Technology Newsletter Q4’17: Payment Processing

GLOBAL M&A PARTNERS

Contents

KEY TAKEAWAYS FROM THE NEWSLETTER

The Fintech industry is maturing and entering a period of swift transformation. The scope of products and services offered by the industry is expanding. It is moving away from a focus on frontline activities to a broad engagement throughout the value chain.

Online Payment industry is gaining strength in the midst of rapid evolution, driven by innovation, ease of use, changing pattern of consumer consumption on the back of changing demographics and easy & faster access to internet.

The tech-savy millennials and huge market penetration of mobile phones are the two biggest drivers behind the rise of online and mobile payment industry. EMV chip technology has gradually replaced traditional cards due to security being the biggest concern of the industry. However, these chip cards are expected to eventually become obsolete, paving the way for digital wallets and NFC (Near-field communication) technology introduced by companies including PayPal, Paytm, Apple, Samsung and Google. The wearable technology is seen to be the new mode of payment going forward as the technology gets more affordable.

Additionally, growth in e-commerce across the globe has both facilitated and encouraged the further development of digital payments. Remittances and foreign exchange is another area of payments being explored by an increasing number of new non-bank payment facilitators.

The governments across the globe are also supporting the shift towards online payment. They are playing a proactive role in overseeing the industry and encouraging its development. This year witnessed the introduction of PSD2 in Europe, MFI regulation and detailed KYC requirements for online payments and remittances. Further, cryptocurrency transactions are gaining ground representing another big change for the payment industry, even though this technology is still in its infancy.

Industry is entering a period of consolidation with larger players turning to mergers and acquisitions to meet their expansion goals. 2017 saw some prominent acquisition announcements including WorldPay/Vantiv, Paysafe/Blackstone, MoneyGram/Ant Financial among others.

The payment industry is expected to further expand in the coming years following the increase in customer base, innovation in products and, unsatiated investor appetite and support from governments worldwide.

1. FINTECH - AN INTRODUCTION

Financial Technology (Fintech) is changing the face of global payments. It denotes companies or representatives of companies that combine financial services with modern, innovative technologies. The financial technology industry encompasses technology-enabled firms offering financial services, as well as entities providing technology services directly to financial institutions.

Fintech companies employ technology to support financial transactions among businesses and consumers. Technological advances, changing demand for financial products and competition in financial services are all driving a new wave of fintech startups and investments that have drawn attention to the industry in recent years.

In this report, we will highlight an important area of fintech—online payments, which draws attention due to its rapid pace of growth, technological disruption, and regulatory risks. The pace of shift to online payments has significantly increased with the strong move towards cashless economy.

Online payment refers to money that is exchanged electronically. It also includes some of its unique technologies such as blockchain that carries the potential for innovation across multiple segments of the financial landscape.

2. PAYMENT PROCESSING INDUSTRY

Payments have historically been viewed as utility products; fundamentally transactional in nature, undifferentiated and volume-driven. However, technological advances, transition to Europay, Mastercard and Visa (EMV), as well as the behavior of millennials, have already changed the way users conduct payments, and expected to continue to heavily influence the market.

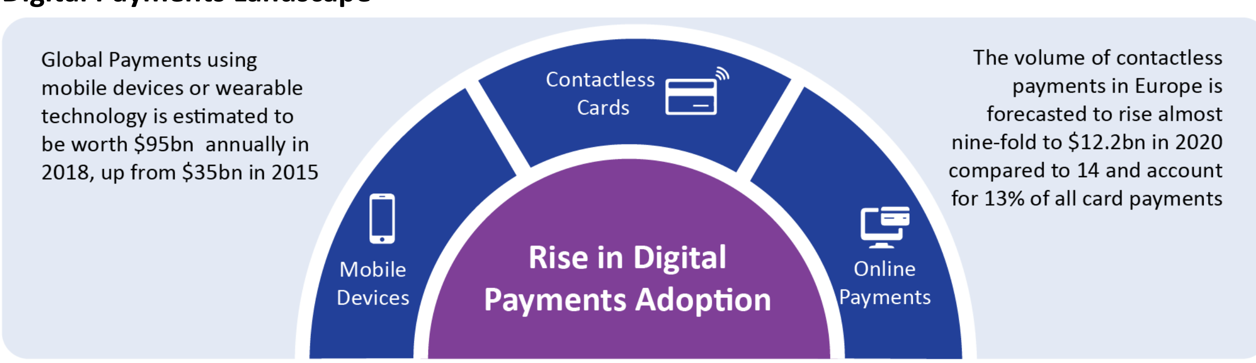
Global payments landscape is in a state of fundamental transformation. The market is already being reshaped by both traditional and new types of payment providers. Amongst these are new non-bank competitors, some of whom are already well established. The recent years have seen large technology and social media companies such as Amazon, Google and Facebook that are seeking entry into the payments market. At the same time, new electronic currencies such as Bitcoin offer payment options independent of government control. Social Media companies are now leveraging and even monetizing on their considerable customer reach by presenting attractive, straightforward and secure payment propositions alongside their other non-payment offerings.

Global demographics are influencing the payments landscape through redistribution of financial resources across borders. High growth markets in Asia, Africa and elsewhere are developing their own payment propositions for areas as varied as online commerce and local agricultural trade.

International remittances present another burgeoning source of global payment flows. Remittances to developing countries are projected to continue growing strongly over the medium term. Regulation and compliance – however necessary and well-intentioned – can be perceived as a concern, as the time and cost burden of meeting these requirements forces a deployment of resources away from the development of new client-facing products and solutions.

Alternative payments such as e-wallets, mobile and digital currencies, are playing an increasingly prominent role in the payments space. This trend is largely driven by the emerging markets, but is becoming evident across the globe. Though card transactions remain by far the most popular payment method in the United States, there are many countries that have adopted alternative payment methods. In Africa, mobile payment users outnumber bank account holders (M-Pesa is Kenya's most popular payment method). In China, Alipay dominates the market and has, in fact, overtaken PayPal to become the largest global mobile payments platform. In Germany, alternative payments account for 66.0% of e-commerce purchases.

Digital Payments Landscape



Source: Capgemini Financial Services Analysis, 2016

Thus, going forward it will not be sufficient to refer payments as utility products, undifferentiated and volume-driven and successful provider will be those who will offer value-added solutions and products. The companies will have to actively target payment flows related to demographics, such as the compensation and pension flows linked to the baby boomer generation, or the emerging middle classes in China and Indonesia; high-growth and traditionally poorly served customer segments including SME's.

3. OVERVIEW

Mobile Payment

Point of Sales

Point of Sales terminals enable purchasers to make payments at the shops with the chip cards and mobile devices. The POS terminals are increasingly turning cardless and contactless with technologies including Samsung Pay, Android Pay, Chase Pay and Merchant-branded apps including Starbucks, CVS Pay etc.

