

COMMERCE ACT 1986: BUSINESS ACQUISITION

SECTION 66: NOTICE SEEKING CLEARANCE

Date: 12/01/1212

The Registrar
Market Structure Team
Commerce Commission
PO Box 2351
Wellington

Pursuant to section 66(1) of the Commerce Act 1986 notice is hereby given seeking clearance of a proposed business acquisition.

Part I: Transaction Details

1. **Provide the name of the acquirer (person giving notice), and the name and position of the individual responsible for the notice.**

1.1 This notice is given by epay New Zealand Limited.

epay New Zealand Ltd
7A Pacific Rise
Mt Wellington, Auckland

PO Box 132122
Sylvia Park, Mt Wellington
Auckland City

Website: www.epaynz.co.nz
Telephone: +64 9 573 8350
Fax: +64 9 573 0756
Contact person: Roger Smith
Managing Director
Regional Sales Director Asia Pac

1.2 The Applicant requests that all correspondence is directed in the first instance to:

Bell Gully
Vero Centre, 48 Shortland Street
PO Box 4199
Auckland 1140

Attention: Torrin Crowther, Partner
Telephone: +64 9 916 8621

Nicci Hulley, Solicitor
+64 9 916 8974

Email: torrin.crowther@bellgully.com nicci.hulley@bellgully.com

2. **Provide the name of the other merger parties, and the name/position of the relevant individual within the relevant merger parties.**

2.1 The vendors are Ezi-Pay Limited, Compass Communications Limited and EFTDATA Holdings Limited (the **Vendors**).

2.2 For the Vendors: Ezi-Pay Limited (**Ezi-Pay**).

Registered Office: Level 2
162 Grafton Road
Grafton
Auckland 1010

PO Box 2533
Shortland Street
Auckland 1140

Website: www.ezipay.co.nz
Phone: +64 9 965 2396
Fax: 0800 961 000
Contact person: Dave Spicer
CEO

2.3 Ezi-Pay requests that all correspondence is directed in the first instance to:

Simpson Grierson
Lumley Centre, 88 Shortland Street
Private Bag 92518
Auckland 1141

Attention: James Craig, Partner

Telephone +64 9 977 5125
Email: james.craig@simpsongrierson.com

3. **With respect to the merger parties, list the relevant companies and the person or persons controlling these directly or indirectly. Please use organisational charts or diagrams to show the structure of the ownership and control of the acquirer and participant(s) to the acquisition.**

3.1 epay has no business interests in New Zealand other than those to which this Application relates.

3.2 epay's ultimate parent is Euronet Worldwide Incorporated (**Euronet**). In New Zealand Euronet owns RIA Financial Services.¹ However, in the New Zealand market, this entity is not relevant to either epay or the proposed Acquisition. Further detail can be provided if required.

¹ Internationally, RIA Financial Services offers money transfer services, Bill Payment, Mobile Top Ups, Pre Paid Debit Cards, Cheque Cashing and Money Orders. However, in New Zealand RIA only provides money transfer services. Euronet also has a software solutions business, which provides transaction processing software and software maintenance services to banks and other financial institutions. It has a very limited presence in New Zealand and no issues arise in respect of the Application in this regard. Again, further information can be provided if required.

4. **Provide details on what is to be acquired.**
- 4.1 Clearance is sought for epay New Zealand Limited (**epay**, or the **Applicant**) or any interconnected body corporate of epay to acquire up to 100% of:
- (a) the assets of Ezi-Pay Limited and/or Compass Communications Limited² and/or EFTDATA Holdings Limited (i.e. the Vendors); and/or
 - (b) the shares in Ezi-Pay Limited and/or EFTDATA Holdings Limited,
- (the **Acquisition**).
5. **Fully explain the commercial rationale for the proposed merger. Specify whether this is part of an international merger.**
- 5.1 The Acquisition is not part of an international merger.
- 5.2 [...]
- 5.3 [...]
- 5.4 Finally, the Acquisition will also give rise to some scale efficiencies.
6. **Provide copies of the final or the most recent versions of any documents bringing about the proposed merger (e.g. contracts, sales and purchase agreements, or offer documents if it is a public bid).**
- 6.1 The Sale and Purchase Agreement (which is confidential) is **attached** as Appendix A.
7. **If any other jurisdiction's competition agency has been (or will be) notified of the proposed merger, please list each competition agency notified (or to be notified) and the date of the notification. Please indicate if a waiver will be provided.**
- 7.1 N/A.

² The assets of Compass for which clearance is sought excludes the "Excluded Compass Assets" as defined in the SPA (Appendix A). More generally, the assets of Compass and EFTDATA which are to be acquired are those which relate to the business of Ezi-Pay Limited.


Part 2: The Industry

8. **Describe the relevant goods or services supplied by the merger parties (it is sufficient to refer in general terms to activities in which there will be no aggregation).**
- 8.1 The Acquisition relates to the national payment processing market. This is a substantial market, currently dominated by the major banks and NZ Post. The combined share of the parties in this market is extremely low, estimated at less than [...] % of total transactions by revenue.
- 8.2 Within the payment processing market, there are various segments in which the overlap between the parties – while still minor – is focussed, namely: mobile phone services, calling cards, gift cards and digital content.

Mobile phone services

- 8.3 In general terms, there are two methods for consumers to pay for the mobile phone calls they make and the data they use: post-paid and pre-paid.
- 8.4 Post-paid customers contract with a telco, and pay for the services they have used, typically on a monthly basis. Pre-paid customers purchase a certain amount of credit in advance of consuming it. They then purchase additional credit (or “top up”) depending on their consumption. The method of payment is irrelevant to the functionality provided by the telco in terms of voice calls and data usage. The price of post-paid calls/data constrains the price of pre-paid calls and data, and vice versa.

8.5 Consumers have a wide range of channels through which to pay for the use of their mobile phones, particularly in relation to pre-paid mobile. The arrow in the left hand column of the table below identifies the channel through which agent intermediaries such as epay and Ezi-Pay are active.

