



Evolve
Capital Partners

QUARTERLY DEALS & MARKET ROUNDUP

Payments

September 2017



Networks



Payment Infrastructure



Closed Payment Networks



Payment Processing



Payments Core Banking Solutions



POS Devices / Solutions



Prepaid / Money Transfer

Specialized investment bankers at the intersection of finance and technology



Highlights

This quarter's Payments roundup discusses the following key developments:



MOBILE PAYMENTS EXPECTED TO SEE UNPRECEDENTED GROWTH



ACCELERATING SHIFT TOWARDS REAL-TIME PAYMENTS



COMPANIES REINFORCING DEFENSES AGAINST CYBER THREATS & PAYMENTS FRAUD



DEALS ABOUND IN THE PAYMENTS SPACE



Overview of Evolve Capital Partners

ABOUT ECP

- Evolve Capital Partners (ECP) is a specialized investment bank focused on businesses serving industries at the intersection of finance and technology.
- We are dedicated investment bankers focused on evolving industries, and we support sustainable growth through transformational M&A / financing transactions.
- ECP is a dedicated, creative, and fully independent investment bank that advises private and public companies on merger, divestiture and acquisition transactions, and capital raising through private placements.
- We also provide structured finance advisory services — our investment banking practice provides a comprehensive suite of solutions to businesses.
- With over 30 engagements executed by its leaders, Evolve Capital Partners has served as a proud partner, bringing renewed value to companies at the intersection of finance and technology.
- We were founded in 2012 and are based in New York, NY.

HIGH-TOUCH INVESTMENT BANKING

Few investment banks have transaction experience across both corporate and asset finance.



Our Clients

- Corporations
- Management Teams
- VC & PE Backed Companies
- Independent Directors / Boards



Investment Banking Advisory

- M&A
- Strategic Alliances
- Capital Raises and Asset Finance
- Financial Restructuring



Industry Focus

Finance and Technology Firms

BPO

IoT

B2B

Specialty Finance

Enterprise Software

Analytics

Payments

Lending

InsuranceTech

Securities

Financial Services

Financial Management

We Focus Exclusively on Finance and Technology-Related Firms

Financial Management Solutions



Payments



Bank Tech / Solutions



BPO



Capabilities

M&A Advisory

Sales / Recaps

Acquisitions

Divestiture

Strategic Advisory

Financing

Private Placements

Debt Capital

Restructuring

Specialty Finance / Alternative Lending



Healthcare Tech



Securities



Data & Analytics / IoT



Insurance





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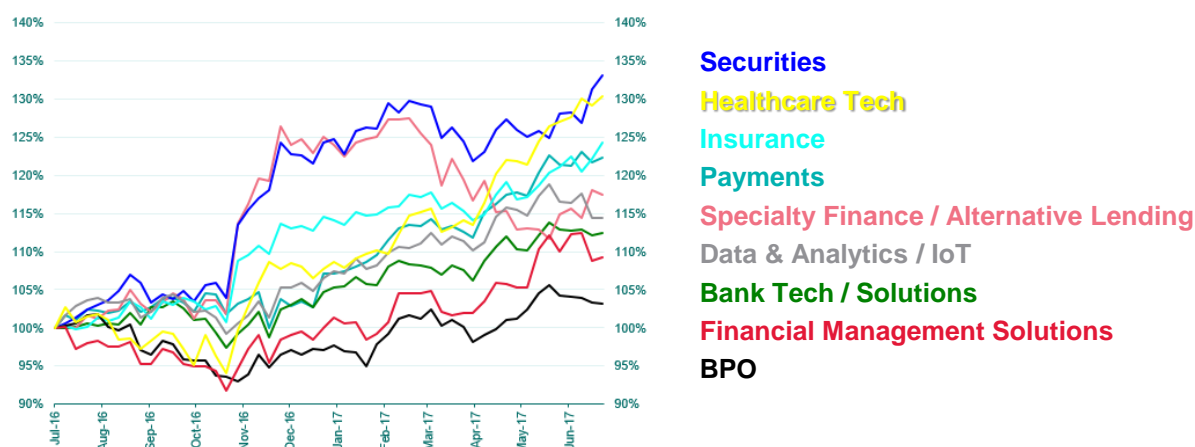
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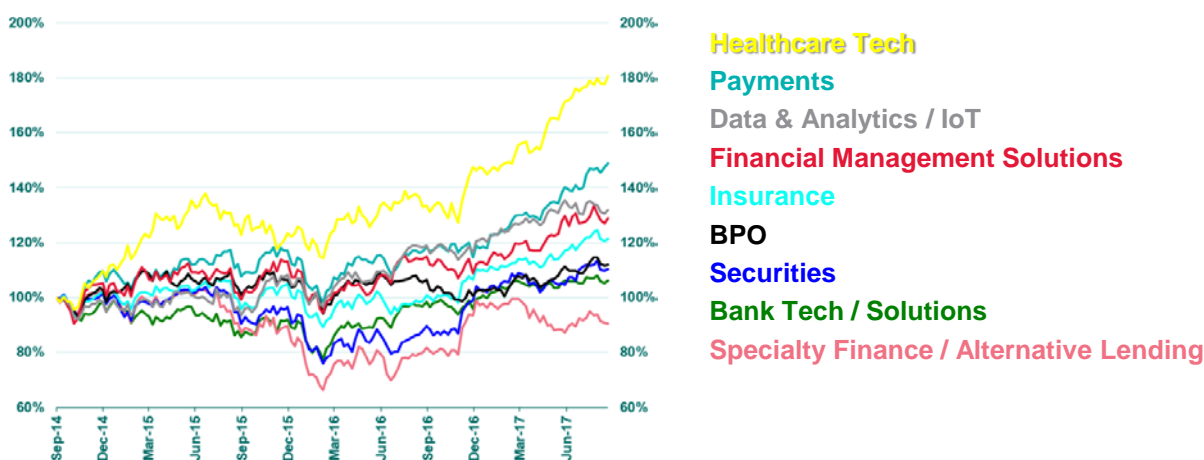
Market Summary

Industry Stock Market Performance of ECP Sector Coverage

Last 12 Months



Last 3 Years



Indexed Price Performance

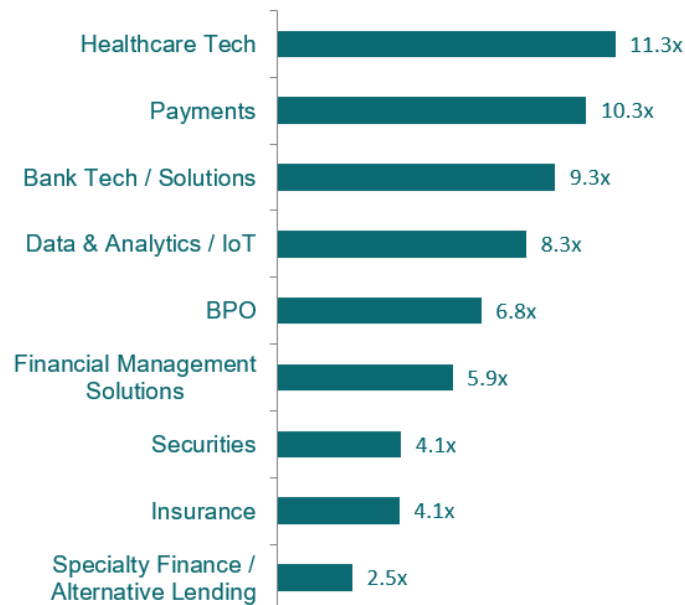
Sector	3 Months	1 Year	3 Years
Payments	34.6%	18.2%	48.9%
Bank Tech / Solutions	5.3%	(1.8%)	6.1%
Specialty Finance / Alternative Lending	9.9%	(18.1%)	(9.5%)
Securities	6.6%	(10.5%)	10.5%
Healthcare Tech	65.4%	33.3%	80.4%
BPO	6.6%	6.5%	11.9%
Financial Management Solutions	22.7%	14.9%	28.9%
Data & Analytics / IoT	32.2%	18.9%	31.8%
Insurance	15.7%	0.9%	21.2%

