GLOBAL CASH ACCESS HOLDINGS, INC.

FORM 8-K
(Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 28, 2008

GLOBAL CASH ACCESS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-32622**	**20-0723270**
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

3525 East Post Road, Suite 120 Las Vegas, Nevada	**89120**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(800) 833-7110**

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results Of Operations And Financial Condition.

On February 28, 2008, Global Cash Access Holdings, Inc. issued a press release announcing its results of operations for the fiscal year ended December 31, 2007. A copy of the press release is attached hereto as Exhibit 99.1.

On February 28, 2008, Global Cash Access Holdings, Inc. held a conference call to discuss its results of operations for the fiscal year ended December 31, 2007 and other matters. A transcript of the call is attached hereto as Exhibit 99.2. During the call Mr. Scott Betts stated, “Capital expenditures including intangibles were $11 million for the fourth quarter of 2007.” The company expects that capital expenditures including intangibles will be $11 million for the year ended December 31, 2007.

This Form 8-K and the attached exhibit are furnished to, but not filed with, the Securities and Exchange Commission. The information contained herein and in the accompanying exhibits shall not be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference into such filing.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

Exhibit No.	Document
99.1	Press Release announcing results of operations for the fiscal year ended December 31, 2007.
99.2	Transcript of conference call held on February 28, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLOBAL CASH ACCESS HOLDINGS, INC.

Date: March 3, 2008

By: /s/ Scott Betts

Scott Betts, Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Document
99.1	Press Release announcing results of operations for the fiscal year ended December 31, 2007.
99.2	Transcript of conference call held on February 28, 2008.

Exhibit 99.1

Press Release Announcing Results of Operations for the Fiscal Year Ended December 31, 2007

For Release at 9am EST February 28, 2008

Investor Contact:	George Gresham, CFO (702) 855-3005
Media Contact:	Adria Greenberg Sommerfield Communications, Inc. (212) 255-8386

Global Cash Access Announces Fourth Quarter and Full Year 2007 Financial Results

Revenue of $144.0 million, Diluted Adjusted Cash EPS of $0.16 and Diluted Cash EPS of $0.07 in Q4 and Revenue of $600.9 million, Diluted Adjusted Cash EPS of $0.70 and Diluted Cash EPS of $0.51 for FY 2007

(Las Vegas, NV — February 28, 2008 — NYSE:GCA) — Global Cash Access Holdings, Inc. ("GCA" or the "Company") today announced preliminary, unaudited financial results for the quarter and year ended December 31, 2007.

Summary Non-GAAP Results

For the quarter ended December 31, 2007, revenues were $144.0 million, an increase of 1.5% over the $141.9 million in revenues recorded in the same quarter last year. Adjusted Cash Earnings, which exclude stock-based compensation and items that typically do not occur on a recurring basis, were $12.7 million in Q4 2007, compared to $13.6 million in Q4 2006, a decrease of 6.2%. Adjusted Cash Earnings per diluted share were $0.16 in Q4 2007 (on 79.5 million diluted shares) as compared to $0.17 in Q4 2006 (on 82.0 million diluted shares). Cash Earnings, which include stock-based compensation, were $5.5 million in Q4 2007 as compared to $10.0 million in Q4 2006, a decrease of 45.0%. Cash Earnings per diluted share were $0.07 in Q4 2007 as compared to $0.12 in Q4 2006. Adjusted EBITDA was $27.2 million in Q4 2007, an increase of 0.5% from Adjusted EBITDA of $27.1 million in Q4 2006. EBITDA (which excludes stock-based compensation) was $24.6 million in Q4 2007, a decrease of 9.1% from EBITDA of $27.1 million in the same period in 2006.

"We had mixed results in the fourth quarter of 2007. While we successfully overcame several key challenges, the underlying weakness in the gaming market suppressed our overall financial performance," commented Scott Betts, President and Chief Executive Officer of GCA. "In light of the softening economy, our strategy for 2008 will be to stay focused on our key initiatives and get stronger to position ourselves for the inevitable rebound in the gaming industry."

Recent Highlights

- Recorded revenue of $144.0 million.
- Comparison of key metrics versus the same quarter in the prior year:
  - Same store surcharge revenue up 1.9%
  - Cash advance dollars disbursed up 6.4%
- 3-in-1 Enabled Redemption Kiosk installations reached 685 as of December 31, 2007.
- Arriva Card statistics as of December 31, 2007:
  - 11,004 accounts as of December 31, 2007

- $46.4 million in Arriva Card transaction volume since the launch of the Arriva Card, with $7.5 million in volume in Q4 2007
- Charge-offs to date of $2.8 million

- In the fourth quarter of 2007, acquired 3.1 million shares of common stock at an average price per share of $7.62.
- As of December 31, 2007, total acquired shares stood at 4.6 million shares at an average price of $9.13 resulting in a total investment of $41.7 million.
- Hired Scott Betts as our new Chief Executive Officer, and added additional executives in Q1 2008 including George Gresham as our new Chief Financial Officer and Mari Ellis as our Executive Vice President of Technology and Development.

GAAP Quarterly and Year End Results

For the fourth quarter of 2007, total revenues were $144.0 million, an increase of 1.5% over the fourth quarter of 2006. Operating Income (including non-cash compensation expense) in the fourth quarter of 2007 was $11.6 million, a decrease of 47.6% from the same period in 2006. Net income in the fourth quarter of 2007 was $0.7 million, down 86.8% from the fourth quarter of 2006. Diluted earnings per share were $0.01 in the fourth quarter of 2007 (on 79.5 million diluted shares) as compared to $0.07 in the fourth quarter of 2006 (on 82.0 million diluted shares).

Included within operating expense in the fourth quarter of 2007 is $4.3 million of costs associated with the internal investigation conducted by the Audit Committee of the Board of Directors, $7.9 million of costs associated with the accelerated vesting of stock options and restricted stock of former executives, and $0.8 million of cash based severance for terminated executives. Offsetting these one-time expenses in operating expenses is $2.6 million of income related to our settlement of the Visa Check/MasterMoney Antitrust Litigation.

For the year ended December 31, 2007, total revenues were $600.9 million, an increase of 9.6% over 2006. Operating Income (including non-cash compensation expense) in 2007 was $72.7 million, a decrease of 14.7% from 2006. Net income in 2007 was $22.5 million, down 15.4% from $26.6 million in 2006. Diluted earnings per share were $0.28 for 2007 (on 81.4 million diluted shares) as compared to $0.32 for 2006 (on 81.9 million diluted shares).

Fourth Quarter Results of Operations

Total revenues in the fourth quarter of 2007 were $144.0 million, an increase of 1.5% from revenues of $141.9 million in the fourth quarter of 2006. Same store revenues for cash advance and ATM surcharge increased in the fourth quarter of 2007.