| | Vodafone | Telecom | 2degrees |
|---|---|---|--|
| Post-paid | <ol style="list-style-type: none"> 1. Cheque 2. Direct debit 3. Credit Card 4. Online banking 5. Credit Card loyalty points (ASB True Rewards points) | <ol style="list-style-type: none"> 1. Cheque 2. Direct debit 3. Credit Card 4. Online banking 5. Telecom Rewards Points | <ol style="list-style-type: none"> 1. Cheque 2. Direct debit 3. Credit Card 4. Online banking 5. Fly Buys Points |
| Online | <ol style="list-style-type: none"> 6. http://www.vodafone.co.nz/ 7. Via Hotlink (online banking) for ASB, TSB and BNZ | <ol style="list-style-type: none"> 6. http://www.telecom.co.nz/ | <ol style="list-style-type: none"> 6. http://www.2degreesmobile.co.nz/ |
| From the phone itself | <ol style="list-style-type: none"> 8. TXT TMU and the amount to top up to 876 (for customers who have preregistered their credit cards by calling 777) 9. Dial 777 and follow the prompts to top up with credit card 10. m.vodafone.co.nz on smartphone 11. Download and use the free iPhone and Android apps 12. Telephone banking | <ol style="list-style-type: none"> 7. Dial 0800 32 32 32 and follow the voice prompts to top up with credit card 8. TXT 'topup' to 8678 (for Kiwibank, ASB and TSB bank customers who have preregistered their bank accounts) | <ol style="list-style-type: none"> 7. Phone 201 and follow the voice prompts to top up with credit card. 8. Phone 201 and top up with preregistered credit card via a PIN 9. Preregistered credit card debit service set up by customers online. Auto top up is prompted where a customer's balance drops below a certain value. The top up is either: <ul style="list-style-type: none"> • automatic; or • activated by the customer TXTing 'Y' to an auto top up request sent by 2degrees. |
| In store  | <p>Purchase an EFTPOS terminal receipt voucher:</p> <ol style="list-style-type: none"> 13. from a Vodafone store 14. from a service station, supermarket or other store <i>using facilities provided by epay etc. as agent for the telcos</i> <p>and activate it over the phone by calling 777; or by TXTing the 12-digit code to 887</p> <ol style="list-style-type: none"> 15. From a retailer which has a direct link through to the telco.³ 16. From a retailer which sells top up 'scratchy' cards sold to them directly by the telco (e.g. NZ Post selling Telecom cards). | <p>Purchase an EFTPOS terminal receipt voucher:</p> <ol style="list-style-type: none"> 9. from a Telecom store 10. from a service station, supermarket or other store <i>using facilities provided by epay etc. as agent for the telcos</i> <p>and activate it over the phone by calling *333</p> <ol style="list-style-type: none"> 11. From a retailer which has a direct link through to the telco. 12. From a retailer which sells top up 'scratchy' cards sold to them directly by the telco (e.g. NZ Post selling Telecom cards). | <p>Purchase an EFTPOS terminal receipt voucher:</p> <ol style="list-style-type: none"> 10. from a 2degrees store 11. from a service station, supermarket or other store <i>using facilities provided by epay etc. as agent for the telcos</i> <p>and activate it over the phone by calling 201</p> <ol style="list-style-type: none"> 12. From a retailer which has a direct link through to the telco. 13. From a retailer which sells top up 'scratchy' cards sold to them directly by the telco (e.g. NZ Post selling Telecom cards). |
| From an ATM | <ol style="list-style-type: none"> 17. Top up phone directly from user's bank account using bank's ATM (only for ASB Bank, BNZ and Westpac customers). | N/A | N/A |

³ To date, the number of such retailers is comparatively limited, although retailers and telcos are constantly looking to reduce cost. epay has been made well aware of the desire of both retailers and telcos to increase the number of direct linkages. In addition to The Warehouse's direct link with Telecom, NZ Post has a direct link with Vodafone, Telecom and 2degrees. Woolworths (PEL's parent) has a direct link with Telstra and Optus in Australia.

- 8.6 epay and Ezi-Pay are involved in one of the many ways through which telcos sell mobile top ups. Namely, they act as the relevant telco's agent to facilitate the sale of the pre-paid top up credit 'over the counter' at supermarkets and other retailers. epay acts as agent (i.e. the supplier to the retailer remains the telco) and as part of that provides retailers with the ability to use a service that uses point of sale (**POS**) terminals to take payment and print out a voucher receipt with a unique top up PIN.
- 8.7 The telco, as the agent's principal, specifies the price at which the agent must charge the retailer. In terms of the actual money flows, the consumer pays the retailer, which retains its margin and remits the balance to the agent (e.g. epay, Ezi-Pay, etc.) which in turn retains its margin and remits the balance back to the telco.⁴
- 8.8 Not surprisingly, telcos are incentivised to drive consumers from pre-paid to post-paid (higher customer loyalty) and – for pre-paid customers – to bypass intermediaries such as epay, Ezi-Pay, etc. and transact with consumers (or indeed retailers) directly, so as to reduce costs. Examples of their desire and ability to access consumers directly is Vodafone changing voicemail message options for those consumers topping up to advise them they can obtain an additional 10% of value if they top up direct. The telcos are in many respects unique in their ability to leverage their various 'touch points' with customers to promote their direct top up services.

Calling cards

- 8.9 Calling cards allow consumers to make toll calls from landlines or payphones without incurring the toll charges of the network through which they are calling. That is, a Telecom residential customer can buy a calling card and call the United States and not pay any toll charges to Telecom. Other options for these consumers include the likes of Skype, ip services (internet based) and call-back services. Consumers can purchase calling cards at various retail outlets.
- 8.10 Some calling cards are disposable; other calling cards are rechargeable plastic cards that are activated by swiping them through a retailer's EFTPOS terminal.
- 8.11 Again, epay and Ezi-Pay act as agent for the supplier of the calling cards. And again, those suppliers are themselves active in this space, through both:
- (a) selling their pre-paid cards directly to retailers via sales reps and merchandisers who physically contact general retailers (such as corner diaries) directly. These sales reps will supply the retailer with new stock on a weekly or monthly basis as demand fluctuates; and
 - (b) selling direct through websites.
- 8.12 As is the case with mobile top ups, retailers retain a margin, remit the balance to the agent, which retains its margin before remitting the balance to the supplier.

Gift Cards

- 8.13 Gift cards (including vouchers)⁵ have existed in various forms for a long time. As with mobile phone top ups, there are a variety of ways that retailers offer gift cards. By far the most popular is for the retailer to sell cards to consumers at their own retail stores. For instance, Countdown will sell a variety of vouchers at its own stores, as does Noel Leeming, etc.

⁴ [...]

⁵ We refer to Gift "cards" in this Application for convenience, but that should be taken to include the paper voucher-based system employed by many retailers.

- 8.14 In addition, retailers (such as Mitre 10) can also distribute their gift cards through other channels by using firms such as Ezi-Pay, NZ Post, etc. to sell gift cards on the retailer's behalf. Ezi-Pay does this through its "gift station", which houses gift cards from a variety of different retailers.⁶ Gift cards can also be acquired online.
- 8.15 Generally, the same margin/dollar flow approach (described above) applies to gift cards. However, in some limited cases a per-transaction fee may be payable by the content provider, and in some cases the intermediary will take a much reduced (or even zero) margin but will receive the 'breakage' (being the unspent component of a gift card's face value).

Digital content

- 8.16 Overlapping in certain respects with the gift card discussion above is digital content sales. This principally involves computer software and games, although it does extend to digital content such as electronic marine charts.⁷
- 8.17 Software cards are a means to purchase and activate computer software that would have otherwise come in the form of an installation disc and an activation key in secure retail packaging. After purchasing a software card, the customer uses the card's PIN number to download their software product activation key. Once they enter the key, the software they have purchased is active and fully functional.
- 8.18 Gaming cards (e.g. Xbox) are another form of digital content. These allow gamers to purchase new games, game levels or additional features, without having to use their credit cards online. This service is intended to provide consumers with increased security as well as allowing parents to monitor children's expenditure.
- 8.19 The same margin/dollar flow approach (described above) applies to digital content.

Other

- 8.20 For completeness, epay also notes the following areas of minor overlap.
- (a) Both Ezipay and epay act as agent for Mercury Energy to distribute the pre-paid power "GLO-BUG" service. This is currently only available to Mercury Energy customers who live in Auckland. The service allows customers to maintain a positive credit balance by pre-paying/topping up their 'green payment card' at selected epay or Ezi-Pay outlets, or by buying online from Mercury direct. epay estimates that pre-paid electricity would be less than [...]% of Mercury's total revenues, and clearly much less than that as a proportion of total retail electricity sales market-wide.
- (b) The parties also sell (as agents) mobile top ups for Digicel, which can be used to top up accounts for use on overseas networks.⁸ Whilst this relates to the consumption of the relevant service outside of a New Zealand market (i.e. where the Digicel user making calls/using data is located) epay also notes that Digicel itself offers online top ups as well as an auto-top up, and of course the vast majority of sales are made within the actual country where the service is being used, e.g. Fiji, Samoa, etc.