Source: Capital IQ and market data as of August 31, 2017

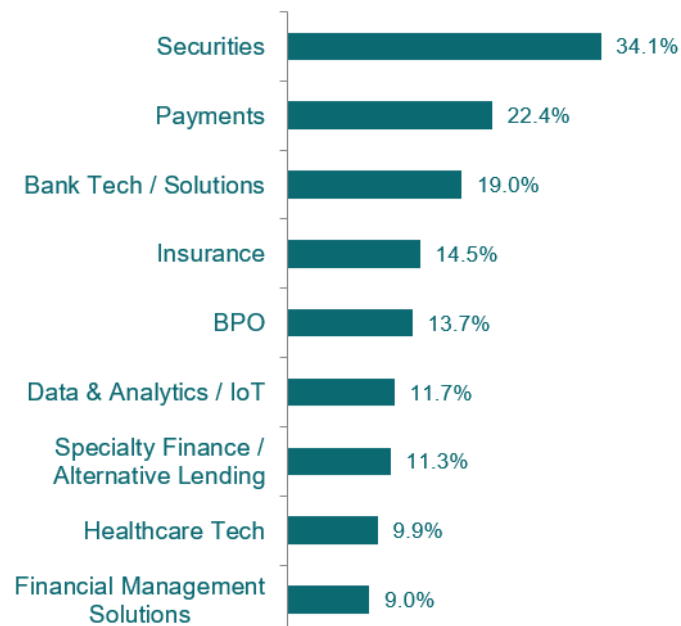
Multiples & Margins – All Sectors

Industry-wide Multiples and Margins

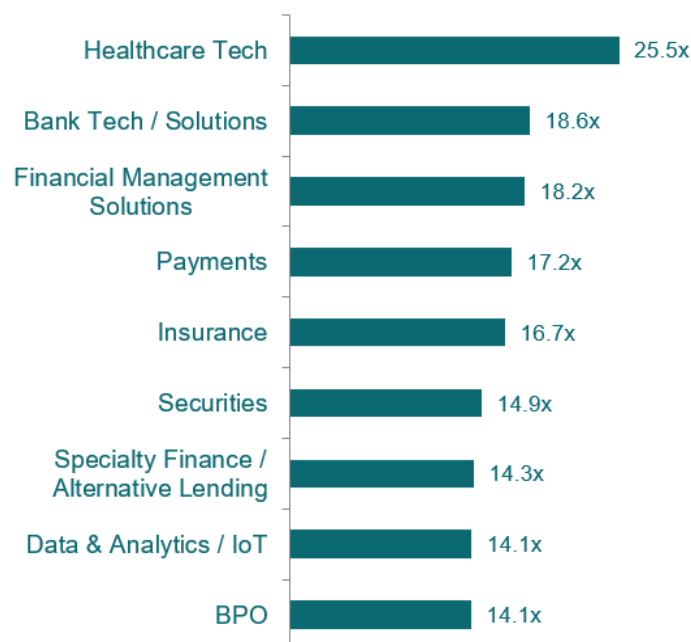
2017E EBITDA Multiples



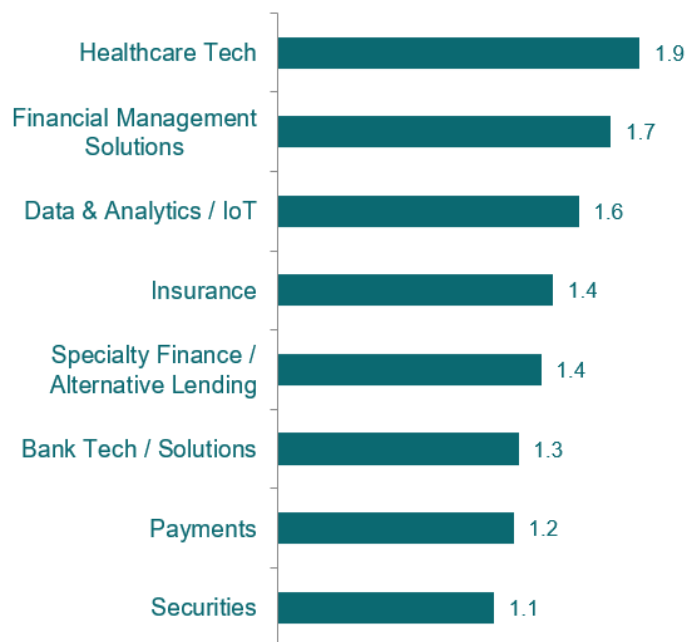
LTM EBITDA Margins



2017E Price / Earnings Multiples



2017E PEG Ratio

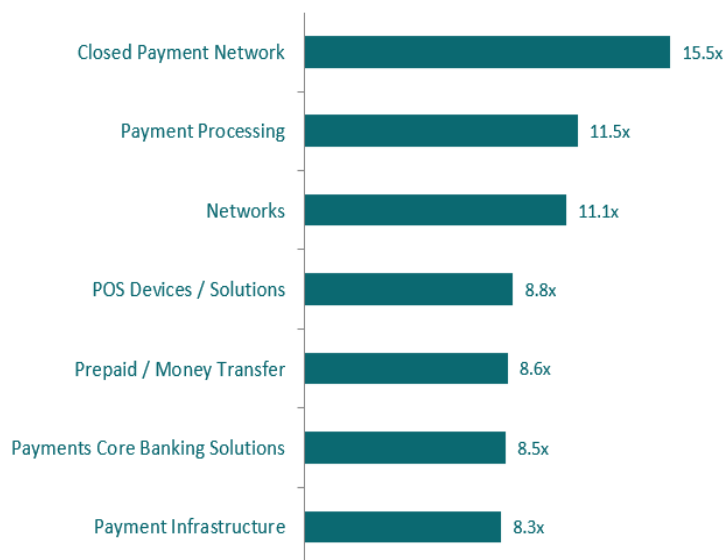


Source: Capital IQ and market data as of August 31, 2017

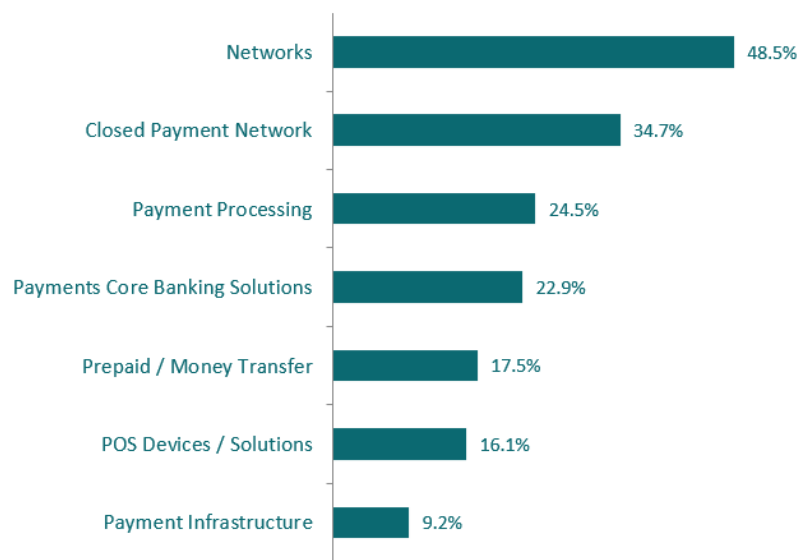
Multiples & Margins – Payments

Sub-sector Multiples and Margins

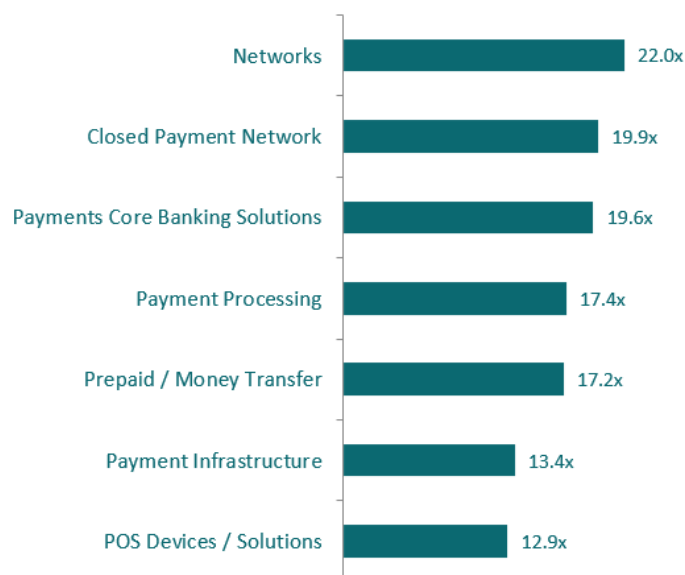
2017E EBITDA Multiples



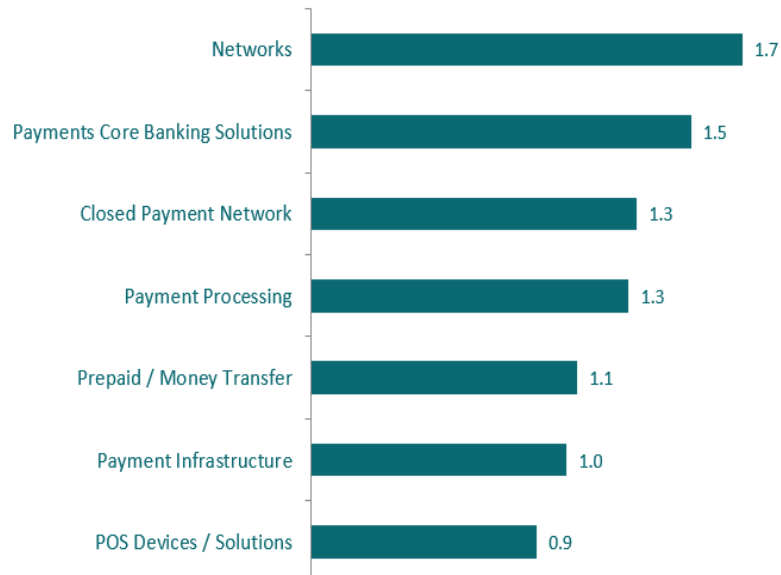
LTM EBITDA Margins



2017E Price / Earnings Multiples



2017E PEG Ratio



Source: Capital IQ and market data as of August 31, 2017

Stock Comparables – Payments

(All figures in US Dollars. Figures in millions, except per share data, as of August 31, 2017)

Payments Sub-Sector	Aggregate		Multiples					
	Market Cap	Enterprise Value	Price / Earnings		EV / EBITDA		EV / Sales	
			FY 17E	FY18E	FY 17E	FY 18E	FY 17E	FY 18E
Payments Core Banking Solutions	\$68,821	\$82,898	19.6x	29.6x	8.5x	14.4x	2.7x	4.4x
Payment Infrastructure	\$20,174	\$24,083	13.4x	9.5x	8.3x	7.0x	4.1x	3.2x
POS Devices / Solutions	\$17,009	\$20,656	12.9x	11.6x	8.8x	7.6x	1.9x	1.7x
Networks	\$528,951	\$453,365	22.0x	25.4x	11.1x	14.0x	4.6x	7.3x
Prepaid / Money Transfer	\$20,303	\$23,107	17.2x	16.9x	8.6x	8.4x	1.8x	1.9x
Payment Processing	\$125,007	\$159,697	17.4x	20.2x	11.5x	10.5x	5.4x	4.9x