Presence of a sizeable number of large players in the global point-of-sale (POS) terminal market is resulting in a stiff competition in the industry. The key growth drivers for the global POS terminal market include high acceptance of POS terminals across the retail, healthcare, hospitality, warehouse/distribution sectors, developments in information technology and rising internet penetration coupled with emerging focus on digital payments across the globe.

In 2016, hardware dominated the market share of the POS terminals due to higher costs and widespread utilization across industry verticals. The industry is witnessing increasing investments in R&D to improve the functionality and operations of the terminals. Manufacturers are constantly upgrading the hardware system to provide access to cloud services and better cater to the industry requirements. Moreover, the shift to EMV (Europay, MasterCard and Visa) chip cards and government initiatives to encourage digital payments will provide growth opportunities to this segment.

According to a report by Transparency Market Research, the global POS terminal market is expected to rise at a CAGR of 11.5% between 2017 and 2025. Market stood at a valuation of $54.7bn in 2016 with shipments of over 30 million POS terminal units across the globe.

P2P (Peer to Peer)

Mobile P2P payments have been driven by the desire for convenience, on-demand payments and the widespread adoption of smartphones. According to e-marketer forecast strong double-digit growth is expected in both the number of users and transaction volume. P2P payment transactions are expected to exceed $120.0bn in 2017. P2P transactions can be divided into two categories i.e. ***App Centric and Bank-Centric P2P,*** which includes PayPal, Venmo, ClearXchange, Popmoney, etc. and ***Social Media P2P,*** **including for example,** Facebook Messenger launched by Facebook and Snapcash launched by Snapchat.

Payment to Corporate

Electronic Invoicing

Invoice processing software enable organizations to process their payable invoices at the required time with accuracy, which helps in avoiding delay in payments and also to utilize the credit periods to their optimum. Additionally, e-invoicing enables auditors to check the payments.

Companies are increasingly resorting electronic invoicing software such as SAP Ariba, Taulia, Tipalti among others. Governments across the globe are supportive of e-invoicing as it helps in reducing the paper usage and also control black money in the market. The Office of Management and Budget in the

US is set to move to e-invoicing by the end of 2018. Also the European Union has dictated the Public Administrators that they must start accepting e-invoices by November 2018.

Latin American governments, led by Brazil, are on the forefront of implementing e-invoicing. In the coming years governments throughout Latin America are expected to collect detailed data automatically.

Mobile e-cash payments have taken over e-invoicing as well. Business managers now have access to invoices anywhere in the world where they can review, send and approve the invoices which then, can be timely processed. It is also speculated that blockchain technology can help in speed up invoice processing and also ease the execution of cross border transactions, its Unique Selling Proposition (USP) being zero transaction fees and no waiting period for receipt of funds.

Global B2B e-payments

B2B e-payments offer clear benefits for payers, payees, and, over the long term, banks. We believe firmly, though, that corporates are going to have to be the ones driving e-payments, and that the size of the benefits will have to be counterbalanced with the difficulty of changing behavior. Much like retail Internet offering, B2B payment systems will decrease per transaction costs, but increase overall payment processing costs for the bank as a whole.

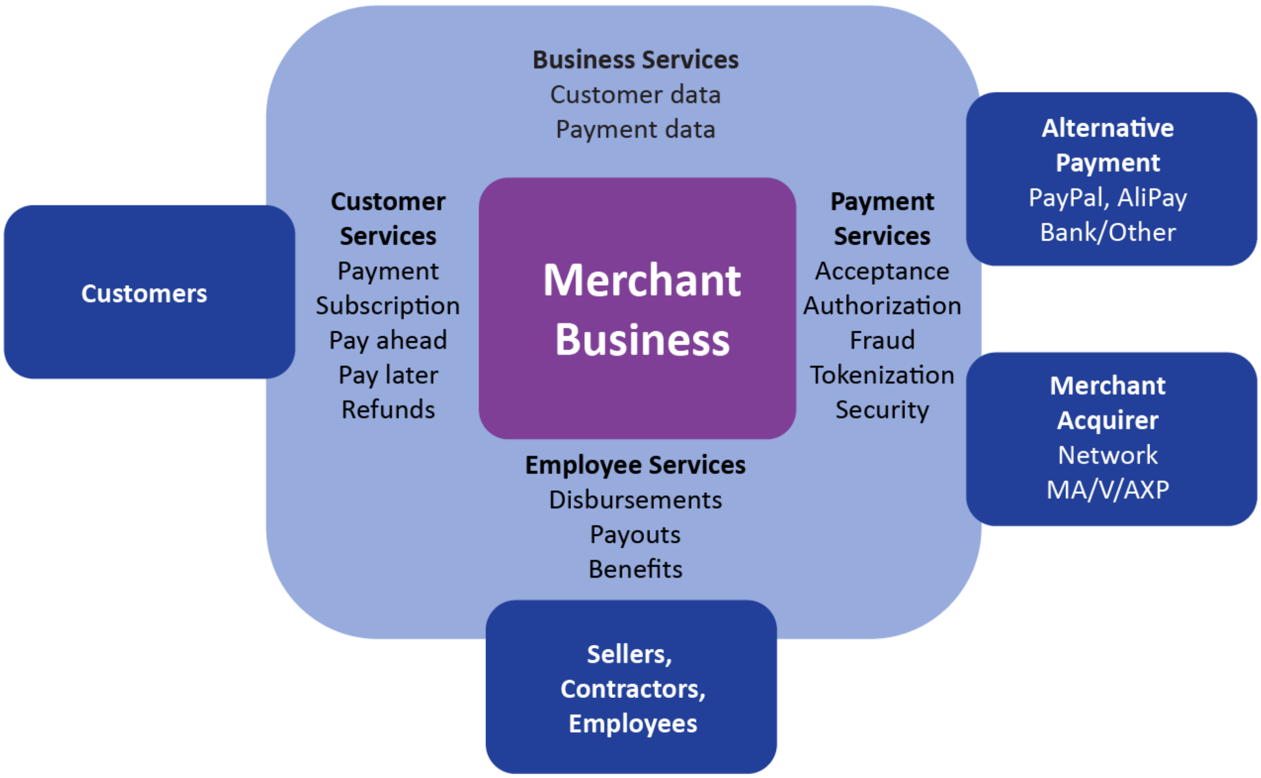
Payment Processing

Acquirers & Processors

Together, merchant acquirers and processors serve as the communications and transactions link between the merchants and the card issuers. Merchant acquirers and card processors are important for several reasons. First, every card issuer deals with at least one payment processor, and every merchant that accepts cards has a relationship with a merchant acquirer. Most of the larger merchant acquirers also function as processors, but almost all of the smaller ones are resellers.