⁶ epay and Ezi-pay's gift offering includes assistance with developing a gift card programme more generally.

⁷ Customers can purchase a code which will enable them to download an updated version of the marine chart.

⁸ [...], which can be used to top up accounts in countries [across Asia Pacific, Africa, the Caribbean, Latin America and Eastern Europe. [...].

- 8.21 Given the absence of any competition issue no further comment is made in relation to these areas of minor overlap, although epay is happy to provide further information should the Commission request.⁹
9. **Describe the industry or industries affected by the proposed acquisition. Where relevant, describe how sales are made, the supply chain(s) of any product(s) or service(s) involved, and the manufacturing process. If relevant, provide a glossary of terms and acronyms.**
- 9.1 For those sales which the content provider determines should be transacted with the assistance of an agent such as epay, the physical transaction at the retailer's premises will typically involve a consumer being issued with an 'e-voucher' or alternatively the consumer will physically swipe a magnetic swipe card through a POS terminal, which may be owned by the retailer or by the distributor-agent.¹⁰
- (a) E-vouchers are thermal receipts distributed via POS hardware. Printed onto the voucher are secret redemption codes (PINs) to activate the product, along with the product or provider's logo, any expiry dates, and the transaction tracking information, as well the product's instructions, terms and conditions, and customer service numbers.
- (b) Magnetic Swipe-Card-based products provide a similar function to e-Vouchers, with the added potential for ongoing recharge, transaction and POS swipe card redemption processing (rather than entering in a redemption / PIN code). The cards are activated in real-time at the POS, by swiping the card through the EFTPOS terminal or scanning its barcode, and hold no value until activated.
- 9.2 In addition (although becoming increasingly uncommon) there are scratch card products which have a unique Product Key Code (**PKC**) that is only revealed once a scratch panel has been removed, e.g. scratch cards can be used for software download cards and for calling cards whereby customers use the revealed PKC to activate the credit or service.
- 9.3 Digital content can also be pre-loaded (e.g. installed as part of the base software image on a new PC or laptop) but which can only be activated by keying in a particular product code.
10. **Describe the current industry trends and developments including the role of imports and exports, emerging technologies, and/or changes in supply and demand dynamics.**
- 10.1 New technology is opening up a range of new options for consumers to purchase content (and for content providers to access end customers directly), e.g.:
- (a) downloadable "apps" for mobile phones to facilitate mobile pre-pay top ups direct from the phone; and
- (b) the increasing ease of accessing websites using mobile phones (including as a result of 'mobile' versions of sites designed for smaller screens), through which users can transact directly with the telco.

⁹ epay is also active in the distribution of the "Ukash" (<http://www.ukash.com/nz/en/home.aspx>) virtual money service. This service allows consumers to pay for an online product or service over the counter, rather than having to give their credit card details over the internet. Consumers purchase a unique code voucher printed on an EFTPOS receipt which is redeemable online for products and services such as Skype and online gambling credit. Ezipay does not distribute virtual money vouchers and hence this business is not discussed further.

¹⁰ Epay owns the vast majority of its terminals. Hardware is not expensive (e.g.[...], the cost of which can be recovered quite quickly). In any event, some competitors are able to interface directly with a retailer's existing POS hardware (e.g. because they have the right to install particular software direct onto a retailer's existing hardware). The alternative is to arrange for either Paymark or Eftpos to manage the reconciliation and pay a per transaction fee.

- 10.2 The increasing prevalence of “smart phones” and the accompanying growth of “apps” is already having, and will continue to have, a material impact on the manner in which consumers top up. In August 2011 Vodafone was reported¹¹ as saying that *66% of its customers* were buying smart phones and in the same *NBR* article a 2degrees spokesperson is quoted as saying that “Smartphones make up *60%* of the devices offered by 2degrees today, *up from 38% at the beginning of the year.* (Emphasis added)
- 10.3 More generally, the increasing use of text messaging means the vast majority of mobile users are comfortable using text messaging to purchase additional credit, although all telcos continue to offer the option of simply calling a freephone number and providing a credit card number.
- 10.4 Telcos (and retailers) are constantly investigating the scope to leverage these newer technologies and to take advantage of consumers’ increasing familiarity with them, to bypass firms such as epay and Ezi-Pay in order to reduce their costs.
- 10.5 Finally, the gift card segment is still comparatively undeveloped in New Zealand compared with many overseas markets, and epay believes that in the short-medium term this is likely to attract much greater attention from the large international players such as Blackhawk, Incomm, etc. Indeed, as noted above, increasing its exposure to this segment is a key part of epay’s rationale for the Acquisition.
11. **Please highlight any relevant mergers that have occurred in this industry over the past three years, including any acquisition of assets of a business or shares which the merger parties (or any interconnected or associated businesses) have undertaken in the last three years.**
- 11.1 In 2010 Wright Express Corporation acquired the Australian assets of Retail Decisions (ReD) consisting of its fleet and prepaid card businesses. epay understands there was a minor New Zealand element insofar as ReD operated some gift card programmes for Australian retailers which also had a New Zealand presence. In 2009, SmartPay acquired EFTPOS vendor Provenco Cadmus.
- 11.2 epay is unaware of any other relevant acquisitions in the past three years.

¹¹<http://www.nbr.co.nz/article/vodafone-details-smartphone-use-sales-ck-98287>. In addition, the substantial number of phone-based apps are increasingly allowing consumers to bypass traditional telco networks (and hence the need to top up at all) and instead make calls over the internet.

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|----------------------------------|
| Part 3: Market Definition |
|----------------------------------|

HORIZONTAL AGGREGATION

12. **For each area of aggregation of market shares, please define the relevant market(s) for the products/services, functional level, geographic area and customer dimension and timeframe (if relevant).**
- 12.1 As noted in section 9 above, epay believes the relevant market is the national market for payment processing.
- 12.2 However, and while not conceding they are separate markets for competition law purposes, because the parties are active in one of the various channels through which mobile phone services, calling cards, gift cards and digital content is distributed, epay has provided detailed information in this Application in relation to the nationwide distribution of:
- (a) mobile phone services;
 - (b) calling cards;
 - (c) gift cards; and
 - (d) digital content.
- 12.3 The parties represent one of a number of means for content providers to distribute their content, and they are remunerated via a commission paid by the content providers.
13. **Where relevant, please explain how products or services are differentiated within the market(s).**
- 13.1 There is no meaningful product differentiation as between the products in the market, other than the mode through which distribution is effected, e.g. in the case of mobile top ups: online, via SMS text message, retail EFTPOS terminal, ATM machine, etc. There is arguably more differentiation in relation to certain digital content, e.g. purchasing a physical box with the product media inside or a PIN via epay with a subsequent download, although even then the two modes are direct substitutes.

VERTICAL INTEGRATION

14. **Provide details of any creation or strengthening of vertical integration that would result from the proposed merger. Please use organisational charts or diagrams to illustrate the structure of the ownership and/or control of the participants and the vertical relationships in question.**
- 14.1 There is no creation or strengthening of any vertical integration. Whilst epay will distribute calling cards for Compass Communications [...]

Part 4: Counterfactual

15. **In the event that the proposed merger does not take place, describe what is likely to happen to the business operations of the merger parties and the market/industry.**
- 15.1 epay obviously does not know what will happen with the Vendor business in the counterfactual, but believes the most appropriate counterfactual would be the status quo, or perhaps a sale to another firm.