Closed Payment Network	\$36,696	\$63,575	19.9x	17.4x	15.5x	13.7x	6.0x	5.4x
Median			17.4x	17.4x	8.8x	10.5x	4.1x	4.4x
Mean			17.5x	18.7x	10.3x	10.8x	3.8x	4.1x

Payments Sub-Sector	Number of Companies	Growth Rates			EBITDA Margin		PEG* FY 17E
		Revenue		EPS			
		FY 17E	FY 18E	5 Yr	FY 17E	FY 18E	
Payments Core Banking Solutions	5	2.1%	4.7%	12.7%	22.9%	30.8%	1.52
Payment Infrastructure	7	4.9%	15.9%	16.1%	9.2%	14.7%	1.02
POS Devices / Solutions	7	6.4%	9.9%	7.9%	16.1%	20.9%	0.90
Networks	4	7.0%	12.3%	16.4%	48.5%	47.7%	1.73
Prepaid / Money Transfer	7	4.8%	7.9%	12.6%	17.5%	22.0%	1.07
Payment Processing	18	11.6%	12.1%	14.8%	24.5%	30.1%	1.27
Closed Payment Network	4	7.5%	9.8%	14.3%	34.7%	39.7%	1.31
Median		6.4%	9.9%	14.3%	22.9%	30.1%	1.27
Mean		6.3%	10.4%	13.5%	24.8%	29.4%	1.26

Source: Capital IQ

Stock Comparables – Payments Sub-Sectors

(All figures in US Dollars. Figures in millions, except per share data, as of August 31, 2017)

Payments Core Banking Solutions

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Fidelity National Information Services, Inc.	\$30,888	\$39,928	\$9,240	26.7%	4.5x	4.4x	13.5x	12.9x	22.4x	19.7x	1.8
Fiserv, Inc.	\$26,037	\$30,479	\$5,591	31.3%	5.5x	5.3x	15.5x	14.5x	25.4x	22.4x	2.0
Jack Henry & Associates, Inc.	\$7,982	\$7,917	\$1,431	31.2%	NA	5.6x	NA	16.1x	NA	33.6x	NA
ACI Worldwide, Inc.	\$2,690	\$3,293	\$1,032	16.8%	3.4x	3.2x	13.5x	12.5x	50.0x	41.7x	3.8
Bottomline Technologies (de), Inc.	\$1,224	\$1,281	\$349	8.6%	NA	3.7x	NA	16.1x	NA	30.5x	NA
Median				26.7%	4.5x	4.4x	13.5x	14.5x	25.4x	30.5x	2.0
Mean				22.9%	4.5x	4.4x	14.2x	14.4x	32.6x	29.6x	2.5

