues are denominated in the local currency.

***The terms of our certificate of incorporation and bylaws, and of Delaware law generally, may discourage the acquisition of our company and may impede a change in control of our company.***

Among other things, the provisions of our certificate of incorporation and bylaws have the following effects:

- they classify our board of directors into three classes serving staggered three-year terms,
- they permit our board of directors, without further stockholder approval, to issue preferred stock,
- they prohibit us from engaging in some types of business combinations with interested stockholders, and
- they do not permit our stockholders to call special stockholder meetings.

These provisions could diminish the opportunities for a stockholder to participate in tender offers, including tender offers at a price above the market value of our common stock at the time of the offer. The issuance of preferred stock could also adversely affect the voting power of the holders of common stock and impede a change in control of our company. In addition, our board of directors has adopted a stockholder rights plan which may impede a change in control of our company.

*Our directors and officers, together with the entities with which they are associated, owned about 23% of our common stock as of June 30, 2003, giving them significant control over decisions related to our company.*

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This control includes the ability to influence the election of other directors of our company and to cast a large block of votes with respect to virtually all matters submitted to a vote of our stockholders. This concentration of control may have the effect of delaying or preventing transactions or a potential change of control of our company.

***The sale of a substantial amount of our common stock in the public market could materially decrease the market price of our common stock, and about 37% of our outstanding common stock, while not currently traded publicly, could be publicly traded in blocks in the future.***

If a substantial amount of our common stock were sold in the public market, or even targeted for sale, this could have a material adverse effect on the market price of our common stock and our ability to sell common stock in the future. As of June 30, 2003, we had 26.7 million shares of common stock outstanding of which more than 8.7 million shares, or about 33%, are not currently traded on the public market. About 6.0 million of these shares are held by persons who may be deemed to be our affiliates and who would be subject to Rule 144 of the general rules and regulations of the SEC. Rule 144 limits the number of shares that affiliates can publicly sell during each 90-day period. However, over the course of time, these shares have the potential to be publicly traded, perhaps in large blocks. Moreover, some of these stockholders can require us to register transactions to sell their shares, which would permit them to sell shares without regard to the Rule 144 limitations. In this connection, we agreed as part of the e-pay acquisition to register through this prospectus 3,144,786 shares of our common stock (subject to adjustment) for resale commencing not later than February 19, 2004.

***An additional 10.6 million shares of common stock could be added to the total outstanding common stock through the exercise of options and warrants or the conversion of notes. This could dilute the ownership percentage of current stockholders. Also, once they are outstanding, these shares of common stock could be traded in the future and result in a material decrease in the market price of our common stock.***

As of June 30, 2003, we had an aggregate of 5.7 million options outstanding held by our directors, officers and employees, which entitles these holders to acquire an equal number of shares of our common stock on exercise. Of this amount, 2.9 million options are currently vested, which means they can be exercised at any time. We have 254,010 warrants outstanding in connection with our issuance of 12 3/8% Senior Discount Notes. In addition, the convertible notes issued in the e-pay acquisition are convertible into 647,282 shares of our common stock at an initial conversion price of \$11.43 per share, and may be publicly resold commencing February 19, 2004, or earlier if we force their conversion, pursuant to the registration statement of which this prospectus is a part. Therefore, approximately 6.6 million shares could potentially be added to the total current outstanding common stock through the exercise of options and warrants, or the conversion of notes, and thereby dilute the ownership percentage of current owners.

Of the 5.7 million total options, an aggregate of 1.6 million options are held by persons who may be deemed to be our affiliates and who would be subject to Rule 144. Thus, upon exercise of their options, these affiliates' shares would be subject to the trading restrictions imposed by Rule 144. For the remainder of the options, the warrants and the convertible notes, the common stock issued on their exercise or conversion would be freely tradeable in the public market. Over the course of time, all of the issued shares have the potential to be publicly traded, perhaps in large blocks.

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### **Use of Proceeds**

We will receive no proceeds from the sale of the shares by the selling stockholders.

### **The Selling Stockholders**

On February 19, 2003, we acquired all of the shares of e-pay from the selling stockholders for approximately \$76.2 million. e-pay is the largest electronic payments processor of prepaid mobile airtime top-up services in the U.K. and Australia. Of the purchase price, we paid \$30.0 million in cash, \$18.0 million in shares of our common stock, and the remainder in deferred purchase price based on e-pay's free cash flows or under promissory notes. \$7.4 million of these notes are convertible into our common stock as described below.

