2017 HEALTH OF CASH STUDY

IN A DIGITAL WORLD, CASH IS RESILIENT
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INTRODUCTION

Banish the myth of a cashless society, especially one based on hearsay, or on anything other than consumer behavior. Cash is resilient in today’s increasingly crowded payments landscape.

Even as the digital payments evolution becomes increasingly embedded in American society, cash is maintaining a prevalent and meaningful role in people’s spending and payment behavior.

Cardtronics partnered with Edelman Intelligence, an independent market research company, to conduct the 2017 Health of Cash survey of 1,000 adults in the United States. This is the third annual examination of what’s happening with consumer payments’ behavior, and based on the Health of Cash 2017 data, while cash may not always be the most-preferred payment option in all scenarios, it remains the most universally used form of payment for goods and services and person-to-person payments.

While cash no longer dominates every aspect of American consumerism, there are many instances where it is still exactly what people want, and precisely the way they want to pay.

Cards have already made a dent in cash usage in the U.S., and continue to hold a meaningful share of payment behavior. Digital payments (mobile wallets, apps, etc.) usage is growing. In fact, 2017 Health of Cash data reveals a 16% increase in digital payments usage year-over-year, even as cash use declined 4%. And yet, cash firmly remains the most commonly used form of payment.

The most recent Federal Reserve Board research on consumer payment behavior confirms the resilience of cash. Insights from the Fed’s primary data source on consumer payment behavior – the Diary of Consumer Payment Choice – found that data for 2015 (the most recent statistics) reveals that while cash faces competition from other payment instruments, it continues to be the most frequently used consumer payment instrument and widely used in a variety of transactions – and across all demographic groups.

Despite the presence of digital payments, and based on the findings of the 2017 Health of Cash Study, people don’t think cash is going away, and they aren’t longing for a cashless future or a time when the only way they can pay is digital. On the contrary, people affirm that they are highly likely to continue using cash, which has carved a durable and enduring bond with consumers.
CASH IS RESILIENT AND OFTEN STILL-PREFERRED

In 2016, the Health of Cash Study identified and explored a new norm rising in the payments landscape. Contradicting an assumption that cash was dying as new payment options proliferated, that data revealed people reacting to an unprecedented menu of ‘ways to pay’ by adopting a blended mix of payment methods. As a result, cash continues to play a meaningful role among the full range of payment options.

Throughout the survey, questions were separately asked about mobile wallets, store-specific apps, mobile order & pay ahead, along with both bank and non-bank person-to-person (P2P) payment apps. For the purpose of this analysis, these results are often aggregated into “digital payments.”

In 2017, consumers continue to value choice and options for paying and spending, and they continue choosing and using cash as part of this broader mix of payment mechanisms.

The Health of Cash survey tracks consumer payment behavior both in terms of which payment methods people have used in the past 6 months as well as which is their most preferred. In both cases, the data is clear that cash usage is deeply woven into the fabric of Americans’ payment behavior.

Across in-store shopping and P2P payments, and despite a 4% year-over-year decline in cash usage, cash remains the most commonly used form of payment by a comfortable margin, used by nine out of 10 consumers in the past 6 months, and by 80% on a monthly basis. Credit cards are flat and debit card usage declined nearly 8% y-o-y, though some of that pullback may be accounted for in the 16% y-o-y increase in digital payments, with a debit card potentially facilitating a mobile wallet payment, for example.
New for the 2017 Health of Cash survey, respondents were asked point-blank: overall, which is your most preferred payment method? Among all consumers, cash is the second most-preferred choice, at 27%, behind debit cards, at 33%. Twenty-two percent of consumers favor credit cards, 15% prefer digital and 3% like checks best.

Millennials, in their response to the most preferred payment method question, provide compelling data points in support of the continued resilience of cash as part of a group of primary payment methods, as well as the trend of consumers embracing a blended mix of ways they pay.

Most preferred way to pay for millennials? Cash, at 29%, followed in a close grouping by debit card (26%), digital (25%), then credit card (17%) and finally checks (3%).

CASH STRONGHOLD: P2P

Despite 32% y-o-y growth in the usage of non-bank P2P apps (e.g. PayPal’s Venmo), along with 23% y-o-y growth in the usage of bank P2P services (e.g. Chase QuickPay), by a healthy margin, cash remains the commonly used P2P payment method to give or get money from family members, friends, co-workers, etc.