Payment Infrastructure

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Shopify Inc.	\$10,932	\$9,999	\$581	(6.8%)	15.3x	10.6x	NM	NM	NM	NM	NM
Gemalto N.V.	\$4,848	\$5,846	\$3,450	15.4%	1.3x	1.3x	8.8x	7.9x	15.5x	12.3x	1.6
Diebold Nixdorf, Incorporated	\$1,544	\$3,409	\$4,603	5.4%	0.7x	0.7x	9.2x	7.5x	20.4x	12.4x	1.4
Cardtronics plc	\$1,186	\$2,106	\$1,381	22.1%	1.3x	1.5x	6.1x	6.7x	8.1x	9.0x	0.7
MINDBODY, Inc.	\$1,096	\$888	\$171	(5.5%)	7.2x	5.7x	NM	NM	NM	NM	NM
Everi Holdings Inc.	\$515	\$1,497	\$945	21.8%	1.6x	1.6x	7.2x	6.8x	9.6x	NM	0.5
CPI Card Group Inc.	\$53	\$338	\$270	12.0%	1.3x	1.1x	10.3x	6.2x	NM	4.4x	NM
Median				12.0%	1.3x	1.5x	8.8x	6.8x	12.5x	10.7x	1.0
Mean				9.2%	4.1x	3.2x	8.3x	7.0x	13.4x	9.5x	1.0

POS Devices / Solutions

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Ingenico Group - GCS	\$6,164	\$6,375	\$2,739	18.5%	2.2x	2.0x	10.6x	9.5x	17.7x	15.8x	1.4
NCR Corporation	\$4,438	\$8,148	\$6,536	13.5%	1.2x	1.1x	6.7x	6.4x	10.2x	9.7x	NA
GRG Banking Equipment Co. Ltd.	\$2,915	\$2,228	\$640	17.3%	3.1x	2.5x	15.2x	12.5x	18.3x	17.5x	2.3
VeriFone Systems, Inc.	\$2,211	\$2,981	\$1,859	11.7%	1.5x	1.5x	10.1x	8.7x	14.6x	12.3x	1.0
PAX Global Technology Limited	\$611	\$376	\$408	19.9%	0.8x	0.7x	4.5x	3.9x	8.7x	7.8x	0.4
SafeCharge International Group Limited	\$498	\$378	\$105	28.1%	4.3x	3.8x	14.6x	12.4x	20.4x	18.1x	1.2
PAR Technology Corporation	\$171	\$169	\$250	4.1%	NA	NA	NA	NA	NA	NA	NA
Median				17.3%	1.9x	1.8x	10.4x	9.1x	16.2x	14.1x	1.2
Mean				16.1%	2.2x	1.9x	10.3x	8.9x	15.0x	13.5x	1.3

Networks

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Visa Inc.	\$236,726	\$247,952	\$18,358	68.5%	NA	13.0x	NA	18.1x	NA	27.1x	1.8
Mastercard Incorporated	\$141,951	\$140,414	\$11,941	57.8%	12.8x	11.3x	21.9x	19.1x	33.6x	28.3x	1.9
American Express Company	\$76,111	NA	\$29,870	NA	NA	NA	NA	NA	16.2x	14.8x	1.4
PayPal Holdings, Inc.	\$74,164	\$64,999	\$12,331	19.2%	5.8x	4.8x	22.3x	18.5x	38.0x	31.4x	1.9
Median				57.8%	9.3x	11.3x	22.1x	18.5x	33.6x	27.7x	1.8
Mean				48.5%	9.3x	9.7x	22.1x	18.6x	29.3x	25.4x	1.7

Closed Payment Network

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Alliance Data Systems Corporation	\$12,512	\$32,272	\$7,441	19.8%	4.2x	3.8x	16.3x	14.2x	12.4x	10.5x	0.9
FleetCor Technologies, Inc.	\$13,209	\$16,483	\$2,061	53.9%	8.2x	7.3x	15.7x	13.8x	19.5x	17.1x	1.1
Edenred SA	\$6,292	\$7,970	\$1,363	33.1%	5.4x	5.1x	14.6x	13.5x	24.9x	22.6x	1.9
WEX Inc.	\$4,683	\$6,849	\$1,174	32.1%	6.1x	5.5x	15.2x	13.4x	22.9x	19.5x	1.4
Median				32.6%	5.7x	5.3x	15.5x	13.7x	21.2x	18.3x	1.2
Mean				34.7%	6.0x	5.4x	15.5x	13.7x	19.9x	17.4x	1.3

Source: Capital IQ

Stock Comparables – Payments Sub-Sectors

(All figures in US Dollars. Figures in millions, except per share data, as of August 31, 2017)

Prepaid / Money Transfer

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
The Western Union Company	\$8,779	\$11,342	\$5,431	24.9%	2.1x	2.1x	8.7x	8.7x	11.2x	10.9x	1.1
Euronet Worldwide, Inc.	\$5,162	\$4,968	\$2,168	16.8%	2.1x	1.9x	11.4x	9.9x	21.1x	18.1x	1.5
Blackhawk Network Holdings, Inc.	\$2,538	\$2,874	\$2,070	7.2%	1.1x	1.0x	10.1x	8.6x	20.4x	16.7x	1.7
Green Dot Corporation	\$2,431	\$1,897	\$793	14.2%	2.6x	2.4x	11.6x	9.9x	27.3x	23.4x	1.3
MoneyGram International, Inc.	\$854	\$1,621	\$1,625	13.9%	1.0x	0.9x	5.8x	5.6x	14.9x	13.3x	1.0
OFX Group Limited	\$340	\$215	\$88	22.4%	NA	1.5x	NA	5.5x	NA	15.3x	NA
Planet Payment, Inc.	\$198	\$190	\$53	23.0%	3.7x	3.4x	12.5x	10.6x	25.7x	20.7x	0.9
Median				16.8%	2.1x	1.9x	10.8x	8.7x	20.8x	16.7x	1.2
Mean				17.5%	2.1x	1.9x	10.0x	8.4x	20.1x	16.9x	1.2