We paid a portion of the e-pay purchase price by issuing to the selling stockholders 2,497,504 shares of our common stock and notes that they may convert, or we may redeem under certain circumstances, for an additional 647,282 shares of our common stock. The shares are being registered to permit public secondary trading of the shares. The selling stockholders, or their pledgees, donees, transferees or other successors in interest, may offer the shares for resale from time to time.

We agreed to file this registration statement with the SEC for the benefit of the selling stockholders and to use our commercially reasonable efforts to file required amendments and supplements to keep it current and effective until the earliest of (1) February 19, 2005, (2) the date on which each selling stockholder may sell its shares without restriction by the volume limitations of Rule 144(e) under the Securities Act of 1933, or (3) the date that all of the shares have been sold pursuant to the registration statement of which this prospectus is a part. Under the terms of the e-pay acquisition agreement, except for certain permitted transfers to immediate family members or affiliates, or by will or the laws of descent or distribution, the selling stockholders may not sell, transfer, dispose of, assign or encumber any of the shares of common stock covered by this prospectus prior to February 19, 2004, provided that any shares issued upon our redemption of the convertible notes may be sold immediately pursuant to this prospectus.

Because the conversion price of the convertible notes may be adjusted, and the number of shares issuable upon conversion also depends on the exchange rate of the British Pound to the U.S. Dollar on the trading day immediately prior to the conversion date, the number of shares that will actually be issued upon conversion of the notes may be more or less than the 647,282 shares specified in this prospectus. In addition, under the terms of the convertible notes, a selling stockholder may not convert his or her convertible note to the extent that the shares issuable upon conversion, when added to the shares issued to the selling stockholder at the closing of the e-pay acquisition, would exceed the product of (1) 19.9 percent of our outstanding common stock immediately prior to the e-pay acquisition date and (2) the selling stockholder's percentage of the aggregate principal amount of the convertible notes issued in the e-pay acquisition.

The table below sets forth the number of shares owned by the selling stockholders based upon information they have provided to us. These numbers do not reflect the impact of any adjustments or limitations described in the foregoing paragraph. We cannot estimate the number of shares the selling stockholders will hold after completion of this offering because they may sell all or a portion of the shares and there currently are no agreements, arrangements or understandings with respect to the sale of any of the shares. We have assumed for purposes of this table that none of the shares offered by this prospectus will be held by the selling stockholders after the completion of this offering.

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<u>Name of Selling Stockholders</u>	<u>Number of Shares Owned Prior to this Offering (1)</u>	<u>Number of Shares of Common Stock Offered Under this Prospectus (1)</u>	<u>Number of Shares of Common Stock Owned Upon Completion of the Offering</u>
Margaret Althasen	20,121	20,121	0
Paul Althasen	942,804(2)	942,804(2)	0
Peter Clark	4,067	4,067	0
Tom Cregan & Associates Pty Ltd	165,669(3)	165,669(3)	0
Andrew Dellow	39,489	39,489	0
Dr. S. E. Dowrick	39,517	39,517	0
Tony Foster	4,067	4,067	0
Jonathan Fricker	52,655	52,655	0
John Alexander Gardiner	995,191(4)	995,191(4)	0
David McMeekin	9,915	9,915	0
Brenda Needleman	55,385	55,385	0
Robert Needleman	55,385	55,385	0
Richard Thomas Povey	797	797	0
Jamie Robertson	26,328	26,328	0
Karen Sharpe	294,704	294,704	0
Robert C. Standing	11,077	11,077	0
Anthony John Treliving Westlake	132,911	132,911	0
Alan Richard Witzefeld	294,704	294,704	0

(1) The convertible notes held by the selling stockholders are convertible anytime at the option of the holders at the initial conversion price of \$11.43 per share, subject to anti-dilution adjustments. Immediately prior to conversion, the principal amount of the notes, which are denominated in British Pounds, will be converted into U.S. Dollars based on the exchange rate as of the trading day immediately prior to the note conversion date. The number of shares deemed to be beneficially owned by the selling stockholders as a result of their ownership of the notes has been calculated based on the initial conversion price of \$11.43 per share and the exchange rate in effect on th