The following is a comparison of selected revenue components for the fourth quarter of 2007 to the same period in 2006:

- Cash advance revenues were up 1.4%, from $75.0 million to $76.0 million. Cash disbursed increased 6.4%, from $1.46 billion to $1.55 billion. The number of transactions increased 2.4%, from 2.6 million to 2.7 million. The average transaction amount increased from $554.37 to $575.92. The average fee decreased from 5.14% to 4.90%. Average revenue per transaction decreased 1.0% from $28.52 to $28.24.
- ATM revenues were flat from 2006 at $56.5 million. Excluding the UK ATM operations which ceased in Q2 2007, the ATM volume for locations where we earn only a processing fee and our Macau operations that started in August 2007, the number of transactions decreased 2.5%, from 16.0 million to 15.6 million. Cash disbursed was $2.93 billion compared to $2.89 billion, an increase of 1.6%. Average revenue per transaction increased 2.3% from $3.53 to $3.61.

- Check services revenues were $8.2 million, an increase of 12.1%. The face amount of checks warranted increased by 8.9%, from 328.4 million to 357.5 million. The number of check warranty transactions grew 5.2%, from 1.23 million to 1.29 million. The average face amount per check warranted increased from $267.08 to $276.52. The average check warranty fee increased from 2.02% to 2.08%. Average check warranty revenue per transaction increased from $5.40 to $5.74.
- Central Credit and other revenues increased 6.9%, from $3.1 million to $3.4 million. Most of the increase is attributable to the interest and fee revenue from the Arriva Card in Q4 2007 of $0.8 million vs. $0.3 million in the comparable 2006 quarter.

Cost of revenues (exclusive of depreciation and amortization) increased 2.7% in the fourth quarter of 2007 to $103.5 million from $100.8 million in the fourth quarter of 2006. Commissions, the largest component of cost of revenues were flat, while interchange increased 6.8%, driven largely by the increase in cash advance volumes.

Operating expenses in the fourth quarter of 2007 were $25.8 million, an increase of 56.2% over the same period in 2006. Operating expenses, excluding non-cash compensation expense and items that do not occur on a recurring basis, were $13.4 million in the current quarter, a decrease of 4.8% from the comparable total of $14.1 million in the fourth quarter of 2006. Included within operating expenses in the fourth quarter of 2007 is $2.6 million of income related to our settlement of the Visa Check/MasterMoney Antitrust Litigation.

Depreciation and amortization expense was $3.1 million in the fourth quarter of 2007, an increase of 30.3% from $2.4 million in the fourth quarter of 2006.

Interest income was $0.7 million in the fourth quarter of 2007, a decrease of 17.8% from the comparable 2006 period.

Interest expense in the fourth quarter of 2007 was $9.3 million as compared to $10.2 million in the fourth quarter of 2006. Interest expense on the Company’s borrowings declined $0.8 million due to the lower amounts of outstanding indebtedness and lower interest rates on the floating rate portion of that indebtedness in the fourth quarter of 2007. Interest expense on the Company’s ATM funds decreased from $4.1 million in Q4 2006 to $3.9 million in Q4 2007, primarily as a result of decreases in the LIBOR on which those funds are priced and offset by an increase in the average ATM funds outstanding from $284.0 million in Q4 2006 to $293.0 million in Q4 2007. In the fourth quarter of 2006, we incurred $3.4 million of loss on early extinguishment of debt in connection with the write-off of deferred financing costs associated with the refinancing of our senior secured credit facility.

Income tax expense in the fourth quarter of 2007 was $2.4 million. The Company’s provision in the fourth quarter of 2007 is based on an expected full year effective rate of 41.6%. The increase in the effective rate for 2007 versus the 38.8% effective rate for 2006 and the 38.4% effective rate estimated at Q3 2007 was primarily due to the tax impact of the acceleration of vesting of equity awards to our former Chief Executive Officer and former Chief Financial Officer upon their termination.

Arriva Card

Revenues from the Arriva Card in the fourth quarter and full year of 2007 were $0.8 million and $2.9 million, respectively. Cost of revenues (exclusive of depreciation and amortization) in the fourth quarter of 2007 were $1.7 million and $5.9 million for all of 2007. Operating expenses for the fourth quarter were $0.6 million and $2.4 million for all of 2007. Operating loss from Arriva was $5.5 million for all of 2007.

Balance Sheet

At December 31, 2007, the Company had unrestricted cash and cash equivalents of $71.1 million, settlement receivables of $60.6 million and settlement liabilities of $93.7 million.

Total borrowings at December 31, 2007, were $263.5 million, consisting of $110.7 million of borrowings under the Company's senior secured credit facilities and $152.8 million face amount of 8 $^{3}/_{4}$% senior subordinated notes.

During the quarter ended December 31, 2007, the Company acquired 3.1 million shares of common stock at an average price per share of $7.62 for a total investment of $23.5 million. As of December 31, 2007, total acquired shares stood at 4.6 million shares at an average price of $9.13 resulting in a total investment of $41.7 million. On February 11, 2008, the Company had completed the Board of Directors approved $50.0 million share repurchase plan.

Non-GAAP Financial Information

In order to enhance investor understanding of the underlying trends in our business and to provide for better comparability between periods in different years, the Company is providing adjusted results on a supplemental basis. Adjusted results in the fourth quarter of 2007 and 2006 exclude $9.8 million and $2.4 million, respectively, of stock-based compensation expense. Adjusted results for the full year 2007 and 2006 exclude $22.3 million and $9.1 million, respectively, of stock-based compensation expense. In addition, the Company uses certain non-GAAP measures of financial performance. Reconciliations between GAAP measures and non-GAAP measures and between actual results and adjusted results are provided at the end of this press release.

None of Adjusted EBITDA, EBITDA (which excludes stock-based compensation), Cash Earnings or Adjusted Cash Earnings is a measure of financial performance under United States Generally Accepted Accounting Principles ("GAAP"). Accordingly, none of them should be considered a substitute for net income, operating income or other income or cash flow data prepared in accordance with GAAP. The Company believes that Adjusted EBITDA, EBITDA (which excludes stock-based compensation), Cash Earnings and Adjusted Cash Earnings are widely-referenced financial measures in the financial markets. In addition, the Company has identified certain adjustments to its financial results that address income or expenses that the Company believes are unusual or non-recurring in nature. The Company believes that referencing Adjusted EBITDA, EBITDA (which excludes stock-based compensation), Cash Earnings and Adjusted Cash Earnings and identifying unusual or non-recurring items is helpful to investors. Not all companies that use these metrics compute them in the same manner. Reconciliations between GAAP and non-GAAP measures and between actual and adjusted financial results are presented elsewhere in this press release.

Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements included in this press release, other than statements that are purely historical, are forward-looking statements. Words such as "going forward," "believes," "intends," "expects," "forecasts," "anticipate," "plan," "seek," "estimate" and similar expressions also identify forward-looking statements. Forward-looking statements in this press release include, without limitation, (a) our strategy to focus on our key initiatives; (b) our belief that the gaming industry will inevitably rebound; (c) our expectation that our effective tax rate for the full year 2007 will be 41.6%; and (d) our belief that Adjusted EBITDA, EBITDA (which excludes stock-based compensation), Cash Earnings and Adjusted Cash Earnings are widely-referenced financial measures in the financial markets and our belief that references to the foregoing is helpful to investors.

Our beliefs, expectations, forecasts, objectives, anticipations, intentions and strategies regarding the future, including without limitation those concerning expected operating results, revenues and earnings are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from results contemplated by the forward-looking statements, including but not limited to: (a) the unwillingness or inability of either patrons or gaming establishment personnel to use new products and services and bear the economic costs of doing so, regulatory impediments to the deployment of new products or technology, and unanticipated developments that distract our focus from our key initiatives; (b) inaccuracies in our belief as to the trends in the gaming markets specifically or the economy as a whole and inaccuracies in our assumptions as to gaming patron habits; (c) with respect to our expectation that our effective tax rate will be 41.6% for the full year 2007 (i) incurrence of expenses that are not deductible for tax purposes, (ii) the entry into business lines or foreign countries with tax structures different from the ones we are currently subject to; and (d) inaccuracies in our assumptions as to the financial measures that investors use or the manner in which such financial measures may be used by such investors.

The forward-looking statements in this press release are subject to additional risks and uncertainties set forth under the heading “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our filings with the Securities and Exchange Commission, including, without limitation, our quarterly report on Form 10-Q filed on January 30, 2008, and are based on information available to us on the date hereof. We do not intend, and assume no obligation, to update any forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this press release.

About Global Cash Access Holdings, Inc.

Las Vegas-based Global Cash Access Holdings, Inc. is a holding company whose principal asset is the stock of Global Cash Access, Inc., a leading provider of cash access systems and related marketing services to the gaming industry. For more information, please visit the Company’s Web site at www.globalcashaccess.com.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(amounts in thousands, except per share)
(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	**2006**	**2007**	**2006**
REVENUES:				
Cash advance	$ 76,040	$ 74,978	$ 316,007	$ 287,053
ATM	56,479	56,484	240,575	221,727
Check services	8,171	7,289	31,213	29,166
Central Credit and other revenues	3,353	3,136	13,095	10,202
Total revenues	144,043	141,887	600,890	548,148
Cost of revenues (exclusive of depreciation and amortization)	(103,484)	(100,778)	(434,413)	(389,251)
Operating expenses	(25,782)	(16,503)	(82,015)	(63,812)
Amortization	(1,741)	(1,337)	(6,302)	(5,520)
Depreciation	(1,404)	(1,077)	(5,487)	(4,369)
OPERATING INCOME	11,632	22,192	72,673	85,196
INTEREST INCOME (EXPENSE), NET				
Interest income	743	904	3,669	3,484
Interest expense	(9,261)	(10,235)	(38,146)	(42,098)
Loss on early extinguishment of debt	—	(3,417)	—	(3,417)
Total interest income (expense), net	(8,518)	(12,748)	(34,477)	(42,031)
INCOME BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS	3,114	9,444	38,196	43,165
INCOME TAX PROVISION	(2,431)	(3,948)	(15,910)	(16,739)
INCOME BEFORE MINORITY OWNERSHIP LOSS	683	5,496	22,286	26,426
MINORITY OWNERSHIP LOSS, net of tax	47	55	235	183
NET INCOME	$ 730	$ 5,551	$ 22,521	$ 26,609
Earnings per share				
Basic	$ 0.01	$ 0.07	$ 0.28	$ 0.33
Diluted	$ 0.01	$ 0.07	$ 0.28	$ 0.32
Weighted average number of common shares outstanding				
Basic	79,450	81,699	81,108	81,641
Diluted	79,466	82,036	81,377	81,921

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
Reconciliation of Adjusted Cash Earnings and Cash Earnings to Net Income,
and Adjusted EBITDA and EBITDA (which excludes stock-based compensation) to Net Income
(amounts in thousands)
(unaudited)

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Twelve Months Ended December 31, 2007	Twelve Months Ended December 31, 2006
Adjusted EBITDA	$ 27,179	$ 27,050	$ 110,203	$ 105,086
Plus:				
Visa Check/MasterMoney Antitrust Litigation Settlement	2,576	—	2,576	—
Escheatment recovery	—	—	994	—
Minus:				
Internal investigation costs	(4,329)	—	(4,329)	—
Executive cash-based termination benefits	(847)	—	(847)	—
Commission dispute liability (2005 & 2006 transactions)	—	—	(1,866)	—
Secondary offering costs	—	—		(660)
Litigation settlement costs	—	—	—	(200)
EBITDA (which excludes stock-based compensation)	$ 24,579	$ 27,050	$ 106,731	$ 104,226
Minus:				
Stock-based compensation expense	(9,802)	(2,444)	(22,269)	(9,141)
Amortization	(1,741)	(1,077)	(6,302)	(4,369)
Depreciation	(1,404)	(1,337)	(5,487)	(5,520)
Interest expense	(9,261)	(10,235)	(38,146)	(42,098)
Loss on early extinguishment of debt	—	(3,417)	—	(3,417)
Income tax provision	(2,431)	(3,948)	(15,910)	(16,739)
Plus:				
Interest income	743	904	3,669	3,484
Minority ownership loss, net of tax	47	55	235	183
Net Income	$ 730	$ 5,551	$ 22,521	$ 26,609
Plus:				
Deferred tax amortization related to acquired goodwill	4,757	4,432	19,026	17,728
Cash Earnings	$ 5,487	$ 9,983	$ 41,547	$ 44,337
Plus:				
Non-cash compensation expense, net of tax	5,724	1,496	13,005	5,598
Internal investigation costs, net of tax	2,528	—	2,528	—
Executive cash-based termination benefits, net of tax	495		495	
Commission dispute liability (2005 & 2006 transactions), net of tax	—	—	1,089	—
Secondary offering costs, net of tax	—	—	—	660
Litigation settlement costs, net of tax	—	—	—	122
Loss on early extinguishment of debt, net of tax	—	2,093	—	2,093
Minus:				
Escheatment recovery, net of tax	—	—	(581)	—
Visa Check/MasterMoney Antitrust Litigation Settlement, net of tax	(1,504)	—	(1,504)	—
Adjusted Cash Earnings	$ 12,730	$ 13,572	$ 56,579	$ 52,810
Weighted average number of common shares outstanding				
Diluted	79,466	82,036	81,377	81,921
Cash Earnings per share — Diluted	$ 0.07	$ 0.12	$ 0.51	$ 0.54
Adjusted Cash Earnings per share — Diluted	$ 0.16	$ 0.17	$ 0.70	$ 0.64

Exhibit 99.2

Transcript of Conference Call held on February 28, 2008

Operator
Good day, ladies and gentlemen and welcome to the fourth quarter 2007 Global Cash Access earnings conference call. My name is Towanda, and I will be your coordinator for today. At this time, all participants are in listen-only mode. We will facilitate a question-and-answer session towards the end of this conference. (OPERATOR INSTRUCTIONS) As a reminder, this conference is being recorded for replay purposes. I would now like to turn the call over to Mr. Scott Betts, President and Chief Executive Officer. Please proceed, sir.