Payment Processing

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA %	EV / Sales		EV / EBITDA		P / E		PEG
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Cielo S.A.	\$19,336	\$22,245	\$3,700	44.1%	4.6x	5.0x	11.9x	10.9x	13.5x	12.9x	2.6
First Data Corporation	\$16,992	\$37,771	\$8,100	35.3%	3.1x	2.9x	12.2x	11.4x	11.7x	11.2x	1.2
Global Payments Inc.	\$14,561	\$18,217	\$4,189	27.4%	5.5x	4.8x	16.5x	14.3x	25.7x	21.7x	1.6
Total System Services, Inc.	\$12,735	\$15,459	\$4,787	20.1%	4.6x	4.4x	13.2x	12.2x	21.3x	19.3x	1.8
Vantiv, Inc.	\$11,487	\$15,213	\$3,916	23.2%	7.5x	6.9x	15.8x	14.3x	20.6x	18.3x	1.4
Square, Inc.	\$10,018	\$9,448	\$1,904	(2.2%)	13.9x	10.8x	NM	NM	NM	NM	1.3
Worldpay Group plc	\$10,675	\$12,360	\$1,539	38.3%	7.6x	6.9x	18.5x	16.3x	30.9x	26.2x	1.5
Wirecard AG	\$10,508	\$9,671	\$1,403	27.6%	6.7x	5.5x	23.9x	18.9x	39.0x	30.2x	1.2
Worldline S.A.	\$5,324	\$4,984	\$1,680	16.2%	3.3x	3.0x	16.0x	13.8x	35.9x	30.6x	1.8
Deluxe Corporation	\$3,353	\$4,039	\$1,951	23.7%	2.0x	2.0x	8.2x	7.5x	13.1x	12.6x	1.6
Paysafe Group Plc	\$3,660	\$3,896	\$1,043	25.5%	3.3x	2.8x	11.4x	10.2x	15.9x	14.4x	1.6
GMO Payment Gateway, Inc.	\$2,347	\$2,136	\$169	28.9%	13.3x	10.6x	NM	NM	NM	74.0x	NA
Qwiw plc	\$1,016	\$719	\$316	28.1%	3.7x	3.2x	8.4x	6.5x	15.0x	12.2x	0.9
EVERTEC, Inc.	\$1,332	\$1,904	\$401	39.3%	4.0x	3.9x	9.0x	8.9x	8.8x	8.8x	1.3
PayPoint plc	\$808	\$740	\$265	27.5%	NA	2.9x	NA	9.3x	NA	15.0x	NA
Net 1 UEPS Technologies, Inc.	\$526	\$303	\$610	24.3%	NA	0.5x	NA	2.1x	NA	5.5x	NA
Newtek Business Services Corp.	\$300	\$500	\$36	8.1%	12.7x	10.9x	NA	NA	9.8x	9.6x	3.2
JetPay Corporation	\$30	\$92	\$70	5.9%	1.2x	1.1x	19.5x	11.9x	NM	NM	NA
Median				26.4%	4.6x	4.1x	13.2x	11.4x	15.9x	14.7x	1.6
Mean				24.5%	6.1x	4.9x	14.2x	11.2x	20.1x	20.2x	1.6

Source: Capital IQ

Recent Updates – Payments



MOBILE PAYMENTS EXPECTED TO SEE UNPRECEDENTED GROWTH

The popularity of smartphone-based payment alternatives, such as *Mobile Wallets* and *In-App* payment options, is continuing to drive increased volumes across both open loop (usable at a wide variety of merchants) and closed loop (limited to specific vendor or location) payments.

In January 2017, PayPal announced that its mobile payments volume increased by 55% in 2016, and mobile payments account for a third of the company's overall payments volumes during the fourth quarter of the year.

Mobile payments will see unprecedented growth in 2017, as phone manufacturers launch devices with even larger screens, more e-commerce companies add one-touch 'Pay' features to their apps, and banks make more desperate efforts to provide innovative mobile payments solutions.

Mobile payments in the US are expected to reach \$282 billion by 2021, with in-person payments growing 6.8x and mobile remote (including in-app) payments growing 2.7x compared to 2015.



ACCELERATING SHIFT TOWARDS REAL-TIME PAYMENTS

Real-time payments are swiftly becoming the new normal in over 40 countries. Instant payment systems used by companies like WeChat and Alipay are pushing credit cards to the margins by instantly processing payments, without compromising on security.

So far, the US has been trailing in the adoption of real-time systems, but rapid progress is being made. Several initiatives to promote real-time payments are being taken by organizations like NACHA and The Federal Reserve.

Currently, The Clearing House (TCH) runs one of the largest real-time payment systems in the country. TCH has recently collaborated with technology and consulting company, Icon Solutions, to accelerate its instant payment initiatives using the company's Instant Payment Framework. TCH's system is expected to spread across most of the country by mid-2018 and include 10,000 banks. Once up and running, the system could be the largest and most complex real-time payment system in the world.



COMPANIES REINFORCING DEFENSES AGAINST CYBER THREATS & PAYMENTS FRAUD

Payment fraud and cybersecurity challenges continue to grow, as evidenced by May 2017's cyber attacks that affected over a 100 countries. As new breeds of transactional fraud and cyber crime emerge, payments companies are being forced to invest heavily in bolstering their defenses.

Recent months have seen several efforts by payment processors and digital payment companies to strengthen their existing defenses and introduce new defenses.

Visa, for example, has upgraded its Verified by Visa technology to deliver richer data to financial institutions and merchants. This technology is expected to repel fraud that is associated with mobile/desktop browser, app, and connected device based transactions.

Such enhancements would add an extra security layer on top of some other recent initiatives, like EMV-based chip technology that is used to curb point of sales (POS) fraud and tokenization that is used to secure mobile wallet-based payments.



Key Initiatives by Leading Payment Companies

US Bank enables Masterpass from Mastercard for Android in-store payments

US Bank customers will now be able to pay using Mastercard's Masterpass when shopping in-store with an Android device. This facility will be available to customers at more than six million contactless-enabled merchants across the globe. This new acceptance network will provide US Bank users an easy, intuitive and low friction shopping experience, while leveraging the most advanced methods of payment security available today, including tokenization.

Chinese tourists are helping Alipay and WeChat Pay go global

Tencent has taken its WeChat service to the US through a partnership with Silicon Valley-based mobile payment startup CITCON. WeChat Pay has initiated cross-border services in China's neighboring countries and regions, such as Hong Kong, Japan, and Southeast Asia, and is gradually expanding across the world.

Likewise, Alibaba's spin-off Ant Financial (which recently inked a deal with payment processing firm First Data earlier this May) is adopting a similar strategy. The firm plans to double the number of Japanese stores that accept Alipay, targeting Chinese tourists, to more than 45,000 this year. With Chinese tourism expected to generate over \$255 billion revenues abroad by 2025, firms are targeting the countries and regions the Chinese tourists are expected to travel to the most to expand their business. Even QR codes are finding a home in certain venues abroad, driven by the needs and habits of Chinese customers.

Apple Pay launches for HSBC Australia and over 20 US Banks

HSBC launched Apple Pay support for customers in Australia for the first time, enabling any Visa and Mastercard-branded credit card issued by the bank to be added to Apple's mobile wallet. With the majority of its customers' credit card payments already contactless, Apple Pay is likely to be quickly embraced as part of the wider shift towards tap-and-go payments. In addition to the HSBC Australia launch, over 20 US banks also gained official Apple Pay support, resulting in Apple Pay transactions increasing by 450% YoY for the three-month period ending on April 1, 2017.

Tencent looks to cross-border payments expansion after leading US\$13m funding in Airwallex







Chinese internet giant Tencent Holdings looks to kick-start the international expansion of its online payments system after leading the \$13 million, Series A funding round of Australian financial technology start-up Airwallex. With over 600 million monthly active users at the end of 2016 and daily payment volume nearly doubling YoY to over 600 million transactions a day, Tencent is aiming to make international payments as cheap and simple as domestic payments.