Once again, millennials seem to drive both the growth of digital P2P and the health of cash. In a millennials vs. all consumers comparison, millennials are more likely to have used both non-bank P2P apps (42% millennials vs. 33% all consumers) and bank P2P services (27% millennials vs. 16% all consumers) within the last six months. And, millennials are more likely to have used cash (67% millennials vs. 62% all consumers) for P2P payments. In fact, across all age groups regarding P2P payments, millennials are most likely to have used cash.
While the P2P findings above measure which payment methods people have used, 2017 Health of Cash also inquired as to single most preferred P2P payment method, measuring separately for when a person is in the position of paying money back and receiving money from a family member or friend.

Despite digital P2P services, such as Venmo and Chase QuickPay, having risen to become the second most preferred way to exchange money with family and friends, the Health of Cash Study finds cash as most preferred for P2P, for both giving and getting money, across all age groups, and in particular millennials.
CASH STRONGHOLD: SMALL VALUE

Even as consumer shopping behavior evolves in the digital age, despite the proliferation of payment card acceptance, and while many consumers are indeed adding smartphone-driven digital pay options into their payments toolbox – cash continues to resonate with consumers when making smaller, low-value purchases.

The vast majority (82%) of people agree that they use cash for smaller items while they use other payment options for larger, more expensive items. And taking a closer look at demonstrated consumer behavior, the 2017 Health of Cash Study specifically finds that 68% of people use cash for purchases under $10 and 55% of people use cash for purchases under $20. While these totals represent small declines compared to 2016, cash is resilient in remaining the most commonly used payment method for smaller purchases.

Consumer payment behavior is dynamic and market shares fluctuate. While many people are adding digital payments options to their spending patterns, and continue to embrace payment cards, there is equally compelling evidence that cash has formed a durable and enduring bond with consumers.
CASH’S ENDURING ROLE IN A DIGITAL WORLD

Despite the presence of digital payments, people don’t think cash is going away, and they aren’t longing for a cashless future or a time when the only way they can pay is digital.

Cash has an important place in consumers’ wallets – and hearts. Based on the findings of the 2017 Health of Cash Study, people seem highly likely to continue using cash, even if they don’t prefer it for all payment situations. What does this say about the American consumer?

There are three key truths that guide consumers in their payment decisions. For each of these areas, neither cards nor digital payments are able to provide the same comprehensive benefits package that consumers have come to appreciate and rely on from cash.

1. Consumers like choice
2. Exchanging money should be convenient, safe/secure, easy to use & (at times) private
3. Payment options should empower financial well-being and inclusion
CONSUMERS LIKE CHOICE

Choice means having options, not limitations. Choice means multiple ways to pay, with consumers personally deciding what is best for them. Cashless isn’t freedom, it’s one less choice from which consumers have the freedom to choose.

As the Health of Cash Study has documented, the U.S. payment market is incredibly fragmented. While a very small number of niche retailers and restaurants may have a clientele willing to accept cashless as their only option, that is neither the want nor the will of the vast majority of Americans, who simply want to be able to choose, and to have as many choices as possible.

Consider:

- 89% of people like having the ability to use a variety of payment methods.
- 82% of consumers surveyed would miss cash if it went away.
- 66% think payment technology is moving too fast toward digital payments.
- 61% get upset when establishments don’t accept cash, regardless of which payment mechanism they use – and among millennials, there’s an uptick to 68%.

EXCHANGING MONEY SHOULD BE CONVENIENT, SAFE, SECURE, EASY & (AT TIMES) PRIVATE

Convenient and easy to use – in the eyes of consumers when selecting a payment method, these attributes are both highly valued, and fairly common to cash, cards and digital/mobile. While proponents of the cashless
movement often claim convenience and ease as new payment benefits that are unique to cards and digital, consumer sentiment as captured by the 2017 Health of Cash Study disagrees.

Not only do consumers consider cash to be very competitive with cards and digital when it comes to convenience and ease of use, the fact is they believe cash best delivers those two benefits. And when the choice of ‘how to pay’ hinges on safety, security and privacy, cash clearly separates from the payments pack - most notably on privacy (e.g. doesn’t track purchase behavior) – a benefit that cashless cannot deliver.