Scott Betts
Thank you, operator. Good morning, everyone, and thank you for joining us. I trust that everyone has seen the press releases for this morning's call. So let's take care of some housekeeping first. I would like to remind everyone that during the course of this conference call and the Q&A, we may make forward-looking statements on matters such as: financial trends, customer contracts, the recruitment and retention of key personnel, new products, the development of business in new and existing markets, plans for existing products, acquisitions and their anticipated benefit and industry trends.

You can identify forward-looking statements by the use of words like: estimate, expect, intend, project, plan, goal or forecast. Because such statements deal with future events, they are subject to various risks and uncertainties that may cause actual results to differ materially from the results contemplated by the forward-looking statements. For factors that could cause actual results to differ materially from those described in our forward-looking statements, we refer you to our SEC filings and specifically to the Form 10Q that we filed on January 30th, 2008, and the risk factors set forth therein. I would like to refer you to today's press release and 8-K for the reconciliation of GAAP to non-GAAP measures and reconciliation of actual to adjusted items. Joining me here at GCA this morning are the members of our senior management team including: Katie Lever, our General Counsel; Steve Lazarus, EVP of Sales; Kurt Sullivan, EVP of our Central Credit and check services business; and Mark Labay, VP of Finance, as well as some other new members that I will introduce shortly.

A lot has transpired since our previous earnings call in November. While we have successfully met the significant challenges posed by our internal investigation and getting our third quarter filings squared away at the end of last month, it has left us a bit behind where I hoped to be at this point. So let me level set expectations for this call. We will be requesting from the SEC an extension for the filing — to the time for filing of our Form 10-K and we currently expect to file by March 17th. As a result, the financial statements that are included here are preliminary and subject to changes based on the finalization of various processes, most notably the completion of our external audit. So the financial statements including in our release today are preliminary and unaudited and could be subject to changes based on the results of this audit process.

Now, before we get into the major part of the call, I would like the take a moment to comment on the events that have happened since our prior earnings call. The internal investigation that commenced on November 9th, two days after our third quarter earnings call, was formally completed on December 21st. As we have previously discussed, this internal investigation did not result in any findings of fraud, intentional misconduct, nor did it result in any adjustment to our historical financial statements. So I'm happy to say that this is by and large behind us. While we did incur substantial one-time costs to complete this investigation, it's critical to note we didn't lose any key employees during this period, we didn't lose any customers over this event, and as you will hear we stayed focused on the business agenda and accomplished a lot over that same period of time. To wrap this up, we have spoken with all the affected accounts and have reached closure on most of them and we expect to have a timely conclusion with all our customers shortly.

Experiences like the one we've gone through can be terribly straining on an organization. However, these sorts of experiences also show you the true quality of the people that you have chosen to associate with. Unequivocally, this experience has reinforced my confidence in and respect for the company and its people. Everyone here who was impacted by this cooperated fully and professionally while managing to carry out their real work effectively and on time. So my message here is simple, it's not just that the investigation findings or the lack of findings that I'm happy about, I'm also happy to have learned what I have about the GCA organization. That's really all I want to say on this subject. It's behind us. So let's look forward to the business.

I would first like to review what we said on the last earnings call and what we've accomplished against those objectives. One, I stated I would focus on filling the talent needs as well as stabilizing the organization and I'm happy to report that the assembly of the company's senior management team is now complete. I'm excited today to announce the hiring of a new Chief Financial Officer. George Gresham has both recently joined the company and joins us on today's call as well. He was previously CFO of eFunds and is clearly a very accomplished and experienced professional in the electronic payments industry. We expect his strong track record of disciplined approach to all phases of the business in the financial areas as well as his international experience will be a huge asset to GCA and we all welcome George today.

Additionally Mari Ellis has recently joined the company as EVP of Technology and Development. She brings a wealth of experience from First Data, American Express, Citibank and most recently Blackhawk. She has an exceptional background in technology, business development and new product innovation. She will be responsible for all information reporting systems, as well as assuring we have the most effective platforms, network and hardware strategy in place. Mari's deep experience in the product development area will be key to delivering on our product innovation strategy. Similarly, Udai Puramsetti's recent promotion and new role as EVP of Operations will strengthen our focus on delivering high quality customer service and managing costs across the operation, both areas I'm very passionate about. So the team is in place and I look forward to working closely with them over the coming year.

The second area we discussed in the call was the Arriva program. We have conducted a strategic review of the Arriva business over the past several months. In light of the credit environment and the high operating expense we have made the hard decision to exit this business. We incurred an operating loss of approximately $5.5 million in 2007. While the exact plan and impact on the business is still being developed, we are considering several possible exit strategies for the Arriva business, ranging from a co-branded joint venture with an existing card issuer to a complete shutdown of this portion of our operations. We'll work quickly to find the best solution for the company, for our customers, as well as for our card holders. We expect to have our plans for departing the Arriva business finalized in the second quarter, including financial impacts to operations.

The third topic we discussed prior to our earnings call was growth initiatives. Obviously the lead story here is our announcement that we signed an agreement to acquire Certegy Gaming Services or CGS. GCA will acquire all of CGS's issued shares of stock for a purchase price of $25 million. And GCS will become a wholly-owned subsidiary. In addition GCA will replace GCS's cash currently held at ATM machines and cages located at its customer premises. We expect we'll gain approximately 100 employees as a result of this acquisition, most of whom will continue their employment in GCS's in casino booth operations. The closing of this acquisition is scheduled for April 1st, subject to customary and other closing conditions. Initially we expect this acquisition to add roughly $100 million in revenue annually and about $6.9 million in EBITDA with our expected synergies. We also expect this acquisition to be accretive to cash EPS in the first year.