Amadeus and US Bank partner to deliver virtual payments technology to US travel agencies





US Bank and Amadeus have entered a strategic alliance through which Amadeus will offer the bank's virtual payment technology to its subscribers. As a result, Amadeus will launch Mastercard-branded Amadeus B2B Wallet in the US, a new virtual card solution that will enable its US travel agency customers to save time, boost efficiency, and improve their bottom lines. The introduction of Amadeus B2B Wallet in the US coincides with growing demand for virtual cards to pay suppliers in real time as well as the increased demand to make payments outside of traditional channels. The wallet is currently being rolled out to select travel agencies in the US, with wider availability to follow in the coming months.

Deal Activity – Payments

Highlighted M&A Transactions

Date	Target	Acquirer	Sector	Value (\$mm)
6/2/17	 sage	GTCR	Processing	\$260
5/29/17	 cardconnect.	First Data	Processing	\$758
5/1/17	 Cambridge. Global Payments	 FLEETCOR®	Cross Border Payments	\$675
3/29/17	 DataSecurity	 mastercard	Anti-Fraud	NA

Highlighted Financing Transactions

Date	Company	Lead Investor	Series	Value (\$mm)
5/18/17	 paytm	 SoftBank Group	NA	\$1,400
5/2/17	 ServiceChannel® Transparency Drives Performance	 JPMorganChase	NA	\$400

- *Payments and bill processing landscape has witnessed a steady increase in deal activity*
- *Several deals involved established players taking over new businesses to take advantage of the shift towards electronic transactions*
- *M&A activity was dominated by payments processing companies lining up to acquire merchant acquiring and analytics businesses*
- *Retail banks led M&As in the payments analytics segment could gather steam over the coming quarters*

Deals abound in the Payments space
























The payments landscape witnessed a steady increase in deal activity in Q2'17, with several key deals being announced during the quarter.

Most deals involved established industry players using the inorganic route to take advantage of the gradual global shift towards electronic and mobile transactions.

While some industry leaders looked to expand geographically by acquiring dominant domestic businesses, others looked to expand their user base by acquiring players that cater to unconventional user classes. In addition to deals led by strategic buyers, Q2'17 also saw active participation from PE funds who reinforced their confidence in the payments space by adding more payments companies to their portfolio.

The rapid shift towards electronic payments has made transaction security a central concern for payments companies. Galvanized by this concern, many payments companies resorted to M&As during the first half of 2017 to shore up their payments defenses.

M&A Transaction Activity Summary – Payments

Date	Target	Acquirer(s)	Sector	EV (\$mm)
6/2/17 <small>Transaction Profiled</small>		GTCR	Processing	\$260
5/29/17 <small>Transaction Profiled</small>		First Data	Processing	\$758
5/17/17			Merchant Acquiring	NA
5/16/17		MS Wise Technologies Pvt. Ltd.	POS	NA
5/12/17	Zenith Merchant Services, Inc.		Merchant Acquiring	NA
5/10/17			Consumer Payments	NA
5/10/17			Merchant Acquiring	NA
5/8/17	IPS Limited		Ecommerce Payments	NA
5/7/17	OP Financial Group, Merchant Acquiring Business		Merchant Acquiring	\$32
5/7/17		 	Ecommerce Payments	NA
5/1/17 <small>Transaction Profiled</small>			Cross Border Payments	\$675
4/25/17			Payment Processing	NA
4/19/17			Ecommerce Payments	NA
3/29/17 <small>Transaction Profiled</small>			Anti-Fraud	NA

Source: Capital IQ



Key M&A Deal Profiles – Payments

GTCR acquires Sage Payment Solutions

Target Company Overview



Sage Payment Solutions, Inc. develops and provides electronic payment-processing and merchant solutions. Sage Payment Solutions was formerly known as Verus Financial Management. The company was founded in 1993 and is headquartered in Reston, Virginia. Sage Payment Solutions used to operate as a subsidiary of The Sage Group.

Products and Services Offered

SPS provides credit card, ACH, check, gift and loyalty card processing services to small and medium-sized businesses ("SMBs") in the United States and Canada. SPS's payment solutions integrate with merchants' business management software solutions and enable them to securely accept electronic payments through multiple channels.

Acquisition Details

GTCR

GTCR, LLC entered into a definitive agreement to acquire Sage Payment Solutions, Inc. from The Sage Group plc (LSE:SGE) for \$260 million on June 2, 2017. GTCR has arranged committed financing for the transaction funded by Antares, Ares, Jefferies, Barclays and NXT.

Transaction Rationale

GTCR is partnering with SPS management to pursue organic growth initiatives and fund future acquisitions in the payment processing industry. To support this strategy, GTCR has committed up to \$350 million of equity capital to the platform.

First Data acquires CardConnect

Target Company Overview



CardConnect Corp. provides payment processing solutions to small and medium business merchants and enterprise customers in the United States.

CardConnect Corp. is headquartered in King of Prussia, Pennsylvania.

Services Offered

The company offers CoPilot, an online portfolio management tool that provides automated customer onboarding and product enrollment; and CardPointe payment system, which provides transaction processing, full transaction-lifecycle management, custom reporting, and product enrollment services in a single location for merchant account management.

Acquisition Details

First Data

First Data Corporation (NYSE:FDC) entered into a definitive merger agreement to acquire CardConnect Corp. (NasdaqGM:CCN) for approximately \$770 million on May 29, 2017. Under the terms, a subsidiary of First Data will commence a tender offer to acquire all of the outstanding CardConnect common stock for a purchase price of \$15 per share in cash.

Transaction Rationale

CardConnect is a long-standing First Data distribution partner and the acquisition will incorporate their state-of-the-art solutions across First Data's strategic initiatives such as partner-centric distribution, integrated payments, and enterprise payments solutions.

Key M&A Deal Profiles – Payments

FleetCor Technologies acquires Cambridge Global Payments

Target Company Overview



Cambridge Global Payments offers online payment solutions. Additionally, it offers hedging strategies and risk management services. The company was founded in 1992 and is based in Toronto, Canada.

Products and Services Offered

Cambridge processes over \$20 billion in B2B cross-border payments annually, helping 13,000 business clients make international payments to suppliers and employees. Cambridge's proprietary technology serves the needs of SMB and mid-cap businesses, enabling its clients the flexibility of making wire, EFT, draft and check payments in over 140 currencies.

Acquisition Details



FleetCor Technologies, Inc. (NYSE:FLT) signed a definitive agreement to acquire Cambridge Global Payments for approximately \$680 million on May 1, 2017. The transaction will be financed using a combination of existing cash and borrowings under FleetCor Technologies, Inc.'s existing credit facility.

Transaction Rationale

The acquisition provides entry into the B2B cross-border payments market, a \$145 billion global revenue market opportunity.

The acquisition also enhances global corporate payments capabilities, enabling FleetCor to pay both domestic and international AP payments for the same client.

Mastercard enters into an agreement to acquire NuData Security

Target Company Overview



NuData is a payments fraud mitigation technology company. The company develops and markets biometrics and behavioral analytics solutions that help detect new account fraud, enhance user experience, and prevent unauthorized transactions. NuData was founded in 2008 and is based in Vancouver, Canada.

Products and Services Offered

The company's flagship product, is NuDetect that uses passive biometrics to authenticate account holders' identities by analyzing their digital profiles.

Solutions include Good User Verification, Intelligence Automation, New Account Fraud, Checkout Fraud and Identity Theft.

Acquisition Details



Mastercard entered into an agreement to acquire NuData Security for an undisclosed amount on March 29, 2017. Mastercard is a New York-based provider of transaction processing and payment-related products. Mastercard will integrate NuData's products within its suite of digital payment security products.

