

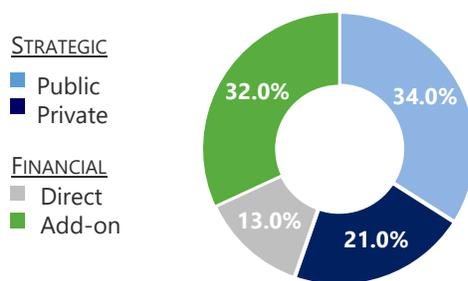


KEY M&A TAKEAWAYS

- ▶ The Payment Processing industry continues to see robust merger and acquisition (M&A) activity, with 47 deals announced or closed year-to-date (YTD) compared to 41 in 2017. The vibrant economy has boosted consumer confidence and spending power, which has increased demand for payment processing solutions.
- ▶ Notably, three prepaid card companies (iPayment Holdings, Next Gen Gifting, and Gift Card Impressions) have been acquired in 2018, demonstrating the continued appetite for companies in this segment. According to *Research and Markets*, the global Gift Cards market is projected to reach \$750.0 billion by 2026.¹ Prominent factors contributing to growth include the growing utilization of gift cards on mobile applications, the increasing frequency of gifting prepaid cards for online stores such as Amazon, and the rising demand for gift cards in the corporate sector.

2018 BUYER BREAKDOWN

- ▶ Strategic buyers accounted for 55.0% of deals in YTD 2018 compared to 71.0% the same period in 2017.
- ▶ The percentage of YTD financial buyers increased from 29.0% in 2017 to 45.0% in 2018. The increase in financial buyers has been prevalent throughout the middle market due to historic levels of private equity (PE) dry powder which have created new opportunities to enhance returns.



Sources: Capital IQ and Capstone Headwaters Research

NOTABLE TRANSACTIONS

- ▶ **Total System Services acquires iMobile3 (June 2018, Undisclosed)** – Total System Services (TSYS), a global payments provider, has acquired iMobile3, a provider of mobile point of sale (mPOS), intelligence, and business experience solutions. Terms of the deal were not disclosed. iMobile3 offers PassMarket, which enables merchants to deliver coupons and loyalty programs via mobile application. “Going forward our partners will continue leveraging iMobile3’s collection of private-labeled products and payment technology expertise to build their own brand,” iMobile3’s CEO, Bob Leonard, commented in a press release.²
- ▶ **SocialPlay USA acquires Spot and Pay (April 2018, \$0.51)** – SocialPlay, a business-to-business (B2B) solutions provider for online companies, has acquired a 90.0% stake of Spot and Pay from Founder Karthikeyan Mani, for \$0.51 million. Spot and Play offers a mobile payment application for reading and creating QR codes for consumer products, services, B2B offerings, monetary donations, and recurring bill payments. The future development plan will include a mobile wallet to allow users to transfer cryptocurrency and money within the user network.³

INDUSTRY DRIVER: MILLENNIAL PREFERENCES

- ▶ Millennials have been a key catalyst in the shift away from carrying cash for transactions as they have become reliant on mobile phones and applications to complete transactions in-store, online, and in-app.
- ▶ The Pew Research Center projected millennials to surpass the baby boomer generation in 2019, reaching a population of 73 million.⁴ This increase is expected to drive mobile payment growth at an annualized rate of 80.0% through 2020, according to Business Insider Intelligence.⁵ The ability to integrate business-to-consumer (B2C) and peer-to-peer (P2P) payments into every device is driving bilateral payment networks to emerge in the space.
- ▶ A survey by Square, a payment POS solutions provider, estimates 45.0% of millennials have already adopted contactless payments.⁶ Applications and POS solutions allow consumers on-the-go payment processing, while also providing data analytics solutions for business owners to make more educated business decisions. In 2018, several M&A transactions occurred that support the shift towards mobile payment delivery, including acquisitions of iMobile3, Spot and Pay, Next Gen Gifting, Index, and MyCheck.

PUBLIC COMPANY VALUATION DATA

Company (06/19/18)	Enterprise Value	LTM	EV / LTM	
		Margin	Revenue	EBITDA
ACI Worldwide	\$3,651.4	15.7%	3.6x	23.2x
Deluxe Corporation	\$3,916.8	24.7%	2.0x	8.0x
First Data Corporation	\$41,473.5	37.8%	5.0x	13.2x
FleetCor Technologies	\$22,072.9	51.5%	NM	18.5x
Global Payments	\$22,658.1	30.1%	NM	19.5x
PayPal Holdings	\$91,785.0	19.2%	NM	NM
Total System Services	\$19,535.3	21.5%	4.1x	19.2x
	Mean	28.6%	3.7x	16.9x
	Median	24.7%	3.9x	18.9x



BUILT FOR THE MIDDLE MARKET



United States

17 Offices
150+ Professionals

International

37 Offices
300+ Professionals
33 Countries

CITATIONS

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6. Square Up, "What Consumer Think About Chip Cards and Mobile Payments," <https://squareup.com/townsquare/what-consumers-think-about-chip-cards-and-mobile-payments>, accessed June 19, 2018.

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