Payment Gateways

Gateways provide a large and growing range of services for merchants. Online payment gateways are basically a technology platform that enables individuals and businesses to send and receive payments online. They are connected to all customers, merchants and banks through the Internet and are responsible for the speed, reliability and security of all transactions that take place. From a payment perspective, gateways can include very robust fraud monitoring, data collection, tokenization and authorization tools. From a business perspective, gateways enable various purchase features, including repeat payments, subscriptions, and seamless payments, split payments and order-ahead. Some of the popularly known payment gateway companies are PayPal Inc., WePay and Stripe.



Card Networks

Card Networks facilitate the payments made from each card user to the merchant through the bank. When it comes to card networks, almost everyone knows Visa, MasterCard and American Express, although there are more players in the industry such as, Discover, UnionPay, Maestro, etc. We can see the shifting paradigm in the industry to move to card-not-present transactions like online shopping, telephone shopping, etc., due to quicker transformation time. However, it will take some significant amount of time to completely eradicate card networks.

Global Remittance

Global Remittances are funds transferred from migrants to their home country. They are the private savings of workers and families that are spent in the home country for food, clothing and other expenditures, and which drive the home economy.

4. TRENDS IN ONLINE PAYMENT Q3'17

In-app and mobile wallets to dominate

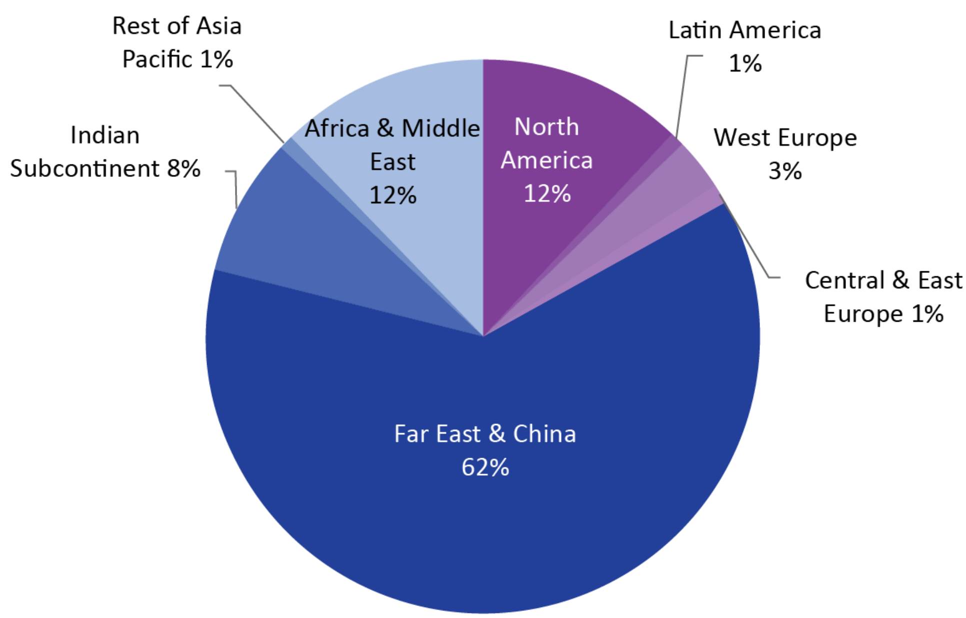
One of the key drivers of the payment industry in 2017 has been the adoption of digital payment through e-wallets and mobile. Mobile payments are growing, and are expected to continue to do so. Mobile proximity payment volume has tripled since 2013, reaching $10.0bn in 2015, and is expected to surge to $92.0bn by 2019. According to Business Insider's Mobile Payments Report from June 2016, the number of mobile payment users is projected to be $150.0mn by 2020. The total of in-store mobile payments is expected to be $503.0bn by 2020. Key players facilitating payments via mobile wallets and apps are Apple Pay, Samsung Pay, Android Pay, Facebook Messenger, etc.

- In Asia Pacific, mobile payment is eight to nine years ahead of the West. In China, you can pay through your mobile for everything, from a cab to a coffee or utility bill.

Recent years have seen payment through mobile wallets gaining ground. According to Research and Markets, the global mobile wallet market is projected to grow at a CAGR of 35.5% from 2017 to 2021. Much of its impact would be felt by 2020 when it will reach a critical point. In India, mobile wallet providers like Paytm flourished on the back of demonetization. The company has touched a great height in terms of transaction volume. Within 12 days of demonetization, it witnessed over 7 million transactions and crossed $5.0bn GMV sales. The company welcomed over 10 million new users in 2016, after the Indian rupee crisis towards the end of the year.

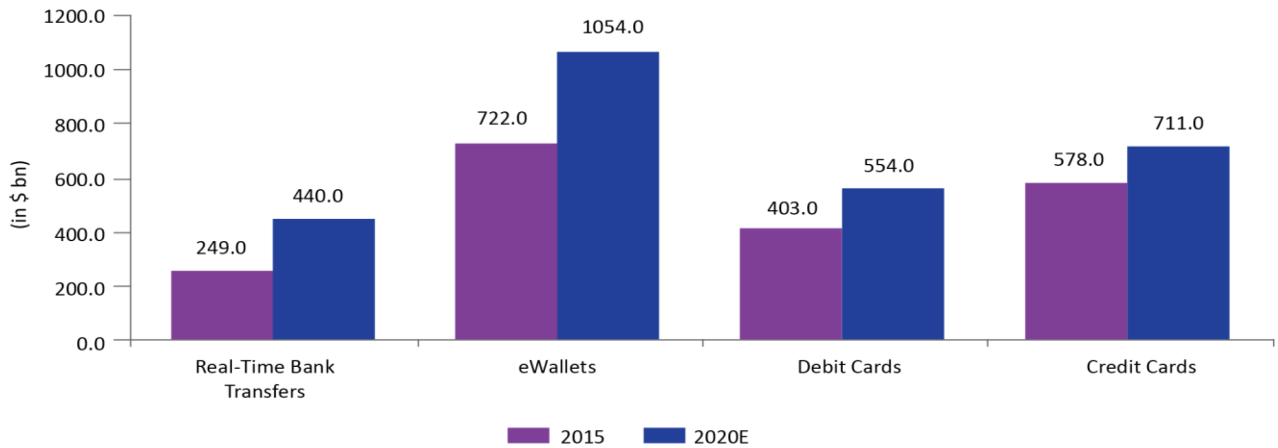
Behind the progress, wallet providers have compensated for low purchase frequency and dollar amounts by seeking out new users — a strategy that will falter as the pool of first-users dries up. Meanwhile, in-app and in-browser purchases, currently accounting for $161.0bn, are set to jump to $319.0bn by 2020.