Transaction Rationale

The transaction is line with Mastercard's commitment to enhance protection in the digital payments space.

It will help the company integrate additional security features into its payment platform and provide its customers convenient and fraud-resistant payment alternatives.

Financing Transaction Activity Summary

Date	Target	Sector	Amount (\$mm)	Series	Investor(s)
6/7/17		Software	\$28	Series A	Swiss Privée Ltd.
5/18/17 <small>Transaction Profiled</small>		Mobile Payments	\$1,400	NA	
5/16/17 <small>Transaction Profiled</small>		POS/ Loyalty	\$37	NA	  
5/11/17		Mobile Payments	\$20	Series B	  
5/4/17		Ecommerce Fraud Protection	\$56	Series C	  
5/1/17		Cross-Border Payments	\$13	Series A	   
4/29/17		Mobile Payments	\$15	NA	 
4/26/17		Spend Management Software	\$70	NA	

Source: Capital IQ

Key Financing Deal Profiles – Payments

Paytm raises \$1.4 billion from SoftBank

Target Company Overview



Operator of a mobile payment and e-commerce platform designed to provide bill payment services. The company's mobile payment and e-commerce platform offers services to pay bills online and book tickets for movies and buses, enabling users to make cashless transactions.

Services Offered

The Paytm Wallet application enables users to book air tickets and taxis, mobile recharge, and payment of DTH, broadband and electricity bills, among others. The money transfer feature is not available for desktop users and is only available for mobile users.

Financing Details



Paytm received \$1.4 billion in an equity round of funding from new investor SoftBank Group Corp. on May 18, 2017. As part of the transaction, a representative of the investor joined the company's board of directors. The transaction valued the company at \$7 billion post money.

Use of Funds

The financing will help the startup expand its user base of 220 million and build a large offering of financial services products.

CentroCredit, JPMorgan, and U.S. Boston Capital invest \$54 million in Level Up

Target Company Overview



SCVNGR, Inc., doing business as LevelUp, develops a mobile payment network application. SCVNGR, Inc. was founded in 2008 and is based in Boston, Massachusetts.

Products and Services Offered

The company offers mobile payments, rewards programs, and analytics on mobile platforms for businesses and users. In addition, the company provides developer platform and integrations, and POS and online integrations.

Financing Details



SCVNGR, Inc. received \$50 million in a fresh funding round led by returning investor JPMorgan Chase & Co. Private Banking and Investment Banking Investments on May 16, 2017. The transaction also involved participation from new investor CentroCredit Joint-Stock Commercial Bank and returning investor U.S. Boston Capital Corporation. The company issued equity for gross proceeds of \$37 million and debt for \$13 million in the transaction.

Use of Funds

This is SCVNGR's ninth funding round. The company has received over \$85 million in funding till date. The Company will use the proceeds to fuel hiring, product development, and further expansion across the United States.

IPO Activity Summary – Payments

Company	IPO Date	Amount Raised (\$mm)	IPO Price	Current Market Price	Total Return
 shopify	05/18/17	\$501	\$91.00	\$86.90	(4.5%)
cardconnect.	9/28/16	\$100	\$9.75	\$15.05	54.4%
 Square	11/18/15	\$243	\$9.00	\$23.46	160.7%
 worldpay	10/15/15	\$3,341	\$3.71	\$4.09	10.1%
First Data.	10/14/15	\$2,560	\$16.00	\$18.20	13.8%
 cpi card group	10/08/15	\$150	\$10.00	\$2.85	(71.5%)
PayPal	7/6/15	\$3,971	\$34.50	\$53.67	55.6%
 MINDBODY.	6/18/15	\$100	\$14.00	\$27.20	94.3%
Quotient 	3/6/14	\$168	\$16.00	\$11.50	(28.1%)
 QIWI КИВИ	5/2/13	\$213	\$17.00	\$24.68	45.2%
 BLACKHAWK NETWORK	4/18/13	\$230	\$23.00	\$43.60	89.6%
 evertec	4/11/13	\$505	\$20.00	\$17.30	(13.5%)

Source: Capital IQ and market data as of June 30, 2017

Select Wall Street Research Updates and Commentary



smarter/faster/easier/payments.

Update from PiperJaffray, June 2017

We don't see near-term risk to VNTV's estimates from the proposed AMZN acquisition of WFM, as we believe any change to WFM's processor would be a longer-term decision. Plus, we believe WFM is well below 1% net revenue exposure for VNTV. We do see potentially a slight headwind to VNTV's L-T growth rate to the extent AMZN-WFM takes transaction/traffic share in the grocery sector. We believe VNTV prices its grocery processing business on a per transaction basis rather than the \$ amount.



AllianceData.

Update from RBC Capital Markets, June 2017

We believe that current prices represent an attractive risk/reward potential. Our thesis is based on: (1) Card Services continuing to benefit from portfolio growth and a relatively stable credit environment; (2) BrandLoyalty continuing to grow in Europe and expand in North America, while LoyaltyOne in Canada is stable; (3) Epsilon's digital assets continuing to grow, while headwinds on Epsilon's traditional agency business dissipate; and (4) strong free cash flow generation is used to repurchase stock to support EPS growth and the stock price.



Update from EVERCORE ISI, June 2017

Euronet offers one of the highest revenue and earnings growth profiles within our Payments, Processors & IT Services coverage with 12% constant currency revenue gains and 16% cash EPS growth potential, on average for the next 2 years at least. Euronet trades at under 16 times our 2018 EPS estimate.



Update from EVERCORE ISI, June 2017

PYPL delivered 1Q17 revs of \$2,975m (17% Y/Y, 19% cc) and EPS of \$0.44 handily beating our ests of \$2,930m/\$0.41 driven primarily by core PYPL strength and strong margins. Although we were not expecting much 1Q17 upside, PYPL surprisingly beat expectations and raised EPS guidance for the first time since going public. Customer choice mix shift continues to track better than expected and the Int'l rollout of choice is not expected to materially change the current transaction margin trend. In addition, Pay with Venmo beta was announced for Paypal merchants and we expect to start seeing some contribution in FY18 and beyond. Due to business momentum, PYPL raised FY17 revenue guidance by \$70m to \$12,520-\$12,720m (15-17% Y/Y, 17-19% cc) and EPS by \$0.05 to \$1.74-\$1.79. We are raising our FY17, FY18 and FY19 EPS by \$0.05, respectively. Reiterate Buy.



Update from CIBC, May 2017

Despite being the seasonally slower quarter, Shopify reported Q1 results that were strong. Sales beat the high end of estimates and Shopify benefitted from a change in sales mix and improved operating leverage from both segments. The company is no longer giving quarterly merchant counts, but the growth in GMV (\$4.8BN vs. our estimate of \$4.7BN) indicates its merchants are benefitting from its platform and e-commerce market trends. We maintain our Outperformer rating and raise our price target to \$105 (from \$100).

Appendix – Coverage Universe Components

Coverage universe for various sectors is as follows.