Part 5: Competition Analysis

EXISTING COMPETITORS

16. Identify all of the relevant competitors in the market(s), including near competitors and importers in the market(s), and describe how they all compete in the market(s).

Mobile top ups

- 16.1 Around two thirds of New Zealand mobile subscribers have a pre-paid connection with the balance being post-paid.¹² There is substitution between these groups, and the telcos actively encourage consumers to switch to post-paid because those customers tend to be more loyal (i.e. switch less frequently).
- 16.2 Set out below is a brief overview of the main firms active in relation to mobile phone services, and pre-paid top ups in particular.
- (a) **Vodafone** is well known to the Commission. It is a substantial global company. For YE 31 March 2011 it reported annual revenues of NZD93.9 billion and an adjusted operating profit of NZD 24.15 billion.¹³ Vodafone has steadily deployed new technologies to reach its customers over time. As noted above, while the use of agents such as epay is one of the means through which consumers can buy additional credit (albeit the price is set by the telco), Vodafone offers customers no fewer than 16 alternative means (and 11 for pre-pay alone), all of which bypass the likes of epay.
- (b) **Telecom** is also well known to the Commission. For YE 30 June 2011 it reported annual revenues of NZD5.1 billion and an adjusted operating profit of NZD166 million.¹⁴ On 30 November 2011 Telecom demerged into two separate, publicly listed companies: a retail services provider (Telecom) and a network services operator (Chorus). Telecom offers customers a range of alternative means to buy top up credit. While it might offer fewer options than Vodafone at the current time, it still offers no fewer than 11 other methods (six for pre-pay) and there is no reason why it could not deploy additional tools to customers if needed. Like Vodafone (and 2degrees), as principal it sets the margin which the likes of epay, Ezi-Pay etc. can retain.
- (c) **2degrees** launched in New Zealand in 2009. Despite being smaller than Vodafone and Telecom, 2degrees has grown significantly and, like its larger competitors, offers customers a wide range options to purchase pre-pay mobile top ups. It appears to be the only provider offering an auto-top up pre-pay option, and there is no reason to suspect it would not add more options in response to consumer demand.
- (d) **Major Banks.** All of the major banks are well known to the Commission. They process payments from mobile phone users to the telcos, e.g. through internet and telephone banking facilities. In addition, certain ATMs can be used to top up Vodafone pre-pay accounts.
- (e) **SmartPay** services more than 30,000 merchants throughout Australasia (including in relation to mobile top ups).¹⁵ SmartPay's technology is compatible with multiple EFTPOS

¹² 2010 Commission Annual Telecommunications Monitoring Report. Page 37. However, on average post-paid customers spend considerably more and hence account for the majority of the *revenue*.

¹³ £45.9bn and £11.8 bn respectively. Conversions as per www.xe.com on 16 December 2011.

¹⁴ http://media.corporate-ir.net/media_files/IROL/91/91956/Annual_Report_NZ.pdf

¹⁵ <http://smartpayltd.com/>

terminals including Cadmus, Verifone, Pax and Ingenico meaning that it can easily supply services to a diverse range of retailers. Smartpay is also active in relation to Wi-Fi, Gift Cards, Secure Internet Payments, Calling Cards, Bill Payment Solutions and Online Payments.¹⁶

- (f) **TopUp NZ** is owned by Oceanic Communications Limited.¹⁷ It offers retailers electronic payment agency/distribution services software for pre-paid mobile top ups. Its website states that its software can be easily integrated into the retailer's existing POS systems. Telecom's retail stores utilize TopUp NZ's services.
- (g) **NZ Post**, an SOE, is a well recognised New Zealand brand with an extensive branch network. Customers wishing to top up their Vodafone, Telecom or 2degrees mobile merely need to walk into a post shop with their mobile phone number and pay for the additional credit over the counter. In addition to pre-pay mobile top ups, it is also active in the gift and calling card segments.
- (h) **Touch** is a recent entrant to the mobile top up segment. It is the second largest pre-paid transaction services provider in Australia and has recently acquired formal distribution rights from each of Telecom, Vodafone and 2degrees. epay understands it is actively seeking new retailers in the pre-paid mobile space as well as in respect of (at least) gift cards. Touch has been operating in the Australian market since 2000 and has grown a network which includes over 60 businesses including Telstra, Westpac, Telecom NZ, Suncorp and Bartercard.¹⁸

Touch's website has a short video clip which provides an insight into its business model and capabilities, www.touchnetworks.com.au/touch-merchant/touch-helps-merchants-serve-your-customers.

Touch's software is compatible with Hypercom, Ingenico, Verifone and Pax EFTPOS terminals. According to its website, Touch is also currently working with Zintel to bring to New Zealand the Touch VAS (Value Added Service) solution to all Zintel EFTPOS devices. Touch says this will allow retailers greater access to product information, a current product and price list, transaction reporting, billing advice statements and additional product support.¹⁹ This, coupled with it signing formal distribution rights with the three New Zealand telcos, confirms its intentions to expand, and hence its constraint, in New Zealand.

Calling Cards

16.3 Set out below is a brief overview of the main firms active in relation to calling cards.

- (a) **Telecom** phone cards are available from over 5,000 retail outlets around the country, in denominations of \$5, \$10, \$20 and \$50. Each card contains a chip that stores the value of the card meaning that a consumer can insert the card into a Payphone and make a call immediately without needing to speak to operators, or key in numbers to activate the card. Telecom phone cards can only be used at Telecom Payphones. In addition to these cards, Telecom also retails Talk4Less, EasyCall and Yabba calling cards which can be

¹⁶ <http://smartpayltd.com/nz.aspx>

¹⁷ Oceanic Communications Limited is a New Zealand based company that has supply/distribution arrangements with Digicel and 2degrees.

¹⁸ <http://www.touchnetworks.com.au/touch-provides-services-to>

¹⁹ According to its website, Touch is already offering these services to 7 Australian customers including ANZ, NAB and Suncorp <http://www.touchnetworks.com.au/touch-merchant/support/extranet-page>

used to make international toll calls from any landline. Yabba and EasyCall cards can be purchased or recharged online (via the Telecom website).

- (b) **TelstraClear** is wholly owned by Telstra, Australia's largest telecommunications company. TelstraClear offer a range of pre-paid calling cards which are activated via PIN code and can be used on any landline. Each offering different rates, the range includes TalkPlus Global, e-Phone, TalkTalk, Pacific Talk, Prepaid Max and Cheap Chat. The cards can be purchased at retail outlets (such as corner diaries), online or over the phone by dialling 0508 888 800.
- (c) **CardCall** is part of the successful gotalk group and is the largest phone card operator in New Zealand. CardCall offer an extensive range of over 40 calling cards which allow consumers to make calls to over 200 countries worldwide.
- (d) **Compass Communications** supplies (and will continue to sell post-Acquisition) the "V8" calling card (which operates on Vodafone mobiles) as well as Kia Ora, World Phone, Go Call calling cards.
- (e) **NZ Post** is an established stockist of Go Talk, Yabba and Easy Call calling cards.
- (f) **SmartPay** provides technology and services to allow retailers to print call credit vouchers directly from their EFTPOS terminal for the following providers: Telstra Clear, Easy Call, Yabba, Go Talk, Kiwi Call, Daybreak, Rate Saver Happy Calling, Super Saver, Cheap Chat, Talk Plus Global, E Phone, Talk Talk, Pacific Talk, and the Superbuzz.
- (g) **TopUp NZ** distributes Telecom's calling card range; Yabba, Easy Call and Talk4Less.
- (h) **Touch** is also active in relation to calling cards in Australia and epay expects that as part of its recent focus on New Zealand, it will look to expand into calling cards in New Zealand.