I believe this acquisition of GCS is a great fit for our company. It will add to our cash access, ATM and check businesses and provide us access to key customers. This will also help us maintain scale necessary to advance our product innovation efforts, support our commitment to continuing to meet the needs of our customer and provide the growth and cross-selling opportunities we expect. We also see this move as essential for us to continue to compete effectively in the highly competitive electronics payment market with as many players, several of whom are much larger than we are.

With respect to our ongoing core business, we continue to win contracts and our pipeline remains healthy and robust. On our EDITH product, we have concrete progress to report here as well. We have received certification from the GLI for Bally's SDS system. This is an important step in the rollout of EDITH in the Native American casino markets. We are entering Phase II field testing at Foxwoods Resort Casino with further roll-out expected in the second and third quarter of 2008. We're moving forward on equipment suppliers, and plan to submit an upgraded version to GLI to include other ticketing systems later in the year. We are now executing our strategy of gaining experience in Native American markets as a precursor to the approval for a wider rollout of EDITH in non-tribal casinos. On the international front, while relatively small today, we continue to see good growth in revenues across the board. In fact in the first four months of commencing operations in Macau, we processed $90 million worth of transactions, which was approximately equivalent to 50% of the annual transaction volume in the former business in the U.K. On the subject of the U.K., we're working hard to re-establish our U.K. business as well. In total, we expect our international operations to grow about 10% over the next year including the grow over the lost U.K. volume.

Finally, let me comment on our systems and compliance efforts. Throughout the fourth quarter, we were able to maintain our schedule of efforts to remediate the material weaknesses in our internal controls, and the results of our SOX testing will be reported in our 10-K. This is an important focus for the company in ensuring that we continue to operate at high standards.

So in summary again, what we talked about in our last earnings call, I feel good about the progress we have made addressing this agenda. I also look forward to working with our new employees and customers of Certegy Gaming Services. As we look forward to 2008, our attention will now be focused on the following three areas. We'll continue to address margins through cost structure, pricing strategies and providing new value-added services. Second, we'll drive innovation in our products and services. And third, improve the efficiency of our operations and platforms.

So now let's focus on the fourth quarter. First, a quick overview of the overall market trends. As we discussed in our call in November, we had seen the start of a relatively sharp drop-off in our customers' business. Those of you who follow the industry know all too well that gaming revenues reported are off across almost all jurisdictions in the fourth quarter. You will see the negative impact this has had on our run rate. However, we were not hit quite as hard because we derive our revenue from both a transaction as well as a face component. So while the industry as a whole was down in the low-to-mid single digits, we were up slightly at 1.5%. As we look forward, this industry trend will present some real challenges for us in 2008 depending on how the year plays out. I'll tell you currently in the first quarter, we are seeing transaction declines in the low single digit range. Our business will always be subject to these industry trends so our strategy is to stay focused on our key initiatives outlined above and strengthen our position for the inevitable rebound in the industry.

Let me turn now to our financial results for the fourth quarter. Obviously we are disappointed in our revenues that were adversely impacted by the continued softness in the industry. The various costs of executive departures and the internal investigation weighed heavily on our income statement as well. Let me try to put these results into context for you. Overall, revenue increased a modest 1.5% quarter-over-quarter. As I mentioned earlier, the broader gaming industry has recently been in decline and while we are pleased our growth exceeds that of the broader industry, we have not escaped the impact of these trends. Cash advance and ATM, our most significant source of revenue, reflected very much these realities. However, cash advance
volumes increased at a rate much greater than revenue and ATM volumes decreased somewhat while the average revenue per transaction increased.

Check services grew at a rate greater than the balance of the portfolio primarily due to the addition of several customers in Q4. Gross margins for the quarter were 28.2% compared with 29% in the comparable prior quarter. Gross margins were adversely affected by losses at Arriva somewhat offset by better than expected collection experiences in our check warranty products and favorable commission trends. Operating expenses were $25.8 million, as compared to $16.5 million in the prior equivalent quarter. This increase of $9.3 million compared to the equivalent prior quarter primarily was driven by about $4.3 million related to the cost of the internal investigation and $8.7 million related to the exit of certain executives. This $13 million in cost increase was somewhat offset by $2.6 million we were awarded related to the Visa Check/MasterMoney antitrust litigation settlement, which was recorded as income and classified with operating expenses.

Excluding these sorts of unusual items, operating expenses declined as compared to the prior equivalent quarter. Depreciation and amortization increased slightly over the prior year quarter due to increased deployment of redemption devices at new and existing customers, and interest rate expense decreases, due to slightly lower debt outstanding and interest rates. Our effective tax rate for the quarter was approximately 78%, resulting in an annualized rate for 2007 of 41.6%, compared to 38.8% for the prior year. The increase in annualized effective rate is due primarily to the non-deductibility of the cost associated with the departure of certain former executives. Rounding out the income statement, GAAP net income for the fourth quarter was $0.7 million GAAP EPS was $0.01 per share, both down from the prior year quarter due to the factors discussed above. Cash earnings per share and adjusted cash earnings per share were $0.07 and $0.16 respectively. A reconciliation of GAAP earnings to cash and adjusted cash earnings is included in our earnings release. On a year-over-year basis, revenue was up 9.6% and adjusted cash earnings were up 7.1% from the prior year.

Moving on to the balance sheet, the company's financial position remains healthy. The company had $71.1 million in unrestricted cash at December 31st. Our debt was $263.5 million, and based upon our adjusted EBITDA of $110.2 million, our total leverage ratio was 2.4, while our senior leverage ratio was 1.0. The average vault cash balance during the quarter was $293 million. Capital expenditures including intangibles were $11 million for the fourth quarter of 2007. During the quarter we continued to repurchase shares pursuant to our 10b5-1 plan. As of December 31st, we had acquired approximately 4.6 million shares for a total purchase price of approximately $41.7 million, at an average price of $9.13 per share. As of February 11th, the company had completed its current $50 million share repurchase authorization and acquired approximately six million shares.

So overall while I'm disappointed with our results from the quarter as you would expect, given the softness of the industry and the cost associated with the departures of individuals and our internal investigation, my enthusiasm and optimism for the business could not be higher. We have emerged from these challenges a stronger company, we have a stronger team and we are ready to capitalize on a number of opportunities that await us in the market.

Now I'd like to talk a bit about guidance and outlook. It's clear that the gaming industry is not immune to the issues and events plaguing the broader economy. On our last call we communicated that revenues during the month of October were softer than expected and unfortunately we have seen this weakness persist during the balance of the fourth quarter. In the early part of 2008, we are seeing lower than expected growth in transactions and volume. In the softer gaming environment, we will be keenly looking at operating efficiencies, new business and other strategic opportunities to cushion the financial impact of a weakening economy.