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<tr>
<th></th>
<th>CASH</th>
<th>CREDIT</th>
<th>DEBIT</th>
<th>MOBILE WALLETS</th>
<th>BEST OPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONVENIENCE</td>
<td>92%</td>
<td>88%</td>
<td>87%</td>
<td>81%</td>
<td>CASH (38%)</td>
</tr>
<tr>
<td>SAFETY</td>
<td>90%</td>
<td>70%</td>
<td>73%</td>
<td>74%</td>
<td>CASH (48%)</td>
</tr>
<tr>
<td>MAKES ME FEEL SECURE</td>
<td>85%</td>
<td>64%</td>
<td>67%</td>
<td>67%</td>
<td>CASH (43%)</td>
</tr>
<tr>
<td>EASE OF USE</td>
<td>95%</td>
<td>90%</td>
<td>87%</td>
<td>77%</td>
<td>CASH (44%)</td>
</tr>
<tr>
<td>PRIVACY</td>
<td>90%</td>
<td>33%</td>
<td>35%</td>
<td>58%</td>
<td>CASH (60%)</td>
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Reliability and knowing a payment method will work or be accepted is also core to consumers’ choice of payment methods. Whether due to an affinity for cash, or simply finding it prudent to carry an analog alternative to digital-based cards and mobile, the Health of Cash Study indicates consumers view cash as a trusted backup - even consumers who prefer cards or digital payments. For instance, over two-thirds (68%) of them say they specifically keep cash in their wallet as a backup, and the number rises to 73% for millennials.

Among all consumers, 85% always try to keep cash on hand, and two-thirds say they feel nervous when they don’t have cash with them – which is even true among millennials, with 70% agreeing to this.

“I FEEL NERVOUS WHEN I DON’T HAVE CASH ON ME OR IN MY WALLET.”

67% ALL CONSUMERS
70% MILLENNIALS
PAYMENT OPTIONS SHOULD EMPOWER FINANCIAL WELL-BEING AND INCLUSION

While the 2017 Health of Cash Study findings collectively indicate the vast majority of Americans do not desire a cashless society, but rather a blended mix of payment options, there is also the matter of whether America is ready. Would the banishment of cash be an inclusive change for all Americans, or would many citizens be left behind?

As reported in the most recent FDIC National Survey of Unbanked and Underbanked Households:

- Approximately 9.0 million U.S. households, made up of 15.6 million adults and 7.6 million children, were unbanked in 2015 – meaning that no one in the household had a checking or savings account.
- Approximately 24.5 million U.S. households, composed of 51.1 million adults and 16.3 million children, were underbanked in 2015 – meaning that the household had an account at an insured institution, but also obtained financial services and products outside of the banking system.

The Health of Cash survey asked, for all payment methods, is everyone able to use this? The findings paint a clear picture of a digitally disadvantaged segment of society in a cashless America.

<table>
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<tr>
<th>EVERYONE IS ABLE TO USE THIS</th>
<th>CASH</th>
<th>CREDIT</th>
<th>DEBIT</th>
<th>MOBILE WALLETS</th>
<th>BEST OPTION</th>
</tr>
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<tbody>
<tr>
<td>94%</td>
<td>67%</td>
<td>73%</td>
<td>66%</td>
<td></td>
<td>CASH (56%)</td>
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In addition to the previously discussed security of choice and data, cash distinctly delivers better financial security and well-being. The 2017 Health of Cash Study, on the subject of budgeting indicates 75% of consumers feel cash helps them control their spending; and consumers believe cash is the single-best payment method to help keep them from overspending. (Cash was selected by 47% of consumers; debit was second place at 23%).

In a revealing statistic, while 83% of daily users of digital payment apps have a monthly budget, versus 67% of the general public, they are still over two times as likely to have unmanageable debt.
WHERE DIGITAL ADVANCES

The 2017 Health of Cash Study makes clear that cash continues as the most commonly used payment in stores and in person-to-person transactions. And at the same time, it continues to find evidence of people embracing today’s unprecedented menu of payment mechanisms and using a blended mix of options – cash, card, and digital – depending on the situation.