Gift Cards

16.4 Set out below is a brief overview of the main firms active in relation to gift cards.

- (a) **Direct suppliers:** The list of firms offering their own gift cards direct to consumers is extensive and includes such firms as Noel Leeming, The Warehouse, Rebel Sport, Country Road, etc. In fact, it is very much the exception to find a large retailer **without** a gift card programme. Moreover, voucher based programmes, a direct substitute, are ubiquitous among New Zealand retailers.
- (b) **NZ Post** offers two gift card products:
 - standard gift cards which are redeemable only at a single retailer (i.e.: JB HI-Fi etc)²⁰; and

²⁰ A comprehensive list of retailers is available on the NZ Post website. <http://www.nzpost.co.nz/products-services/prepaid-gift-cards/gift-cards>

- the “Prezzy” card, which is a durable plastic card. Once activated by a PIN it can be used at all retail outlets that accept VISA. A Prezzy card itself costs NZ\$ 5.95 and can be purchased and loaded with credit at any NZ Post shop or online.



- (c) **Card Link** is a privately owned New Zealand group that has been in the market for over 25 years. It is based in Auckland and has offices in Wellington, Christchurch, and Kuala Lumpur. Card Link offers a gift card software called Gifted. The system integrates with most POS systems for gift credit processing as a part of Gifted’s suite of loyalty products and points management systems.²¹
- (d) **Transacta** is a software vendor specialising in the sale of software and services to mid-sized retailers in the Australian, New Zealand and Asia Pacific markets. Established in 1999, it is a wholly owned subsidiary of Object Consulting which employs over 300 staff and claims to be Australia’s leader in delivering enterprise business solutions. Offering a gift card service as part of a range of POS technology, Transacta has provided software solutions to well established clients such as Virgin Mobile.²² Transacta’s software integrates directly with the retailer’s POS (processed via Paymark) and is used with cards from Transacta’s own Binary Identification Number (**BIN**) range.
- (e) **Transactor Technologies** is a New Zealand based company which counts high profile retailers such as Farmers, Westfield, Subway and Unichem among its customers.²³
- (f) **Incomm** entered the New Zealand market in October this year.²⁴ Globally, Incomm offers products and services including gift cards, wireless, music downloads, reloadable debit cards, online gaming, incentive and promotions, bill payments and post-paid subscriber services. Currently, in New Zealand, Incomm is present in the gift card and digital segments via agreements recently reached with Dick Smith (digital) and Progressive Enterprises (digital and gift cards). epay understands that Ezi-Pay has entered into a strategic alliance with Incomm, under which it is the “default” channel for Incomm content in New Zealand (although epay understands that in at least one instance Incomm does deal direct, with EB Games).²⁵
- (g) **E-cards** offers gift card software called GiftAdvantage.²⁶ GiftAdvantage is a comprehensive system that allows retailers to process transactions via their existing EFTPOS terminal to load and deduct credit from the gift card. E-cards also have technology to allow retailers to process transactions received from a variety of sources including internet, chip cards and mobile phones. E-cards have their own BIN range.

²¹ <http://www.cardlink.co.nz/smart-software/smart-solution?faqitem=accordion83>

²² http://www.transacta.com.au/case_studies/virgin.html

²³ <http://transactortech.com>

²⁴ http://incomm.com/uploadedFiles/InComm/About_Us/news/InCommAustraliaNewZealandLaunch_FINAL101110.pdf. Incomm is not included as part of the market share analysis because given its entry was (for all intents and purposes) at the end of the period for which market shares were calculated.

²⁵ Ezi-Pay can provide further details if required.

²⁶ https://www.ecardsolutions.co.nz/gift_advantage.html

- (h) **SmartPay** offers gift card software that operates via a retailer's EFTPOS terminal. As part of the gift card system, SmartPay provide plastic cards from their own BIN range.
- (i) **Wright Express**, which is presently focussed more on Australia than New Zealand, but which is active in New Zealand as a result of certain of its Australian customers having a retail presence in New Zealand.
- (j) **Blackhawk Network** is a US based company that entered the New Zealand market approximately two years ago. As a pre-paid and payments network with interests in the gift card, music and gaming markets, Blackhawk is the largest provider of third-party pre-paid cards in the United States and Canada. Blackhawk has earned the title of certified Visa and MasterCard provider and met all Payment Card Industry (PCI) compliance standards. Its website reveals the breadth of its offerings in overseas markets:²⁷
 - (i) Giftcardmall.com: Part of the eNetwork, Blackhawk owns and operates this ecommerce site, offering direct customer service and support for more than 350 premium brands, including the following international businesses:
 - (A) pre-paid gift cards from premium retailers and restaurants such as Barnes & Noble Booksellers, The Home Depot, iTunes Music Store, Nordstrom and Sears, and Starbucks Coffee;
 - (B) pre-paid sports cards from major leagues and teams including MLB.com and NBA.com; and
 - (C) pre-paid cards for digital gaming content and online entertainment, including digital music, virtual worlds, MMOGs (massively multiplayer online games), social networks and casual games; and
 - (ii) PayGo: A terminal-acquiring platform – hardware, software and backend turn-key solution for customers that need a stand alone tool that helps with managing transactions for gift purchases and telecom top up cards.

In New Zealand, Blackhawk is understood to have established relationships with NZ Post and with Progressive Enterprises Limited, and is understood to have recently pitched to prospective customers such as JB Hifi, Noel Leeming and Bond and Bond.
- (k) **Touch** is also active in relation to gift cards in Australia and ePay expects that as part of its recent focus on New Zealand, it will look to expand into gift cards in New Zealand.

Digital content

16.5 Set out below is a brief overview of the main firms active in relation to digital content.

- (a) **Microsoft** offers an online service that allows consumers to purchase software cards for Xbox games and Microsoft products. Once a consumer has purchased the software card the game or software product is downloaded from the internet and then activated via an access PIN code on the card. Microsoft also offers traditional, boxed, retail software through a range of outlets.
- (b) **Apple** offers iTunes gift cards that allow customers to purchase certain denominations (i.e.: \$20, 30, 50) of value that are redeemable at the online iTunes store, allowing receivers to use the credit to download mp3 music files. The service extends to Gift

²⁷ <http://www.blackhawknetwork.com/products/gifts>

certificates, gifting songs or videos and iTunes allowances, all methods of distributing digital music content from Apple to consumers.

- (c) **Blackhawk** is a global leader in digital content, covering the full spectrum of online entertainment, including virtual worlds, MMOGs, digital music, social network based games and console game products.
- (d) **Touch** is active in relation to digital content in Australia and epay expects that as part of its recent focus on New Zealand, it will look to expand into digital content in New Zealand.
- (e) **Incomm** in addition to that discussed above, has a direct relationship with EB Games, a large specialist gaming retailer.

16.6 Others would include the likes of suppliers of anti-virus computer software, etc.

17. Outline the estimated market shares in terms of sales, and, where relevant, volume and productive capacity, of the merger parties and competitors identified above.

17.1 Given the large number of alternative routes to market, estimating shares is difficult. Moreover, because firms such as epay and Ezi-Pay act as the content suppliers' agents (who specify the margin to be retained by epay, Ezi-Pay, etc.) they have no pricing power vis a vis the retailers, notwithstanding their so-called 'market' shares. Against that backdrop, epay's estimates in each of the relevant segments of the payment processing market are set out below.