As I stated before, our strategy is to stay focused on our key initiatives and get stronger to position ourselves for the inevitable rebound in the industry. So given George's arrival only a few days ago, this market uncertainty and the need to do a much deeper review internally of our operating plan, we are deferring EPS guidance until our next call. At that time we'll know better what investments we'll want to make to support our initiatives we've spoken about, operational opportunities, we'll have finalized our Arriva plan, and have the integration of [Certegy] Gaming Services business well in hand. So that's the end of our prepared remarks. And operator, I'd now ask you to open it up to Q&A.

Operator
(OPERATOR INSTRUCTIONS) And your first question comes from the line of Mr. Jim Kissane with Bear, Stearns. Please proceed, sir.

Kristen Duka
This is Kristen Duka in for Jim Kissane at Bear, Stearns. In the quarter, what was your breakdown in new signings, renewals and customer losses? Thank you.

Scott Betts
We don't disclose the losses and wins and so forth at a customer level. What I'll tell you and what I'll reiterate, what I said in there, is we lost no major customers during the quarter because of the investigation or otherwise.

Kristen Duka
Okay. Thank you.

Scott Betts
Yes.

Operator
(OPERATOR INSTRUCTIONS) Your next question comes from the line of Tien-Tsin Huang with JPMorgan. Please proceed.

Tien-Tsin Huang
Maybe my star-one button was broken there. How are you guys doing?

Scott Betts
Hi, Tien. How are you?

Tien-Tsin Huang
Good, good. I have a few questions, if you don't mind. I'll start with the CGS acquisition, definitely like that deal. Can you talk about the, I guess the growth profile and the margin trend in this business to the extent that you can? And are there any unusual costs that we consider that you might need to incur as you integrate, or I guess cut over the business, whatever?

Scott Betts
Yes, I can't get that deep into the acquisition on your first part of it. There are no major costs that we anticipate in the integration or our ability to generate the synergies as we move forward. We obviously like the acquisition for all the reasons you do. It gives us a great opportunity to increase all of our businesses, both check as well as cash advance. It also gives us access to important customer profile and we expect its growth rate and our opportunities to cross sell our products and services to work in synergy with the rest of our businesses over the next couple of years.

Tien-Tsin Huang
Have you talked with some of their major clients to try and get a sense of what kind of revenue attrition you might see or your ability to retain some of those customers?

Scott Betts
We have a high confidence in our ability to retain and maintain the excellent relationships that Certegy had as we move it over to our business. We have not obviously been able to talk to any of the customers yet as we just announced it today.

Tien-Tsin Huang
Sure. Okay.

Scott Betts
Obviously it's very high on the list of Steve Lazarus' work to do over the next week or two.

Tien-Tsin Huang
Good. Also, I'm just curious. I like the acquisition. I'm curious, did you contemplate the benefits of buying back stock instead of doing the Fidelity acquisition? Because obviously share repurchases, buyer math would be highly accretive as well. Maybe you could talk about the reauthorization if there is one down the road.

Scott Betts
We certainly continue to, we do as a team and I do with our board, continue to re-evaluate the best use of cash for the company long term. So we'll continue to do that in terms of whether or not we start another program of stock repurchase here. With respect to the Certegy Gaming Services acquisition, that's a unique opportunity that was in front of us. We feel very confident about the acquisition and what it can do to our long-term growth so we felt that was the best thing we could do at the time and in the best interest of the company long term.

Tien-Tsin Huang
Very good. I guess two more quick questions, if I could. Gross margins came in better than what we expected and I was happy to see that commissions were actually flat. Is this level of gross margins sustainable here as we thing about the near to mid term?

Scott Betts
You we're certainly going to work real hard at making that happen. As we talked last time, there's certainly a trend of slightly declining margins year-over-year. That's an issue with the business. We're acutely aware of it. That's why it's the number one objective we've got as we look forward to '08. So we'll be working hard to make sure that happens.

Tien-Tsin Huang
Lower volumes, lower same store should actually ease up the commission pressure, correct?

Scott Betts
Yes.

Tien-Tsin Huang
Okay. I guess Arriva, how should we expect this to flow through the P&L going forward as you look to wind down the portfolio? And I guess will you also move this to discontinued operations going forward?

Scott Betts
Yes, yes, we would. One of the things you're just going to have to give me a little bit of a break on is, we just don't know enough. It's so highly dependent on how we exit and what strategies we use to exit that. And we're obviously looking at a range of those based on what's best for our customers, the consumers as well as the company. So that's why I said until we get into the next call, we'll have a lot more definition on how we do that and be able to give you a little more flavor on how that's going to impact our financials for '08.

Tien-Tsin Huang
Okay. Is it safe to say — can we move this to discontinued operations the next time we see the P&L or —

George Gresham
This is George Gresham. We still need to consider the implications to the decision, the Board level decision, related to our announcement today. It was made very recently. My off-the-cuff response is it's unlikely to be a discontinued operation. Its likely to flow through the statement of operations as a one time noncash P&L adjustment. We haven't quantified the size of that but you should see that in Q1, possibly Q2, depending on the resolution around the accounting.

Tien-Tsin Huang
Okay. Very good. Maybe if I could sneak in one more, the check losses, we've heard Global Payments and FIS have some problems on the check guarantee and verification side. What kind of exposure do you have there, and if things continue to weaken is there some potential pressure on that business? Thanks.

Scott Betts
We see nothing unusual in that business over the last quarter.

Tien-Tsin Huang
Okay. Great. Congrats on the deal and everything else.

Scott Betts
Thanks.

Operator
Your next question comes from the line of Mr. Daniel Perlin with Wachovia. Please proceed, sir.

Matt Roswell
Hi. Yes. Good afternoon. Actually it's Matt Roswell filling in for Dan. A couple of questions that are somewhat follow-ups. First, in terms of the gross margins, can we look at the fourth quarter as kind of a pretty good base level, meaning now that we've got the investigation behind us sort of the commission behind us that this is a pretty good level to think about going forward?

Scott Betts
Yes, that's probably fair. Like I — again, I'll just caution you, give myself a little flexibility when we talk next time that we're really pulling together our plans for '08, and what we see including the integration of the Certegy Gaming Service business. So given that, yes, that's — I'd look at it that way.

Matt Roswell
Okay. And then when we thing think about the acquisition, when Fidelity bought it, it was still 70% cash advance, 10% ATM, 10% check, is it still running at about that kind of breakdown?

Scott Betts
You said it was 70% cash?

Matt Roswell
Yes. We had in our notes going back to when I guess when Certegy bought it, it was 70% cash advance, about 10% ATM and 10% check. I just wanted to see how it sort of changed over — what's it been three and-a-half years, four years now?

Scott Betts
It's — call it 60%, 30%, 10%, okay, right now against those numbers. Okay, obviously that will move around a little bit.

Matt Roswell
Okay.

Scott Betts
Yes. Yes.