With mobile wallets (e.g. ApplePay), store-specific apps (e.g. Walmart Pay), and mobile order & pay ahead (e.g. Starbucks) often making headlines in consumer payments news, the 2017 Health of Cash survey gathered data to better understand where digital payments are carving out a space in consumer payment behavior.

PERSON-TO-PERSON

The person-to-person (P2P) payment space is an interesting case where growth of digital and healthy use of cash seem to coexist. PayPal’s Venmo, which has surpassed 200 million active users, to this point has been the driving force in digital payments becoming the second-most commonly used P2P payment method behind cash.

The 2017 Health of Cash Study also found that 31% of consumers continue to write checks for P2P purposes, making this one of the few scenarios where checks register a meaningful market share. As Zelle, the banking industry’s answer to Venmo, has gone live in 2017, how it affects digital, check and cash usage will be an area to watch.

DIGITAL/MOBILE ORDERING

While the Health of Cash survey does not directly measure or quantify shifting consumer shopping patterns from brick-and-mortar stores to online merchants, it must be acknowledged that the so-called “Amazon-effect” on physical retailers also has a dampening-effect on cash usage. Additionally, the rising expansion of so-called embedded and conversational commerce – e.g. routine purchases made via Alexa-enabled Amazon Echo speakers at the moment a person runs out of laundry detergent – impacts cash because it removes cash from the list of payment choices.
Starbucks’ Mobile Order & Pay, facilitated by the embedded commerce of ordering within the Starbucks app using a payment card on-file, illustrates how this trend can affect in-store payments. Even as a consumer still visits a physical store, the ability to choose cash is once again non-existent because consumers never stand in-front of a physical point-of-sale terminal.

Indeed, the 2017 Health of Cash Study finds digital has gained ground year-over-year in the coffee shop category, which includes Starbucks’ Mobile Order & Pay, becoming a hotly-contested payments battlefield.

In 2017, while use of cash in coffee shops remains popular, at 48%, it dropped from 56% in 2016. Digital’s share rose to 21% from 18%, reflecting the use of mobile order and pay transactions at major coffee shop operators.

Restaurants – fast-food (e.g. McDonalds), fast casual (e.g. Panera Bread), and full-service (e.g. Applebee’s) – have followed Starbucks into the mobile order & pay space, with digital’s share (13%) of payments highest in the fast casual category and trending up, though still trailing cash and cards by a significant margin.

In addition, people are starting to lean digital at sports arenas and concert venues, with 14% using digital in 2017, double the previous year’s percentage. Cash remains well ahead at 41%, but that’s down from 45% in 2016. Reflecting the trend, the latest Health of Cash survey signals that over one-fourth of people want online ordering options for sports and concerts.

With nearly one in five consumers – and one out of three millennials – having used mobile order & pay in the last six months, this will be a key segment of digital payments to follow as consumer payment behavior has trended toward embracing a wider array of ways to pay.
WHERE CASH HOLDS THE LINE

The 2017 Health of Cash Study examined a wide range of specific types of consumer spending, and found cash continues to maintain formidable strongholds within shopping, dining and service categories.

SHOPPING

Brick-and-mortar consumer payment behavior continues to reflect the fragmented payments marketplace the Health of Cash Study observed in 2016, with cash usage once again resilient and stubbornly strong at the point-of-sale when tracking types of payment methods used at various retail categories within the past six months.
Even as growth of digital payments is meaningful across most of the retail environments studied by Health of Cash, cash usage retains its clear leadership position at convenience stores, farmers markets and small/local businesses, and holds its ground and a very competitive payment share at grocery stores (e.g. Kroger), pharmacies (e.g. Walgreens, CVS/pharmacy) and mass merchandisers (e.g. Target), where cash usage notably increased while both credit and debit pulled back.

Millennial payment behavior at these retail categories once again shows the split-personality of being outsized users of both digital payments and cash in many instances.
DINING

As with shopping, growth in digital payments appears in all types of dining establishments. Still, cash remains unfazed overall in dining, as it leads in fast-food restaurants and bars and continues to share the market strongly in full-service and fast casual. In fact, the survey finds that four-in-five people are likely to have cash on hand specifically when going out on the weekends.