Mobile Wallet Regional Payment Share $1.35T in 2017



Source: Juniper Research and Credit Suisse Estimates

Strong Growth in global e-wallets and immediate bank transfer payments…



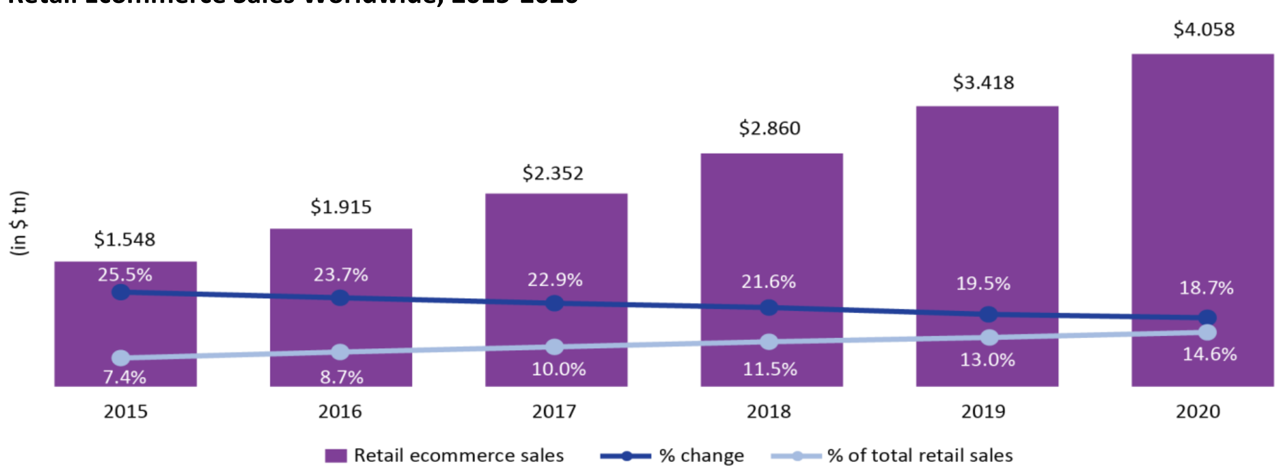
Source: Worldpay, Macquarie Research, April 2017

Rise in e-commerce industry

Traditional e-commerce has represented a strong growth opportunity for the payments industry, providing a new channel for the acceptance of electronic payments (albeit potentially at the expense of in-store sales) and incremental revenue/margin opportunities. In 2016, retail e-commerce sales worldwide amounted to $1.86tn. E-retail revenues are projected to grow to $4.48tn in 2021. Online shopping is one of the most popular online activities worldwide but the usage varies by region - in 2016, an estimated 19.0% of all retail sales in China occurred via internet but in Japan the share was only 6.7%. We continue to expect strong growth in e-commerce over the medium-term, with industry data pointing to global and U.S. e-commerce sales to grow at a CAGR of 22.0% and 15.0% from 2014-2019 and 2015-2020, respectively.

Within e-commerce, we continue to see strong momentum in mobile payments, with industry estimates calling for U.S. mobile payment volume of $142.0bn in 2019 (vs. $52.0bn in 2014, representing a CAGR of ~22.0% from 2014-2019). Interestingly, eMarketer estimates that mobile payment volume at the POS will grow to $314.0bn in the U.S. by 2020 from 2015's ~$10.0bn.

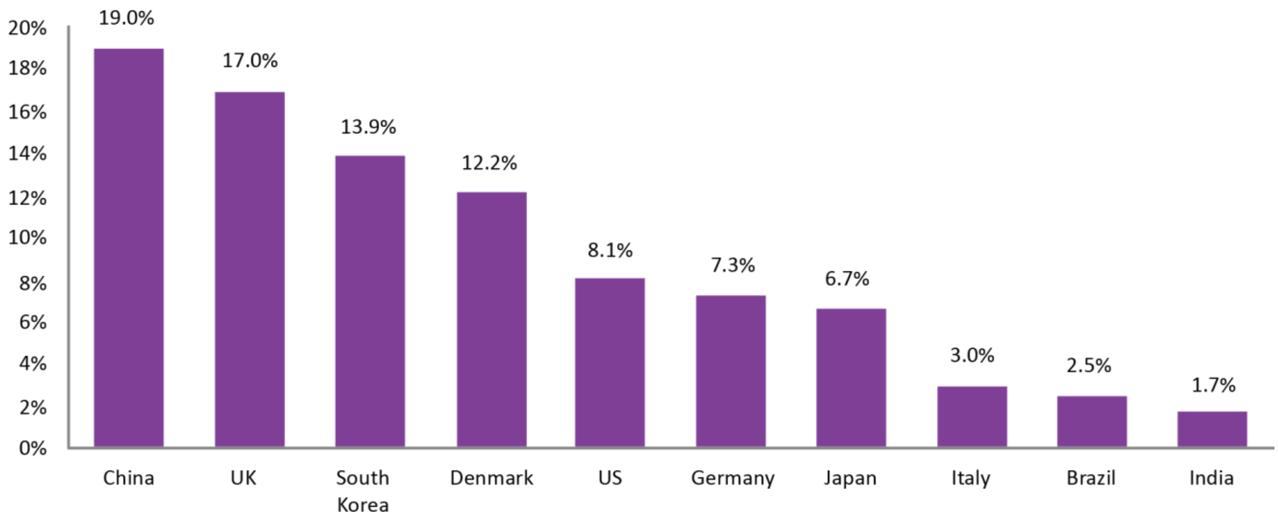
Retail Ecommerce Sales Worldwide, 2015-2020



Source: eMarketer, Aug 2016

Note: Includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets

2016 e-Commerce Share of Total Retail Sales by Country

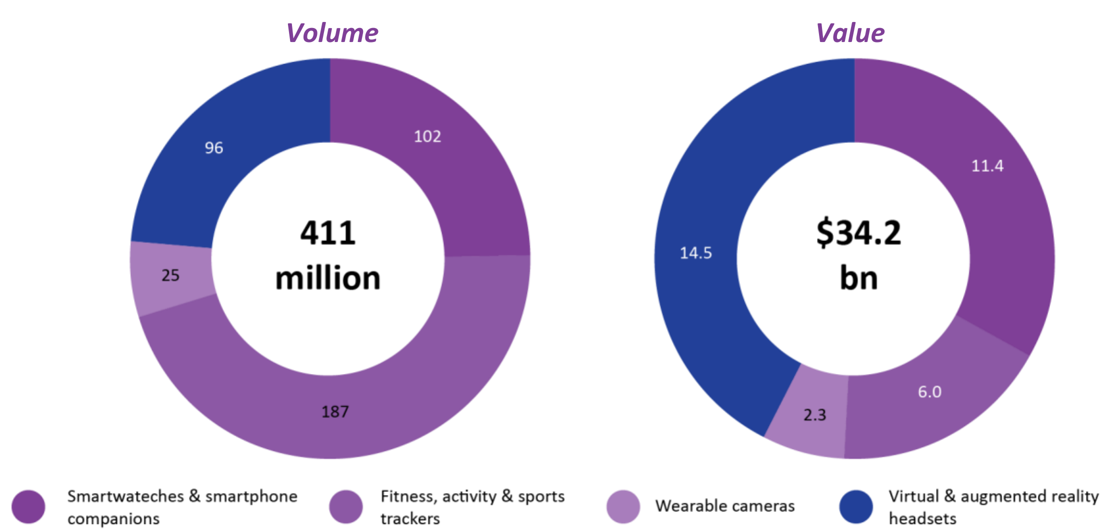


Source: eMarketer; forecast from Dec. 2016

Wearables – The Next Big Trend in Mobile Payments?