Matt Roswell
Thank you. And then two more questions, if I might. The add-back for the noncash stock comp, is there any way of backing out the charges from previous management and things like that to kind of get a fourth quarter sort of ongoing run rate? I don't know if that question made sense.

Mark Labay
It's about 2.4 a quarter going forward right now.

Matt Roswell
Okay. Thank you. And then the final question and you may not have this data yet, the EBIT by segment, do you happen to have that, given that the K is not due out until I think you said the middle of March.

Scott Betts
No.

Matt Roswell
Do you happen to have that currently or not yet?

Scott Betts
No, not yet.

Matt Roswell
Okay. Thank you very much.

Scott Betts
Thanks. Operator, next question.

Operator
Next question comes from the line of Mr. James Kayler with Banc of America Securities.

James Kayler
Hey, guys. How are you doing?

Scott Betts
We're great, thanks.

James Kayler
Good. I guess on the — first on this Certegy acquisition, was the $6.9 million EBITDA number that you cited, that was after expected synergies or that's the actual EBITDA?

Scott Betts
That includes the synergies.

James Kayler
Okay. I was going to say, that would be a very good multiple if that was the actual number. Have you guys finalized the vault cash agreement with I guess with us, with B of A?

Scott Betts
Yes.

James Kayler
It obviously included the flexibility for the Certegy cash?

Scott Betts
Yes.

James Kayler
And what's the borrowing — what's the rate on that?

Mark Labay
LIBOR plus 25.

James Kayler
L plus 25?

Mark Labay
Yes.

James Kayler
Very good. Are there — could you tell us what the receivables are for Arriva right now, or just how we should think about when you're winding the business down if there's any potential cash costs and how much of that is on your balance sheet versus how much you've sold?

Udai Puramsetti
Well, the current receivable balance is close to $16 million. As far as cash costs we don't expect significant severance and those types of related shutdown costs. In terms of what's on the balance sheet versus what we might, that plan is still in the works.

James Kayler
Very good. Just finally, can you just give us a sense for the size of the Macau opportunity? I'm still trying to get a sense for how much of the cash on the gaming floors there are customers bringing with them, especially from mainland China? And sort of what sort of legal or currency restrictions, how that kind of dictates what you can and can't do and just sort of what your strategy is going forward there?

Scott Betts
That's obviously a very early business for us. We're just in that market. I really can't predict how that's going to play out. There's certainly an awful lot of building going on there, an awful lot of new properties. We like the fact that we're there and operating today, and we'll just all have to see how that grows over time. Sorry, can't be any more specific than that today.

James Kayler
That's helpful. Just one last thing. Is there a restriction in the bank agreement on the amount of stock you can buy back?

Udai Puramsetti
Yes, there is.

James Kayler
Is that — are you guys at that limit right now?

Udai Puramsetti
Yes.

James Kayler
Okay. Thank you.

Operator
Your next question comes from the line of Rishi Parekh with KBC Financial. Please proceed.

Rishi Parekh
First of all, our congratulations to Udai. You guys know how to spot value, that's for sure. I was wondering when you guys are talking about some softness going into the first quarter, if you could comment on any regional impacts that you're seeing, any places that you're seeing that are weaker or stronger than others?

Scott Betts
I don't have the breakout by jurisdictions with me right now. You would see our — I suspect you would see our business pretty much track that of the differences within all the reporting jurisdictions, from a trend standpoint.

Rishi Parekh
There's some observers out there that might try to suggest that this is isolated sort of weather impact or that it's been largely confined to jurisdictions like Atlantic City. Would that be consistent with what you've seen sort of observation?

Scott Betts
No. We've seen it broader than that.

Rishi Parekh
Okay. And in terms of contracts, could you give us a sense — historically you've been able to give us a sense of what your market share was and what your targets were. It's probably hard for you to do that internationally. But maybe in the U.S. you could tell us what you think your market share of transactions are and where you thing that could go over time.

Scott Betts
No. I can't — I have no way of doing that. There's no reported numbers I know that would give me that number.

Rishi Parekh
Okay. And are you able to say how much the synergies were that you're putting into that $6.9 million for the CGS transaction?

Scott Betts
No, we do not break that out at this time.

Rishi Parekh
Okay. Thank you.

Scott Betts
Yes. You bet. Thanks.

Operator
And your next question comes from the line of Greg Smith with Merrill Lynch. Please proceed, sir.

David Parker
Hi, this is actually David Parker. Good afternoon.

Scott Betts
Hi, David.

David Parker
Just wondering if you could comment on the U.K. business. You mentioned that you're still working on it. Is there any possibility that it actually comes back and what type of efforts are you putting in — into the whole initiative?

Scott Betts
We're continuing to work over there to see what our opportunities are and it was a business we liked. It was a great business for us. We're going to continue to stay close to how things change over there for opportunities we can exploit in the future. That's really about all I can tell you right now.

David Parker
Okay. And then we understand that the — I mean, tough industry trends, you've seen slowing same store sales growth. Do you have any new contracts that are coming up that are going to begin ramping in the next quarter or two that could help your growth be better than the 2% that we saw on the top line this quarter?

Scott Betts
To the extent that major contracts come on or get signed, we'll always evaluate whether or not we want to announce those. Again, I just go back — we're very pleased with our ability to maintain our customer base through this last quarter, continue to sell and be aggressive in the marketplace, and I would just have you think about it as we're going to be doing about what we've been doing in the past.

David Parker
Okay. And then on the — we've seen LIBOR come down. How does that affect your 2008 numbers with all the cash that you have in your ATMs?

Mark Labay
If LIBOR goes down, interest expense goes down.

David Parker
Can you quantify that or . . .

Mark Labay
I mean, we give you the average balances, I would tell you, you can look at our average balances for the quarter and whatever you think LIBOR is going to go down, times our average balance would probably be your best modeling.

David Parker
Could you remind us what the average balances were?

Mark Labay
I think we said in this call $293 million in the fourth quarter and I don't have the other quarters in front of me to tell you. But in all of our filings in our Qs, in MD&A we typically have been reporting that number so you can go back to look at it.

David Parker
Okay. Great. Just one last question —

Mark Labay
The term loan as well, the credit facility, because that's LIBOR based.

David Parker
Okay. Last question, on the Q that you filed recently you — on the front cover you had 83 million shares. Did you guys actually issue shares from the end of December to the end of January, or what's the discrepancy there?

Mark Labay
That total is inclusive of treasury stock that we have with restricted stock and common stock out there.

David Parker
So the 83 million includes that?

Mark Labay
Yes.

David Parker
Okay. Thank you.

Mark Labay
And the option exercises that happen from time to time would also be in that number as they are exercised.

Operator
Your next question comes from the line of Chris Mammone with Deutsche Bank. Please proceed, sir.