PAYMENT USAGE LOCATIONS: DINING

80% OF PEOPLE ARE LIKELY TO HAVE CASH ON HAND WHEN GOING OUT ON THE WEEKENDS.
SERVICE & ROUTINE

Likewise, cash leads in service payment scenarios. For instance, two-of-three adults use cash to pay a baby sitter, and 46% prefer cash to pay for lawn services, well above the percentages for other payment options. For routine purchases, which the Health of Cash survey described as coffee, lunch, etc., cash was selected as the single-most preferred payment type, followed by debit cards and a tight grouping of credit cards and digital payments.

In the vein of routine purchases, by a wide margin cash is the single-most preferred way to pay for snacks, which both helps explains the dominant use of cash at convenience stores discussed earlier, and leads into an interesting finding of the 2017 Health of Cash Study.

When asking consumers for their payment preference in situations involving consumable goods, cash and debit are the clear first and second place choices. However, when the situation turns to tangible goods, cards rise to the top, with cash and digital preferred only half as often. While this is an enlightening observation of the 2017 Health of Cash Study, it also seems well-aligned with another finding shared previously: the vast majority (82%) of people agree that they use cash for smaller items while they use other payment options for larger, more expensive items.

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<tr>
<th>PAYMENT PREFERENCES: SITUATIONAL</th>
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<tr>
<td>PAYING BABYSITTER</td>
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<tr>
<td>CASH: 67%</td>
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<tr>
<td>BUYING SNACKS</td>
</tr>
<tr>
<td>CASH: 54%</td>
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<tr>
<td>PAYING LAWN SERVICE</td>
</tr>
<tr>
<td>CASH: 46%</td>
</tr>
<tr>
<td>ROUTINE PURCHASES</td>
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<tr>
<td>CASH: 35%</td>
</tr>
<tr>
<td>CONSUMABLE GOODS</td>
</tr>
<tr>
<td>CASH: 32%</td>
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<tr>
<td>TANGIBLE GOODS</td>
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<tr>
<td>CASH: 16%</td>
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CONCLUSION

The 2017 Health of Cash Study continues to underscore the falsity of the cashless America narrative. While cash may not always be the most-preferred payment option in all scenarios, it resiliently remains the most commonly used form of payment, and there are many instances where it is still exactly what people want, and precisely the way they want to pay.

Cash is a critical component of commerce and a cornerstone of the American economy. Cash has an important place in consumers’ wallets, and in their hearts. What the Health of Cash Study makes clear is that a cashless society born of anything but the will of the people, of anything other than freedom of choice, will have far-reaching and harmful implications on consumers and businesses – to the point of shutting out millions of cash consumers and disenfranchising major segments of our population.

Indeed, the Health of Cash Study makes it plain that consumers simply don’t want a cashless society. Otherwise, usage and preference statistics wouldn’t be as high as they are if people were truly ready to go all-digital all the time. Cash is alive and well in 2017. And as for the future of cash, may it always be determined by the principles of the free market and consumer freedom of choice.
As for the future of cash, may it always be determined by the principles of the free market and consumer freedom of choice.
ABOUT THE CARDTRONICS 2017 U.S. HEALTH OF CASH STUDY

Cardtronic partnered with Edelman Intelligence, an independent market research company, to conduct a 20-minute, online survey among a nationally representative sample of n=1,000 U.S. adults ages 18+. Respondents were asked about their payment preferences and habits with results occasionally being split into groups based on what payment methods people used. Throughout the analysis, questions asked about mobile wallets, store-specific apps, bank P2P apps, non-bank P2P apps, and mobile order ahead & pay separately. For the purposes of analysis, these results were often aggregated into “digital payments.” The margin of error for this sample is +/-3.1% at the 95% confidence level. The survey was fielded between May 26 and June 2, 2017.

ABOUT CARDTRONICS

Making ATM cash access convenient where people shop, work, and live, Cardtronics is at the convergence of retailers, financial institutions, prepaid card programs, and the customers they share. Cardtronics provides services to approximately 237,000 ATMs in North America, Europe, Asia-Pacific, and Africa. Whether Cardtronics is driving foot traffic for top retailers, enhancing ATM brand presence for card issuers or expanding card holders’ surcharge-free cash access, Cardtronics is convenient access to cash, when and where consumers need it. Cardtronics is where cash meets commerce.