Q1'16 marked a huge expansion worldwide in the market of wearable devices. According to CCS insight, by 2020 there will be about 411 million wearables owned by consumers and the wearable industries will hit the $34.0bn revenue mark. According to Gartner Inc., wearable technology will be playing an important role in the field of mobile payments in the coming years and almost 50.0% of global consumers will be using smart phones by the end of 2018.

Expected device sales in 2020



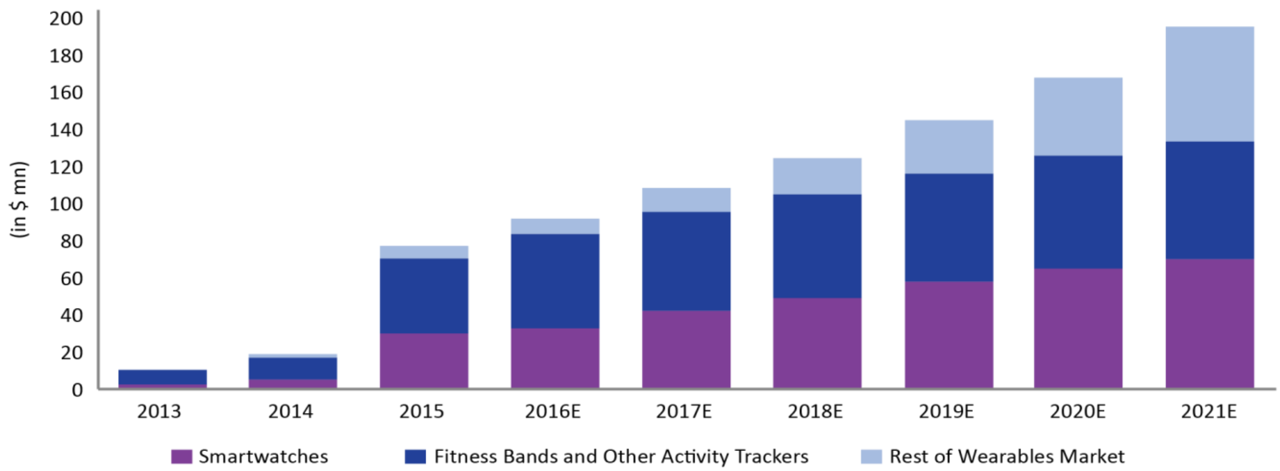
Sourcd: CCSinsight

Smart watch, which has become a new device for online payments will likely see the addition of new functionality and increased capabilities. Device shipments are expected to grow at an annualized rate of 18.0% through 2021, reaching 70 million units.

In the following months, Mastercard and Visa are expected to enable payments on Fitbit Ionic. Fitbit Ionic users will be able to load eligible cards (either Visa or Mastercard supported cards, depending on customer preference) onto the “fitness smartwatch” in the same manner as a normal digital wallet. The users will then be able to use the watch to support digital and contactless payments.

2017 also witnessed a unique invention in the field of online PoS payment - prototype sunglasses that come with a built-in NFC chip, connected to a re-loadable, pre-paid card which can be used on virtually any contactless payment reader.

Global Wearables Shipment Forecast, By Device



Source: IDC, BI Intelligence estimates

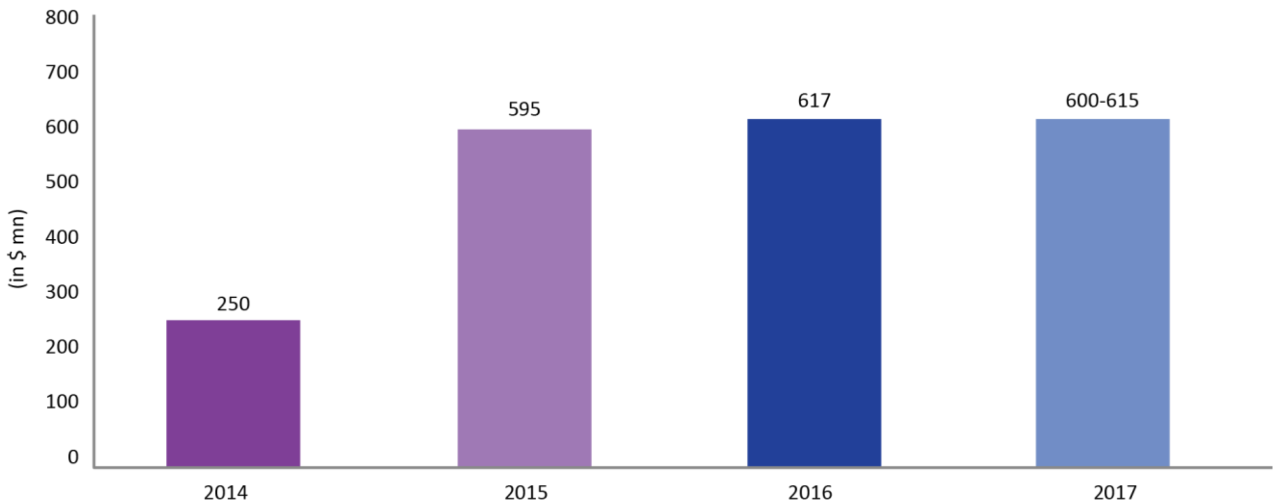
Shift towards EMV chip cards

Europay/ MasterCard/ Visa (EMV) chip cards have been revolutionizing the payment industry. They are quickly replacing the old magnetic strip, which was subject to copying or duplicating in the past, and resulted in substantial increase in fraud rate. 2016 was a transition period for the adoption of EMV cards and the use of EMV technology further expected to spike in 2017. It is expected to become a focal point in payments as it is considered the most secured system up to date.

A report produced by EMVCo stated that, between July 2015 and June 2016, 42.4% of all global credit card transactions were EMV-compliant. This is an increase of 9.4% compared to the previous 12 months. Despite being almost 10 years behind Europe in implementing this, the US is now adopting the technology for the increased security it gives, and is starting to catch up. Since it took effect in October 2015, US EMV card usage has increased from a meager 0.3% to 7.2%.