Chris Mammone
Hi, thanks. I know it's a relatively smaller part of the overall pie, but just wondering if you're seeing some of the same types of slowing conditions in international markets that you're in today? And then as a follow up to that, could we expect to you enter any new international markets in '08?

Scott Betts
No, we — on your first question, we do not see the same similar trend internationally and you're right, it is a smaller part of our business. We're going to continue to be smart about where we choose to look at our business opportunities, not only where there are casinos but where there are card bases and where our business model works. So we'll let you know when we start to enter any new markets.

Chris Mammone
Okay. And then I guess any changes, any notable changes in the competitive environment recently. I know that Cash Systems recently got GLI approved for their Power Cash and seemed to be gaining at least some momentum in the travel markets. Are you seeing anything competitively?

Scott Betts
They certainly have. We're very pleased that we're in that same process with EDITH right now and in our Phase II roll-out at Foxwoods and we expect to continue to move that, and I think those are both important initiatives in the marketplace. But other than that, no, I mean, it's just — it's always been a very competitive business, and it's going to continue to stay a very competitive business.

Chris Mammone
Okay. And maybe just as a last question, with the new CTO on board, maybe get a sense for new CTO's early view on what holes maybe exist in the product suite today that could be addressed in the future?

Scott Betts
Well, we're in the process of developing a strategy now for really three major areas, not only our information systems, but also our network and operations and hardware part of it and are looking closely to what the right kind of platforms and areas where we think we can enable faster and better innovation. So that's really what the focus is going to be and again, we've just all these individuals just recently kind of joined the team. So we're — we look forward to laying out our strategy and our plans in more detail as we move through the year.

Chris Mammone
Okay. Thanks, guys. Good luck.

Scott Betts
You bet. Thank you.

Operator
Your next question comes from the line of Paul Carpenter with Semaphore. Please proceed, sir.

Paul Carpenter
Good afternoon, or I guess good morning — good morning for you. Could you answer a few strategic questions, please? For Arriva, could you talk about what the EBITDA loss is for that business and if you did decide to shut it down, what you would recoup?

Udai Puramsetti
Well, we did mention in the prepared remarks that the operating loss for the year was $5.5 million. As far as what the loss could be, again, it's a function of a number of factors, one, the exit strategy, two, to the extent we do have to sell receivables, whether they're current or whether they are, call it 90 days and beyond. That's more of a market driven phenomenon. We hope to have maybe a better range for the next call. Again, it's — the receivable liquidation if it comes to that would be more market driven.

Paul Carpenter
Okay. Thank you. Then I had another question about the business that you're acquiring. Mr. Gresham worked for eFunds which was then acquired by FIS. Is that a business that he had some exposure to while his company was acquired by FIS, and has that been a reason you bought it, or is that an added benefit to you to be able to understand it because of the historical relationship?

George Gresham
I would just say to the first part, as part of the transaction with FIS and eFunds there was no exposure to that business whatsoever. To the FIS enterprise, this business is quite small. So it never crossed my desk in any way while I was at eFunds.

Paul Carpenter
Do you expect your relationship with them to be any kind of added value in evaluating this business, understanding it and growing it, or is it completely different from the eFunds business?

George Gresham
eFunds was engaged in between 2002 and 2004, business was very similar to a different sector. And so from that experience I brings familiarity with respect to that business as well as GCA's business, and I have what I like to think of as a lot of positive relationships with folks over at FIS, that should always kind of help business. But really nothing specific to this acquisition, and I of course was not an employee of GCA during the time of negotiation or assessment of evaluation of this acquisition, so I heard about it just a little bit before you did.

Paul Carpenter
Okay. Thank you. And just one final question. I know you don't want to detail the amount of synergies that are baked into your evaluation of how much you can get from the business, but can you talk about how quickly you would expect them to be realized? Is this something that could happen in a quarter or over 12 months? What's the time frame?

Scott Betts
We would expect to have the business fully integrated in 30 — in three to six months.

Paul Carpenter
And the full synergies available by that time?

Scott Betts
Yes, by and large that's probably true, yes.

Paul Carpenter
Thank you.

Operator
(OPERATOR INSTRUCTIONS) Your next question comes from the line of Rachel Matthews with Cardinal Capital Management. Please proceed.

Rachel Matthews
Good afternoon. I just wanted to follow up with some more questions on the CGS acquisition because I'm not that familiar with their business. But you — I know you're giving the $6.9 million in EBITDA and synergies on the $100 million in revenues which implies about a 7% EBITDA margin which is much lower than the company's margins. I'm just wondering what's different about this business, what's different about it that their margins are much lower?

Scott Betts
First and foremost it has a different product mix than we have. That's the biggest driver to our blended margins. They have a slightly different portfolio of customers than we do. So those are the major — those are the major factors that influence that. As we bring these businesses into ours and our customer relationship are brought into global cash, we'll look for opportunities where we can cross-sell our full suite of products and services and would expect on like-size and types of businesses that the margins on this business will trend to where we are in our base business.

Rachel Matthews
How different are their customers? Are they — is it a smaller customer? Are they more Indian — just how different are the customers, if you could just quantify that?

Scott Betts
I can't give you a number. What I'll tell you is that it's got a fairly different portfolio of products and services and at which customers that those products and services are delivered. So that's really the biggest piece. I can't — I'm not going — today I'm not going to go into any kind of by product line comparison of margins.

Rachel Matthews
Okay. And just finally, what kind of cash flow implications will we see in the first quarter? Obviously the $25 million outflow for the company, but then for the cash that you're putting in for the business, is that a working capital outflow of the other $75 million, or where would we see that money coming out?

Mark Labay
We're going to draw down on the revolver in the first quarter you'll see just to keep our working capital kind of neutral until we transition all of the site funds and ATM funds onto our existing B of A vault cash platform. So you'll see a short term drawdown in the revolver and obviously see our leverage go up until we transition these locations over, but that will be a three-to-six month transition period at most, we believe.

Rachel Matthews
Okay. All right. Thank you very much.

Scott Betts
Thanks, Rachel.

Mark Labay
Just to add to that, we'll pay down the revolver is the plan currently, as the leverage comes back up.

Operator
And at this time, there are no further questions in the queue. I would now like to turn the call back over to Mr. Scott Betts for the final remarks.

Scott Betts
All right. Well, I thank you all for joining me today. Like I said, we've been — this has been a bit of a strange journey for me over the last three or four months, but I remain extremely enthusiastic about the business. I'm very pleased with the talent we have now running the business and I really look forward to talking to you guys as 2008 unfolds. So everybody have a good day, and we'll talk to you in a couple months.

Operator
Ladies and gentlemen, thank you for joining in today's conference. This concludes the presentation. You may now disconnect, and have a wonderful day.