Mobile phone services

| Distribution channel | | Est. Revenues | | Share |
|-------------------------|-------------------------------------|---------------|--|-------|
| e-pay | | | | |
| Ezi-Pay | | | | |
| Combined Entity | | | | |
| Smart Pay | | | | |
| NZ Post | | | | |
| Top Up NZ | | | | |
| Telco Direct - pre pay | Bricks and Mortar | | | |
| | Text | | | |
| | Freephone | | | |
| | Web | | | |
| | Smartphone apps | | | |
| | Auto Top-up | | | |
| | Direct to retailer (e.g. Warehouse) | | | |
| | Telephone banking | | | |
| | Internet banking | | | |
| | Bank ATM | | | |
| Telco Direct - post pay | Cheque | | | |
| | Online banking transfer | | | |
| | Loyalty points | | | |
| | Direct debit | | | |
| Total | | | | |

Calling Cards

| Distribution channel | | Est. Revenues | | Share |
|----------------------|---------------------|---------------|--|-------|
| e-pay | | | | |
| Ezi-Pay | | | | |
| Combined Entity | | | | |
| Smart Pay | | | | |
| NZ Post | | | | |
| Top Up NZ | | | | |
| Supplier Direct | Telecom | | | |
| | TelstraClear | | | |
| | Card Call Australia | | | |
| | | | | |
| Total | | | | |

Gift Cards

| Distribution channel | | Est. Revenues | | Share |
|-----------------------|-----------------|---------------|--|-------|
| e-pay | | | | |
| Ezi-Pay | | | | |
| Combined Entity | | | | |
| Transacta | | | | |
| e-cards | | | | |
| Card Link | | | | |
| NZ Post | | | | |
| Blackhawk [PEL] | | | | |
| Supplier Direct, e.g. | Mitre 10 | | | |
| | The Warehouse | | | |
| | Event Cinemas | | | |
| | PaperPlus | | | |
| | Noel Leeming | | | |
| | Bunnings | | | |
| | Paper Plus | | | |
| | Stirling Sports | | | |
| | etc. | | | |
| Total | | | | |

NB: 1) Ezi-Pay's figure does not include the revenue associated with [...]

2) Inclusion of the other smaller gift card firms would of course reduce the combined market share.

17.2 In addition, there are 'semi-supplier direct' offerings involving a group of independent retailers but with a common connection, e.g. all retailers in the Sylvia Park shopping mall.

Digital Content

| Distribution channel | | Est. Revenues | | Share |
|----------------------|-----------------------------------|---------------|--|-------|
| e-pay | | | | |
| Ezi-Pay | | | | |
| Combined Entity | | | | |
| Blackhawk [NZ Post] | | | | |
| Blackhawk [PEL] | | | | |
| Supplier Direct | Microsoft (Windows, Office, Xbox) | | | |
| | Sony Playstation | | | |
| | | | | |
| Total | | | | |

NB: "Supplier Direct Other" is an estimate of only those direct sales of product which is also distributed through e-pay or Ezi-Pay. The true "other" would include all digital content and is obviously substantially larger. e-pay's revenue includes revenue derived from [...]

18. To what extent do you consider that the merged entity would be constrained in its actions by the conduct of existing competitors in the markets affected?

- 18.1 As can be seen from the tables above, the combined share in all four areas of overlap is low. Moreover, in terms of pricing power vis a vis the retailers, the maximum price at which e-pay may charge for its services is set by the upstream suppliers, as principal.
- 18.2 e-pay believes that all existing competitors will avail themselves of commercial opportunities to expand. Even putting to one side for a moment the extensive *direct* supply in each segment, these existing competitors (acting as intermediaries) include well known firms such as NZ Post, Transacta and SmartPay, in addition to the well known and experienced international players who have recently turned their attention to New Zealand, namely Touch, Blackhawk and Incomm.
- 18.3 More generally, the upstream content providers are constantly looking to minimise costs, and distributing direct to consumers will often be more cost effective. In relation to mobile top ups in particular, new technologies are improving the ease of use and hence popularity of these other direct channels.
- 18.4 For consumers, there are no switching costs associated with switching from buying through a channel where an agent such as e-pay is active, to buying direct via text, ATM machine, the internet or simply calling a freephone number with a credit card, for example – all of which ensure direct supply remains a material constraint.

POTENTIAL COMPETITION

CONDITIONS OF ENTRY

19. **Please explain the requirements for new entry and/or importers in the relevant market(s), including: a breakdown of the estimated costs; anticipated timeframes; regulatory requirements; frontier requirements (e.g. tariffs, import licensing, quarantine requirements); and business requirements involved.**
- 19.1 See response to 20 below.
20. **Include a full discussion on any factors that could impede entry; and what might prompt new entry post-merger.**

20.1 Each of the four overlap areas is discussed separately below.

Mobile top ups

- 20.2 Epay estimates that effective entry could be achieved within 3-6 months. For instance, prior to entry, Touch would have needed to:
- (a) sign distribution agreements with the telcos. This could have been achieved relatively quickly – the key aspect being credit-worthiness. The agreements between agents such as epay and the telcos are non exclusive;
 - (b) sign an agreement with EFTPOS NZ or Paymark (being the two payment switch operators in New Zealand);
 - (c) enter into agreements with retailers. While these are, strictly speaking, often exclusive, even if they were strictly enforced, there are always a number of retailers who would be coming ‘off contract’ at any one time; and
 - (d) download Touch’s software onto the retailers’ POS. Touch can interface with terminals from Hypercom, Verifone, Ingenco and Pax. Doing so requires only that a Touch rep attend the retailer’s premises and download the relevant Software Development Kit (**SDK**) onto the retailer’s system. Once this is done, Touch’s offerings will be available on the retailer’s terminals.
- 20.3 Moreover, to facilitate switching, the provider will generally integrate the retailer and bear the costs of doing so (i.e. retailers suffer no switching costs).
- 20.4 Entry by a firm without any payment expertise would take longer, as it would first need to either develop the software to interface with retailers’ POS hardware or contract a host (e.g. Paymark or EFTPOS NZ to which it would pay a per transaction fee) to do so. Even so, epay estimates that starting from scratch would take in the order of 12 months.

Calling cards

- 20.5 The discussion above largely also applies to calling cards. In addition, in relation to the distribution of calling cards, new entrants can simply deploy sales reps and sign up retailers directly.
- 20.6 In terms of entry/expansion, etc. by an intermediary, the calling card segment is also characterised by a large number of alternative upstream suppliers (including Telecom, TelstraClear, Compass etc.) from which a new entrant could obtain stock to supply to retailers.
- 20.7 Furthermore, retailers are typically non-exclusive in the sense that a new entrant could approach retailers already stocking calling cards and negotiate with them to also carry calling cards for which the entrant acts as intermediary.

Gift cards

- 20.8 The fact that almost every retailer of any size offers some form of gift card programme reveals that the barriers to doing so directly are low.
- 20.9 Large international firms such as Blackhawk and Touch have been able to enter comparatively easily. Again, once content is secured, it is a matter of speaking with retailers and then signing them up. In the case of gift cards, epay believes that even fewer retailers are ‘signed up’ with a particular provider given that New Zealand is rather undeveloped in this space.

20.10 Securing content is a matter of negotiating with content providers to secure their business. To date, in New Zealand, Ezi-Pay has been successful in this respect and has signed up a number of large retailers. However, that said:

- (a) Blackhawk is one of the largest players in this space internationally; and
- (b) the *change* in the competitive landscape from the Acquisition is comparatively low – epay has a very small presence in this space [...]