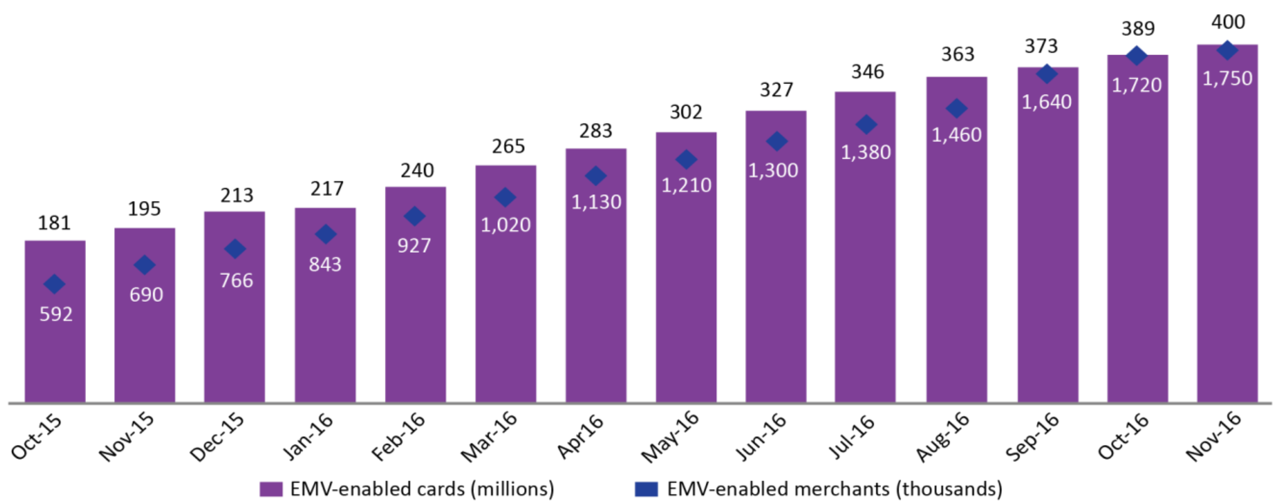
According to a report by Visa over 1.7 million merchants have started accepting chip cards and this number is going to only increase by the end of 2017. 388 million Visa EMV chip cards have been issued in the United States and that number will also continue to grow.

EMV chip card shipments in the U.S.



Source: ABI Research

Visa EMV Penetration



Source: BI Intelligence

Loyalty points emerging as the new currency

2017 will likely be a very interesting year for real-time loyalty technology. While retail has the perfect brew of need and technology to deliver real-time loyalty to their consumers. The more interesting opportunities await the Fintech companies who choose to tackle realtime loyalty for banks and credit card issuers. One of the biggest payoffs for both brands and Fintech could be introducing real-time loyalty into the credit card payment ecosystem.

As we are in the final rise of mobile wallets, the ecosystem should do more to foster appropriate adoption. Several reports from the past two years clearly show that loyalty transactions are key for adoption besides frictionless usage.

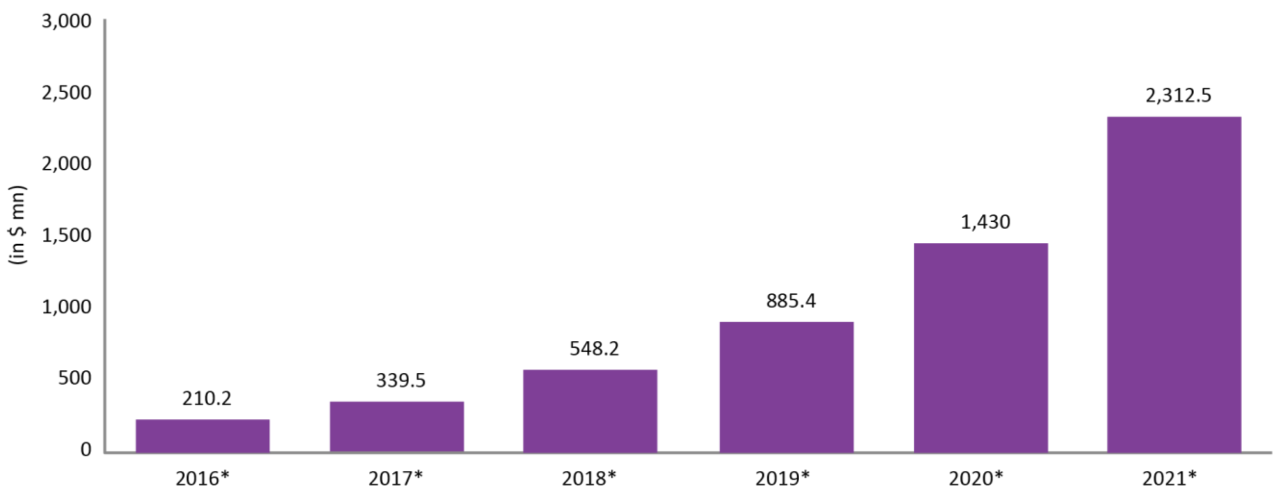
2017 is set to see significant improvements in real-time action-oriented engagement, some of which may include: redeeming points for purchase, extending gamification to the transactions, and crosspromotional offers amongst brands that reward the consumer with a complimentary item based on their purchase and geo-location.

Recently, the payments and commerce companies Verifone, FIS and Mobo have announced a new system that will enable customers to pay with loyalty points linked to their credit or debit cards at the point-of-sale for any merchandise available at that location. The program's scale is large; there are 3,100 banks in the FIS network reaching 8.5 million customers. Earlier this was confined to portal e-commerce stores or preselected items and while other specific pay-with-points initiatives exist — namely American Express' program that enables real-time redemption of Membership Rewards points, at only select merchants like McDonald's and Yellow Cabs in New York — this program is of a large scale and is not tied to any select merchants.

Block Chain

Originally devised for the digital currency, Bitcoin, the tech community is now finding other potential uses for the technology. It allows users to pay another party directly into a digital wallet instead of requiring one bank to get in touch with another bank in order to track/update balances. This simple difference could potentially help speed up and reduce cross border transfer and payment costs dramatically in the future. While blockchain technology could potentially eat into the profitability of the networks longer-term, it also has the potential to increase their profitability. For example, neither Visa nor MasterCard handle material levels of B2B or business to government spending over their networks at present and blockchain could present a great way for the networks to take share in those markets and become a meaningful player. Additionally, Visa, Nasdaq, Citi, Capital One, Fiserv, and Orange (a French telecom company) invested $30.0mn in Chain.com, a blockchain developer platform that enables institutions to design, deploy, and operate financial networks that can power assets in various markets, reportedly brining the company's valuation to an estimated ~$150.0mn. In 2017, the global blockchain technology market is predicted to reach $339.5mn in size and is forecast to grow to $2.3bn by 2021.

