
**MARYLAND LOTTERY and
GAMING CONTROL COMMISSION**

1800 Washington Blvd., Suite 330, Baltimore, Maryland 21230

COMMISSION REPORT



Giesecke & Devrient America, Inc.

MANUFACTURER LICENSE APPLICANT

Report Date: August 3, 2016

Public Document

**Manufacturer License Commission Report
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Introduction

As a prerequisite to being eligible for a video lottery facility manufacturer license (“manufacturer license”), a manufacturer of a video lottery terminal (“VLT”), table game, or associated equipment must submit a Manufacturer License Application to the Maryland Lottery and Gaming Control Commission (“the Commission”). The applicant must prove to the Commission that it meets the qualification criteria set forth in the Annotated Code of Maryland, State Gov’t Article (“SG”), § 9-1A-01, *et seq.* (“the Gaming Law”). Specifically, an applicant for a manufacturer license must prove, by clear and convincing evidence, that it is qualified under SG § 9-1A-07(c)(7)(i) through (v), and not disqualified under SG § 9-1A-08(d). SG § 9-1A-15. An applicant must provide all information to the Commission that is necessary for a qualification determination as to the applicant, its principals, and its principal entities.

The Maryland Lottery and Gaming Control Agency (“MLGCA,” “we” or “our”), conducted a suitability background license investigation of Giesecke & Devrient America, Inc. (“the Applicant” or “the Company”) in connection with its application for a manufacturer license.

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Background

Giesecke & Devrient America, Inc. was incorporated in Delaware on October 10, 1990. The Company primarily develops and supports banknote processing solutions for commercial banks, public transportation authorities, armored carriers, and casinos throughout North America.

The Company's main offices and manufacturing facility are located at 45925 Horseshoe Drive in Dulles, Virginia.

Ownership of Applicant

Giesecke & Devrient America, Inc. is a wholly owned subsidiary of Giesecke & Devrient GmbH, which is located in Munich, Germany. Giesecke & Devrient GmbH, founded in 1852, initially specialized in banknote printing, and currently has 58 subsidiaries and joint ventures in 31 countries throughout the world. Giesecke & Devrient GmbH is wholly owned by MC Familiengesellschaft mbH, a holding company. The following individuals are beneficial owners of more than 5% of the outstanding capital stock of MC Familiengesellschaft mbH:

- Celia von Mitschke-Collande
- Gabriel von Mitschke-Collande

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- Marian von Mitschke-Collande
- Sylvius von Mitschke-Collande

Giesecke & Devrient GmbH and MC Familiengesellschaft mbH have filed a Principal Entity Disclosure Form with the Maryland Lottery and Gaming Control Agency, and each of the above beneficial owners has filed a Principal Employee Application.

Discussion of Financial Performance

We performed a detailed analysis of Giesecke & Devrient America, Inc.'s operating performance and financial condition for the calendar years ending December 31, 2011 through December 31, 2015. We reviewed the following:

Revenue and Cost of Goods Sold

Operating Expenses and Net Income

Assets, Liabilities and Shareholder Equity

Intercompany Loans

Liquidity and Cash Flow

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Trend Analysis and Comparative Performance

- **Current Ratio and Quick Ratio**
- **Operating Profit Margin and Net Profit Margin**
- **Return on Equity and Return on Assets**
- **Debt to Equity Ratio and Debt Ratio**
- **Inventory Turnover Ratio**

Independent Audit of Annual Consolidated Financial Statements

Dun & Bradstreet

Tax Returns

Litigation

Financial Analysis

Overall, Giesecke & Devrient America, Inc.'s operating performance and financial position can be characterized as consistently positive throughout the five-year period reviewed. The Company has experienced steady revenue growth while at the same time demonstrating its ability to control costs, resulting in consistent profitability and growth in shareholder equity. The Company's ability to consistently generate profits and positive cash flows from operations has enabled the Company to readily meet all of its capital requirements and pay dividends to its parent company. The Company's consistent profitability has also had a positive impact on the Company's

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financial strength as both assets and shareholder equity have grown over time. This demonstrates that the Company is well positioned to continue to use its own financial resources to fund future operating requirements or expansions, and avoid reliance on long-term debt to satisfy its financial demands. Additionally, the Company's financial ratios and margins are comparable to or better than those of other companies operating in its industry. There is no indication that Giesecke & Devrient America, Inc. is experiencing any financial distress, and the Company's independent auditors have not expressed any concerns with its financial condition. There are no concerns with the Company's financial condition, and no derogatory information was disclosed during the course of our review relating to Principal Entity applicants Giesecke & Devrient GmbH and MC Familiengesellschaft mbH.

FINDINGS

The MLGCA conducted a complete and thorough background investigation as authorized under the Gaming Law by analyzing corporate records and documents, scrutinizing the business operations, practices, and transactions of Giesecke & Devrient America, Inc. and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability. MLGCA adhered to well-defined and

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approved investigative protocols in assembling the factual information incorporated in this report. The results of the investigation for the specific qualification criteria enunciated in SG §§ 9-1A-07(c)(7), 9-1A-08(d), and 9-1A-15 are summarized as follows:

1) Financial stability, integrity and responsibility

A comprehensive review was conducted of all of the consolidated financial statements for the last five years. The Applicant satisfies the standards for financial stability, integrity and responsibility. MLGCA also concludes that the individual qualifiers (principals) satisfy the Gaming Law's qualification criteria in connection with the Manufacturer License Application.

2) Integrity of financial backers, investors, mortgages, bondholders, and other holders of indebtedness

Based on our review, there are no material issues involving the known financial backers of the Applicant.

3) Good character, honesty, and integrity

MLGCA found that the Applicant possesses the requisite good character, honesty and integrity. No significant issues surfaced concerning

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the qualifications of the Applicant or its individual qualifiers. There were no material issues discovered pertaining to the Applicant's record of regulatory compliance or litigation matters.

4) Sufficient business ability and experience

The Applicant has established itself as a leading provider of banknote processing solutions for commercial banks, public transportation authorities, armored carriers, and casinos throughout North America. The Applicant clearly possesses the requisite business ability and experience.

5) Potential Disqualifying factors

The Applicant is not disqualified from being issued a manufacturer license based on any of the criteria listed in SG § 9-1A-08(d). The Applicant is qualified to be awarded a license by the Commission.

APPLICANT and PRINCIPAL ENTITIES

The Applicant and its principal entities satisfy the applicable qualification criteria under SG § 9-1A-07(c)(7), and are not disqualified under SG § 9-1A-08(d).

PRINCIPAL QUALIFIERS

We identified the following natural person qualifiers (“principals”) who are associated with the Applicant and its principal entities. We conducted an extensive due diligence investigation on each qualifier, as described in our full report. We found that these principals have satisfied the applicable qualification criteria under SG § 9-1A-07(c)(7), and that none are disqualified under SG § 9-1A-08(d).

1. Martin Bauer – V.P. (Commercial Markets)
2. Kevin Fitzgerald – Chief Financial Officer
3. James Petit Jr. – Senior V.P. (Banknote Processing)
4. Walter Schlebusch – Chief Executive Officer
5. Ralf Wintergerst – Management Board Member
6. Celia von Mitschke-Collande – Owner
7. Gabriel von Mitschke-Collande – Owner
8. Marian von Mitschke-Collande – Owner
9. Sylvius von Mitschke-Collande – Owner

CONCLUSIONS and OPINION

MLGCA’s investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the

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Applicant's qualifications. Based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d), we conclude that the Applicant, its principal entities, and principals, have established by clear and convincing evidence their qualifications for a manufacturer license.