Digital Content

20.11 Again, the constraint from other players in digital content is similar. Firms such as Touch and Blackhawk are well positioned to expand into this space in response to any opportunity.

20.12 Aside from Apple (iTunes), Microsoft is by far the largest upstream supplier of digital content. Blackhawk has an existing relationship with Microsoft: in February 2010 Blackhawk Network, announced a partnership with Microsoft Corporation for its Xbox LIVE service on the Xbox 360.²⁸

21. **Please name any likely businesses (including overseas businesses) you are aware of that do not currently supply the market but which you consider could supply each of the relevant market(s). Discuss the likelihood of such entry.**

21.1 Touch and Blackhawk (and Incomm) are large firms with a strong presence overseas which have recently entered New Zealand. epay expects them to expand, and further believes that seeking to reduce service levels or otherwise act less competitively post-Acquisition will only provide these competitors with the scope to expand faster.

22. **To what extent do you consider that potential entry would be sufficient to constrain the merged entity in the markets affected?**

22.1 Given their size and experience, coupled with the low barriers to entry/expansion, epay expects their entry/further expansion would impose a substantial constraint.

23. **How long would you expect it to take for entry to occur, and for market supply to increase, in respect of each of the potential entrants named in question 21 above? Provide reasons for your estimates.**

23.1 See the response in 20 above.

COUNTERVAILING POWER OF BUYERS

24. **To what extent do you consider that the merged entity would be constrained in its actions by the conduct of buyers in the markets affected?**

25. The countervailing power of the upstream content providers (which determine the margin to be paid to epay) is material. In the case of the content providers, their constraint is four-fold:

- (a) They are invariably **substantially larger** than epay or Ezi-Pay in relative terms. For instance, key content providers include:
 - (i) Mobile: Telecom, Vodafone and 2degrees;

²⁸ <http://www.blackhawknetwork.com/gift-card-mall%E2%84%A2-partners-with-microsoft-to-launch-xbox-live-prepaid-cards.html>

- (ii) Calling Cards: Telecom and TelstraClear;
 - (iii) Gift Cards: Noel Leeming, Mitre 10, Repco, Warehouse Stationary and many of New Zealand's largest retailers; and
 - (iv) Digital: Apple, Microsoft and Sony.
- (b) As the table in the response to question 26 reveals, the content providers with whom epay, Ezi-Pay etc. contract with in each segment are massively concentrated. As a share of epay's revenues, the level of concentration is as follows:
- (i) Mobile: [...]
 - (ii) Calling Cards: [...]
 - (iii) Gift: [...]
 - (iv) Digital: [...]
- (c) Not only is epay substantially reliant in each segment on close to all of its content providers given their size, these very content providers all have substantial direct routes to market, which bypass epay completely. In addition, in the case of mobile, epay is frequently made aware by both the telcos and the large retailers that one option for them is to bypass epay and set up a direct link – as The Warehouse and NZ Post have done (and indeed as Woolworths has done in Australia for Optus and Telstra).
- (d) Each of these large content providers already have substantial marketing budgets, which could easily and effectively be further deployed to further promote their direct offering.
- 25.2 Each of the above constraints is substantial in its own right, however the combination of all four means that e-pay has no, and will have no, ability to credibly act in an anti-competitive manner vis a vis the content providers (or indeed retailers).
- 25.3 Finally (vis a vis retailers) these content providers, as epay/Ezi-Pay's principal, set the margin epay makes. That is, epay is unable to charge retailers more than that dictated by the content providing principal – even if they could.
26. **If you consider that there is a constraint from buyers, identify the top five buyers by sales and/or volume (including overseas companies/importers) in the relevant market(s), Where there are significant differences in the size of the buyers please provide details for five medium and five small buyers.**
- 26.1 See below. Several of the categories do not have five firms. Please advise if the Commission would like further detail in this regard.
- [...]

COORDINATED MARKET POWER

27. **Identify and discuss the various characteristics of the market that, post-merger, you consider would either facilitate or impede coordination.**
- 27.1 The market does not currently exhibit signs of coordinated conduct, including because:
- (a) it is unconcentrated;

- (b) prices are not transparent (i.e.: epay does know what margin SmartPay makes from Vodafone, etc.);
- (c) different firms have different business models and hence cost structures;
- (d) the content providers supply direct, which is one of the key constraints, and clearly they have no incentive to tacitly collude with epay so as to generate a larger margin for epay (which they must pay).

27.2 The Acquisition does not affect any of these factors and so cannot be said to enhance the scope for coordinated conduct.

EFFICIENCIES

28. **If applicable, provide a description of any efficiencies that you believe the acquisition could bring.**

28.1 Epay expects to derive some scale efficiencies from the Acquisition. These efficiencies will allow it to reduce its costs which is important given the (understandable) ongoing drive by upstream suppliers and retailers to reduce their costs – one way being to bypass intermediaries such as epay, Ezi-Pay etc.

OTHER FACTORS

29. **Where relevant, provide a description of any other features of the market(s) that should be taken into account in considering the effect of the proposed merger.**

29.1 N/A.

| |
|---|
| Part 6: Further Information and Supporting Documentation |
|---|

30. Provide the contact details of relevant competitors, buyers and suppliers and any other relevant market participants in the form of the example table shown below.

| | NAME OF COMPANY | CONTACT DETAILS | RELEVANT CONTACT PERSON |
|-------------|---|--|--|
| | BOTH LEGAL AND TRADING NAMES | POSTAL AND PHYSICAL ADDRESS, TELEPHONE AND FAX, WEBSITE | NAME, POSITION AND CONTACT DETAILS INCLUDING TELEPHONE PHONE, FAX, EMAIL |
| COMPETITORS | TELCOS and RETAILERS | See below. | |
| | BLACKHAWK NETWORK (AUSTRALIA) PTY LTD T/A Blackhawk Network | Postal: Gaze Burt Lawyers PO Box 91 345 Auckland Mail Centre Physical: 1 Nelson Street, Auckland 1010, New Zealand Phone: 303-3764 Fax: 309-3114 www.blackhawknetwork.com | |
| | INCOMM AUSTRALIA & NEW ZEALAND PTY LTD T/A InComm | Physical: 16A BROOK ST, HAWTHORN, VIC 3122 Boroondara, East VIC, Australia. Ph: +61 (0) 449 923 551 www.incomm.com | |
| | SMARTPAY NEW ZEALAND LIMITED T/A SmartPay | Postal: PO Box 100490, North Shore Mail Centre, Auckland, New Zealand. Physical: 182-190 Wairau Road, Glenfield, Auckland. P: +64-9 442 2700 F: +64-9 442 2722 http://smartpayltd.com | |
| | NEW ZEALAND POST LIMITED t/a NZ Post | Postal: PO Box 39990 Wellington Mail Centre Lower Hutt 5045 Physical: Level 12, New Zealand Post House, 7 Waterloo Quay, Wellington, 6011 , New Zealand Ph: +64 4 496 4999 www.nzpost.co.nz | |
| | BANKS | Commission's existing contacts. Details can be provided if required. | |
| RETAILERS | TOP UP (NZ) LIMITED t/a Top Up NZ | Physical: 173-175 Victoria Street Wellington CBD, New Zealand Telephone: 0800 TOPUPNZ http://topupnz.com/ | |
| | PROGRESSIVE ENTERPRISES LIMITED t/a Countdown | Postal: Private Bag 93306, Otahuhu, Manukau. Physical: 80 Favona Road, Mangere, Auckland , New Zealand Ph: (09) 275 2788 http://www.progressive.co.nz | |