Size of the blockchain technology market worldwide from 2016 to 2021 (in $mn)



Source: Statista

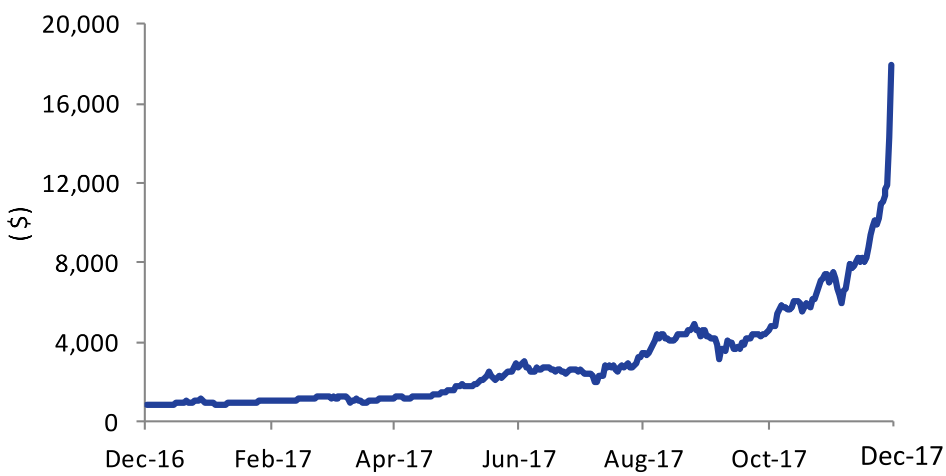
Cryptocurrencies

Bitcoin and other cryptocurrencies have become an acknowledged part of the financial system. The quarterly growth in cryptocurrency market capitalization in the first three quarters of 2017 equaled 46.47%, 267.39% and 54.03%, respectively. However, there overall legal status is still complicated and several countries have made major policy decisions around them in 2017 including restrictions/bans on circulation of cryptocurrency by China, rejection of a high profile application for a Bitcoin stock fund by the SEC, orders to develop a wide scoping set of rules for miners and traders by Russian President Vladimir Putin, committee to study digital currency regulation set up by the Supreme Court in India etc.

Bitcoin

Bitcoin that first appeared in January 2009 and faced numerous issues typically associated with the cryptocurrency, is currently the biggest player in the cryptoworld. It has increased by c.450% from $972.85 in Q1' 17 to $4,336.09 by the end of Q3' 17, and 206% during the three months, from $2,288.33 (on June 1, 2017) to $4,703.39 (on August 31, 2017). The largest appreciation in the Bitcoin exchange rate in Q3'17 took place in August (+80.0%) and it continues to see a rising trend. It has defied market expectation. At the current cost, the value of all Bitcoins in circulation is about $300.0bn. The rise in the value of the currency is a result of recognition and acceptance by many countries, promotion by various corporate giants and herd behavior by retail investors that can take over in speculative bubbles. Also, it is easier to execute the black market transactions in Bitcoin as there is no tracking by government, i.e. illegal arms purchases or synthetic opiods. The latest boom in the currency was sparked by the CME Group, a futures marketplace that announced its intent to start listing Bitcoin by the end of the year.

Bitcoin Price Performance in last 12 months



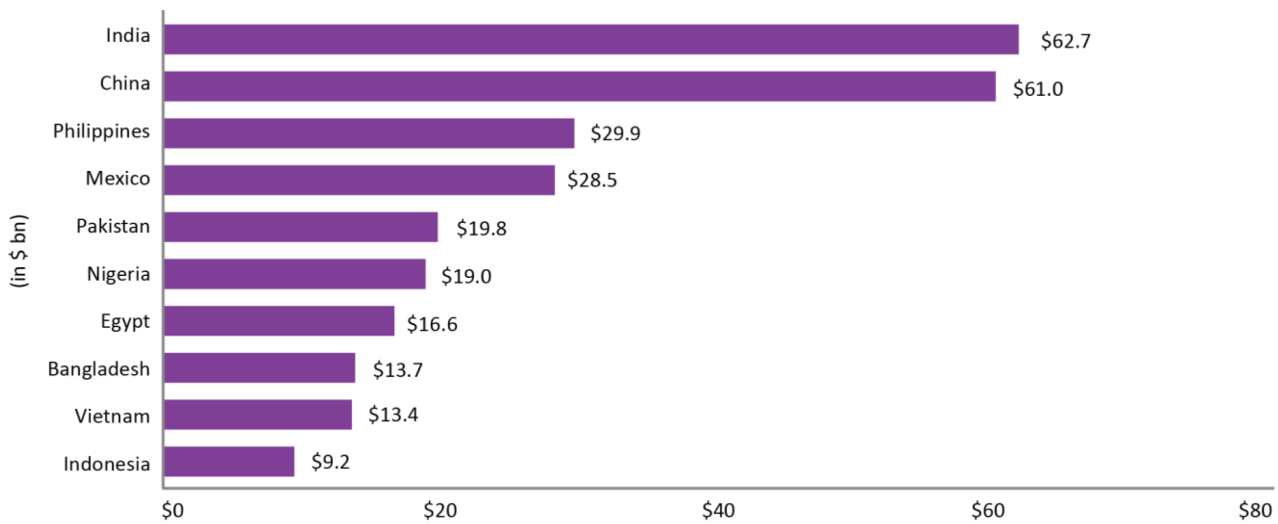
Global remittances and development opportunities

As remittance companies look to increase the convenience and accessibility of sending money transfers, the industry has witnessed a trend towards integration of transfer capabilities into social media apps. In 2015, Facebook (FB) launched its P2P money transfer capabilities within its messenger app, through which users can tap on a $ button in iOS, Android and desktop devices to send money at no incremental cost. Increasingly various foreign companies, payment gateways including PYPL's, Braintree and Stripe and card networks including Mastercard, Visa and American Express have introduced bots in the FB's messenger app.

In Feb 2017, TransferWise announced integration of TransferWise bot into FB's messenger application as well, becoming the first company to bring cross-border money transfer capabilities to the Facebook platform. Currently, TransferWise bots enables transfer between the US, UK, Canada, Australia, EU, India and Ukraine. Western Union has also launched money transfer bot for Facebook Messenger. WU has embedded its cross-border money transfer platform within the messenger app, enabling transfers of over 200 countries across over 130 currencies. WU has also partnered with WeChat, with c. 700 million user base and Viber with c. 450 million users.

MoneyGram also launched a Sendbot similar to WU's transfer tool. Additionally, it is expected that the potential acquisition of MGI by Ant Financial may present an opportunity for the company to expand to Chinese social media platforms such as WeChat, Weibo and Renren. Thus, in-transfers present a longer-term opportunity for high mobile adoption and an increase movement towards online payment.