1 Payments:

ADS, FLT, ENXTPA:EDEN, WEX, FIS, FISV, JKHY, ACIW, EPAY, V, MA, AXP, PYPL, SHOP, ENXTAM:GTO, DBD, CATM, MB, EVRI, PMTS, BOVESPA:CIEL3, FDC, GPN, TSS, VNTV, SQ, LSE:WPG, XTRA:WDI, ENXTPA:WLN, DLX, LSE:PAYS, TSE:3769, QIWI, EVTC, LSE:PAY, UEPS, NEWT, JTPY, ENXTPA:ING, NCR, SZSE:002152, PAY, SEHK:327, AIM:SCH, PAR, WU, EEFT, HAWK, GDOT, MGI, ASX:OPX, PLPM

2 Bank Technology:

FIS, FISV, JKHY, SWX:TEMN, BSE:532466, TSE:6457, QTWO, SGX:5CP, EPAY, OTCPK:CSVI, BSE:538835, SWX:CLXN, AIM:MONI, LSE:EXPN, EFX, TRU, OM:IJ, FICO, FNF, ZG, CSGP, ELLI, CLGX, BKFS, LSE:ZPG, STC, TSX:REAL, ASPS, REIS, ENXTAM:WKL, PEGA, DNB, ENXTPA:SOP, WSE:ACP, MITK, AIM:SQS, NTWK, INTC, IBM, AXP, PYPL, FDC

3 Specialty Finance / Alternative Lending:

NAVI, NNI, PRAA, ECPG, PRGX, PFMT, ASFI, CIT, CACC, NEWS, MRLN, TSX:CHW, ASX:ZML, CPSS, COF, SYF, DFS, SLM, LSE:PFG, SC, OMF, FCFS, AAN, LSE:TCS, SGBK, WRDL, LSE:IPF, TBBK, EZPW, RM, OB:MONO-ME, ATLC, URI, AL, TSX:EFN, TGH, RCI, ASX:FXL, CAI, FLY, NSM, CASH, PHH, PFSI, OCN, WAC, LC, TREE, YRD, DB:FRU, ENVA, XRF, ELVT, ONDK, DB:MBC

4 Securities:

BGCP, LSE:NXG, LSE:IGG, IBKR, ENXTAM:FLOW, KCG, VIRT, ITG, ENXTPA:VIL, INTL, SWX:CFT, BMV:FINAMEX O, WFC, BAC, C, LSE:HSBA, ASX:CBA, TSX:RY, TSX:TD, ENXTPA:BNP, USB, AXP, LSE:LLOY, PNC, ASX:NAB, TSX:BMO, LSE:BARC, SEHK:11, LSE:RBS, SGX:D05, TSX:CM, NSEI:ICICIBANK, MTB, BIT:MB, UMBF, LSE:CBG, FII, NSEI:IIFL, XTRA:COM, CME, ICE, SEHK:388, XTRA:DB1, LSE:LSE, BOVESPA:BVMF3, NDAQ, CBOE, ASX:ASX, SGX:S68, ENXTPA:ENX, BME:BME, TSX:X, SPGI, TSX:TRI, MCO, INFO, MSCI, FDS, ENXTPA:FIM, MORN, NSEI:CRISIL, VALU, JPM, GS, MS, SWX:UBSG, DB:DBK, SWX:CSGN, ASX:MQG, TSE:8604, RJF, LAZ, SF, PJC, GHL, COWN, AMEX:LTS, AIM:NUM, JMP, BLK, BK, BEN, NTRS, AMP, TROW, IVZ, LSE:HL, LSE:INVP, JHG, AB, CNS, WDR, APAM, WETF, VRTS, SCHW, AMTD, ETFC, MKTX, TSE:8628, AIM:PLUS, TSE:8698, YIN, LSE:CMCX, SWX:SQN, GCAP, GLBR, STT, BR, SEIC, ASX:CPU, DST, LPLA, LSE:TCAP, FNGN, ENV, LSE:SNN, ASX:BVS, ENXTAM:KA, SSNC, CPSE:SIM, LSE:ALFA, ASX:IRE, LSE:FDSA, AIM:FDP, ENXTPA:LIN, AIM:SOG

5 Insurance:

LSE:REL, VRSK, DNB, ACXM, MMC, AON, WLTW, AJG, BRO, LSE:JLT, MET, PRU, CI, TSX:MFC, AFL, LSE:AV, TSX:GWO, TSX:SLF, LSE:LGEN, PFG, LNC, SWX:SLHN, LSE:SL, ENXTAM:AGN, TMK, PRI, ANAT, LSE:HSD, DB:ALV, ENXTPA:CS, AIG, SWX:ZURN, ALL, AFG, GNW, LSE:MONY, RATE, EHTH, ASX:ISU, QNST, CB, TRV, PGR, HIG, CINF, LSE:RSA, THG, MCY, SIGI, EIG, STFC, MKL, WRB, AIZ, AWH, PRA, AFSI, RLI, AGII, OB, NAVG, AMSF, GBLI, GWRE, EBIX, SPNS, CRD.B, AMEX:MJCO, TSXV:SY, PN, FNF, ORI, FAF, STC

6 BPO:

ENXTPA:RCF, CVG, TTEC, SYKE, SRT, ESRX, ATHN, HQY, BOVESPA:QUAL3, MDRX, HMSY, QSII, CSLT, CPSI, RCM, ADP, PAYX, ULTI, WAGE, TNET, CSOD, NSP, BNFT, ACN, NSEI:TCS, CTSH, NSEI:INFY, DXC, BSE:507685, NSEI:HCLTECH, ENXTPA:CAP, ENXTPA:ATO, DOX, OTEX, NSEI:TECHM, CACI, EXLS, WNS, CALD, SYNT, BSE:532819, NSEI:HEXAWARE, VRTU, UIS, VDSI, LSE:MCGN, BIT:BET, TSX:GIB.A, LSE:CPI, G, BSE:526299, CSGS, BSE:532809, AIM:IBPO, PRGX

7 Financial Management Solutions:

INTU, LSE:SGE, BL, COUP, ASX:RKN, TYL, PEGA, ASX:TNE, QADA, AMSW.A, LSE:MCGN, NSEI:RAMCOSYS, ADP, PAYX, WDAY, ULTI, HRB, PAYC, WAGE, PCTY, CSOD, NSP, LSE:HRG

8 Analytics / IoT:

ORCL, DB:SAP, CRM, VMW, LSE:EXPN, OTEX, SPLK, DATA, FICO, XTRA:SOW, RP, NEWR, MSTR, CLDR, AYW, HDP, VERI, DWCH, GOOGL, MSFT, AMZN, KOSE:A005930, T, CMCS.A, VZ, QCOM, TMUS, HLSE:NOKIA, S, GRMN, LOGM, SLAB, IDCC, AMBA, GLOB, FIT, CTRL, GE, INTC, CSCO, DB:SIE, HON, TXN, TSE:6501, HPE, SWKS, RHT, ARW, PTC, ZBRA, CY, IRDM, TSX:SW, ORBC, CAMP, SSNI, IBM, LSE:REL, EFX, NLSN, VRSK, IT, TRU, DNB, TDC, CLGX, VRNT, ACXM, FORR, TSX:AIM, MATR

9 Healthcare Tech:

INOV, OMCL, VCRA, TRHC, STRM, CERN, DB:COP, MDRX, EVH, QSII, HSTM, AIM:EMIS, CPSI, COTV, HMSY, ATHN, AIM:CRW, RCM, SREV, UNH, AET, ANTM, HUM, CNC, WCG, NUAN, MMS, MOH, MGLN, GTS, HIIQ



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