| | | | |
|--|--|---|--|
| | FOODSTUFFS OWN BRANDS LIMITED t/a Foodstuffs | Postal: PO Box 27-480, Auckland DX Box CX15021 Physical: 95 May Road, Mt Roskill Phone: +64 9 621 0508 Fax: +64 9 621 0987 http://suppliers.foodstuffs.co.nz/national-guidelines/fobl.aspx | |
| | FOODSTUFFS (AUCKLAND) LIMITED t/a Pak N Save, New World and Four Square | Postal: PO Box 27 - 480, Auckland DX Box CX 15021 Physical: 60 Roma Road, Mount Roskill Phone: +64 9 621 0600 Fax: +64 9 621 0601 www.foodstuffs.co.nz | |
| | FOODSTUFFS WELLINGTON CO-OPERATIVE SOCIETY LTD T/A Pak N Save, Write Price, Shoprite, New World, Four Square | Postal: PO Box 38-896 Wellington Mail Centre Physical: 57 Kiln Street, Silverstream Upper Hutt Phone: +64 4 527 2510 Fax: +64 4 527 2662 www.foodstuffs.co.nz | |
| | FOODSTUFFS SOUTH ISLAND LIMITED t/a Pak N Save, New World, On the Spot, On the Spot Express, Henry's | Postal: Private Bag 4705 Christchurch Physical: 167 Main North Road Papanui, Christchurch, New Zealand Phone: +64 3 353 8700 Fax: +64 3 353 8190 Web: www.foodstuffs-si.co.nz | |
| | Z ENERGY LIMITED t/a Z Energy | Postal: PO Box 2091, Wellington 6140, New Zealand Physical: 3 Queens Wharf, Wellington Central, Wellington, 6011 , New Zealand Ph. 04 472 0080 http://z.co.nz | |
| | RED CIRCLE/CSB GROUP LIMITED T/A Red Circle CSB Group | Postal: C/-Herbert Morton Ltd, 19 Victoria Street, Cambridge , New Zealand Physical: Stortford Corner, Pakowhai Road, Hastings, New Zealand Phone: 0800 RED CIRCLE (06 872 6084) Fax: 06 870 8094 www.redcircle.co.nz | |

| | | | |
|-------------------------------------|---|---|--|
| SUPPLIERS / CONTENT PROVIDERS | BP OIL NEW ZEALAND LIMITED t/a BP | Postal: P O Box 892, Wellington, Wellington 6140 Physical: 20 Customhouse Quay, Wellington , New Zealand Telephone: +64-4-495 5000 Fax: +64-4-495 5400 Website: www.bp.co.nz | |
| | MOBIL OIL NEW ZEALAND LIMITED T/A Mobil | Postal: PO Box 1709 Auckland 1010 Physical: 164-188 Beaumont St, Freemans Bay, Auckland. Phone: 09-302 4700 Fax: 09-3024766 | |
| | TELECOM NEW ZEALAND LIMITED T/A Telecom New Zealand | Physical: Telecom Place, 167 Victoria Street West, Auckland, 1142 , New Zealand www.telecom.co.nz | |
| | VODAFONE NEW ZEALAND LIMITED T/A Vodafone New Zealand | Postal: P O Box 91443, Victoria Street West, Auckland 1142 Physical: 20 Viaduct Avenue, Auckland Central, Auckland 1010 Telephone: +64-9-356 7425 Fax: +64-9-359 9399 Website: www.vodafone.co.nz | |
| | TWO DEGREES MOBILE LIMITED t/a 2degrees Mobile | Postal: PO Box 8355, Symonds Street, Auckland, 1150, New Zealand Physical: 131 Khyber Pass Road, Grafton, Auckland 1023 , New Zealand Telephone: +64-9-919 7000 Fax: +64-9-919 7001 Web: www.2degreesmobile.co.nz | |
| | MERCURY ENERGY LIMITED t/a Mercury Energy | Postal: Private Bag 92008, Victoria Street West, Auckland 1142 Physical: Ground Floor Reception, Millennium Centre Building A, 602 Great South Road, Ellerslie, Auckland 1051 Telephone: +64-9-580 3500 Fax: +64-9-580 3501 Web: www.mercuryenergy.co.nz | |
| | EFTPOS NEW ZEALAND LIMITED t/a Eftpos New Zealand | Postal: PO Box 3457, Wellington 6140 Physical: 69 Tory Street, Wellington www.eftpos.co.nz | |

| | | |
|---|--|--|
| MICROSOFT NEW ZEALAND LIMITED t/a Microsoft | Postal: PO Box 8070, Symonds St, Auckland 1150 Physical: Level 5, 22 Viaduct Harbour Ave, Auckland, New Zealand www.microsoft.com/en-nz/default.aspx | |
| MICROSOFT PTY LIMITED t/a Xbox | Physical: 1 Epping Road North Ryde NSW 2113 Australia | |
| APPLE PTY LIMITED t/a Apple | Physical: Level 13, 255 Pitt St, Sydney NSW 2000, Australia Fax number: +612892214898 Web: www.apple.com.au | |

31. **Please provide a copy of the most recent annual report for each of the merger parties. If an annual report is not available, please provide a copy of the audited financial statements of the merger parties (profit and loss account, showing total turnover and profit before tax, and balance sheet). If the merger only relates to a segment of the business of the merger parties, please also provide a copy of any management accounts for the relevant business segment.**

31.1 Euronet's annual report is available at <http://ir.euronetworldwide.com/annuals.cfm>

31.2 epay's and Ezi-Pay's confidential accounts are **attached** as Appendix B and C to this Application.

Part 7: Confidentiality

32. **If you wish to request confidentiality for specific information contained in or attached to the notice, please state why you consider the information to be confidential and state the reasons for your request in terms of the criteria set out in the Official Information Act 1982.**
- 32.1 Confidentiality is sought in respect of the information in this application that is highlighted/contained in square brackets. Confidentiality is sought for the purposes of section 9(2)(b) of the Official Information Act 1982 on the grounds that:
- (a) the information is commercially sensitive and contains valuable information which is confidential to the Applicant (and/or the Vendors); and
 - (b) disclosure would be likely unreasonably to prejudice the commercial position of the Applicant (and/or the Vendors), as the parties providing the information.
- 32.2 The Applicant also requests it is notified of any request made to the Commerce Commission under the Official Information Act 1982 for the confidential information, and that the Commission seeks the Applicant's views as to whether the information remains confidential and commercially sensitive at the time those requests are being considered.
- 32.3 The foregoing applies equally in respect of any additional information provided to the Commission that is expressed to be confidential.
33. **Provide a separate schedule of all confidential information claimed in the application.**
- 33.1 To be provided separately.

THIS NOTICE is given by Roger Smith.

I hereby confirm that:

- all information specified by the Commission has been supplied;
- if information has not been supplied, reasons have been included as to why the information has not been supplied;
- all information known to the applicant(s) which is relevant to the consideration of this application/notice has been supplied; and
- all information supplied is correct as at the date of this application/notice.

I undertake to advise the Commission immediately of any material change in circumstances relating to the application/notice.

Dated this _____ day of _____ 2012.

Regional Sales Director Asia Pac & Managing Director

I am a director/officer of the company and am duly authorised to make this application/notice.

Appendix A: Sale and Purchase Agreement

Appendix B: epay's Annual Report (YE 31 Dec 2010)

Appendix C: Ezi-Pay's Financial Statements (YE 31 March 2011)