Top Remittance Receiving Country



Source: World Bank Migration and Development Brief 27 (estimated for 2016)

5. GOVERNMENT POLICIES AND THEIR IMPACT ON ONLINE PAYMENTS

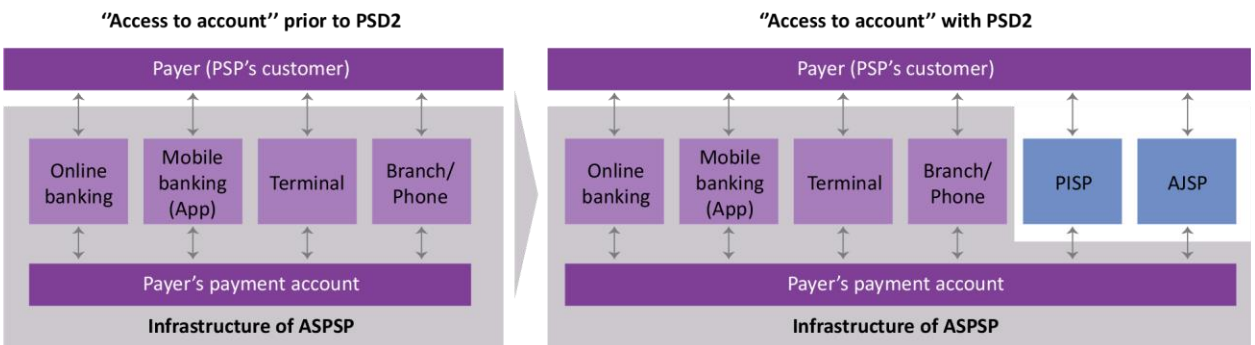
Among the world's financial institutions, there is agreement on the regulatory environment's current fragmented state. EMVCo, which consists of all the major credit card companies as its members, is continually updating and refining the specifications for use and has suggested rollout around the world over the course of the next few years.

Credit card companies are also looking at features including new data fields to provide richer information about the transaction improving and expediting the approval process, consistent methods to identify and verify a consumer and a common standard designed to simplify the process for merchants for contactless, online or other transactions. Globally, banks have implemented holistic compliance initiatives. They are adapting the new regulatory environment in areas including KYC.

PSD2

In January 2016, Europe came up with the Second Payment Services Directive (PSD2), a fundamental piece of payments-related legislation. PSD2 is the product of a review of the original Payment Services Directive and requires payment service providers (PSPs) to make a significant number of changes to existing operations.

A central pillar of PSD2 focuses on empowering consumers by giving them control of their financial information. Banks will be compelled by third party payment service providers (TPP) to supply them with the relevant data, subject to clients' consent, as well as offering payment initiation services, disintermediating acquirer banks and card schemes from the payments equation. The Directive requires that all Member States implement these rules as national law by 13 January 2018. Under PSD2, new payment service providers are considered so-called payment initiation service providers (PISPs) on the one hand, and on the other hand, so-called account information service providers (AISPs).The revised Payment Services Directive (PSD2) shall improve the level of customer protection and increase competition in the EU payments market.



Source: EY Report

MIF Regulations

In December 2015, the European Regulation on Interchange Fees for Card-based Payments (or the MIF Regulation for short) came into effect. It comprised of four main areas—interchange fee caps, acquirer pricing transparency, the separation of card schemes and processing, and other supporting rules—the regulation will have a profound impact upon the European payments industry and has the potential to reshape the e-commerce payments landscape. The regulation excludes three-party schemes (but only if having less than 3.0% of market share), until December 9, 2018. After that, it is unclear; it is most likely that the regulation is expected to get an extension to those as well.

Payment Card Industry Security Standards

These are technical and operational requirements set by the PCI Security Standards Council to protect cardholder data. According to the PCI Security Standards Council, there are 12 PCI compliant requirements that meet a variety of security goals such as installation and maintenance of firewall configuration, protection of stored data, usage of anti-virus software, etc.

Regulatory environment is rapidly evolving. The key consideration when considering the regulation of mobile money (m-money) in any country is whether a specific dispensation for m-money exists, or alternatively whether the service can be fitted within the existing regulatory framework. In the absence of a framework, e.g. South Africa, mobile money operators are required to partner with a bank as if they were a form of that bank's m-banking product offering. Mobile money regulations can be used by regulators to empower m-money operators (as is the case in East Africa) or they can used to restrict m-money operators by reserving certain activities for banks e.g. Nigeria, Iran.

Overall, these regulations are expected to make it easier, faster, and less expensive for consumers to pay for goods and services, by promoting innovation, enhancing payment security, standardizing payment systems with an increase in transparency. The imposed limitations on transaction fees and stricter rules on refunds will lead to lower transaction costs for consumers. Also, the regulations will enable smoother entry for the third party providers in the field of digital payments, resulting in price competition and specialized services.

6. KEY DEVELOPMENTS

Stripe launched its new check-out tool kit

In Oct'17, Stripe, a US-based payment startup currently valued at $9.0bn launched Elements, a free tool-kit for Stripe users to build customized checkout experiences. Elements is primarily designed for developers to build into their apps. Payment information that is entered into an Elements-powered checkout page is transmitted straight to Stripe. The flagship Stripe technology allows businesses to accept payments through their apps or websites. Currently, companies like Salesforce, Lyft, and even Amazon rely on Stripe to process some or all of their online payments, invisibly to the user.

Zelle to launch a new mobile app

In Sep'17, Zelle, backed by more than 30 US banks, announced to launch its standalone mobile app. The new app will allow users to send and request money to and from their contacts, using only their phone number or email. It will also work with U.S. Visa and MasterCard bank debit cards. The company's major rival, PayPal offered, post the announcement, instant withdrawal for 25 cents per transaction, but has yet to roll out a similar feature on its app Venmo.

China sets up clearing house for online payment

In Aug'17 China's central bank announced the establishment of a nationwide clearing house for online payment services. China National Clearing Centre signed an agreement in July 2017 to establish the platform's operating company with 44 financial firms including Alibaba Group Holdings' affiliate Ant Financial, Tencent Holdings and China UnionPay's affiliate. Online payments through non-bank payment services expanded 60.0% in Q1'17 to 47 billion transactions valued at $3.9tn. Mobile payment volume in the country more than doubled to $5.0tn in 2016 with Alipay accounting for 54% and WeChat 40% of the mobile payment market.

PayPal aggressive advancements in payment offerings

In Aug'17, PayPal introduced its new cash back MasterCard, which will give cardholders 2% cash back on purchases. Over the past one year, the firm has entered into 24 partnerships including major deals with Visa, MasterCard, Samsung Pay, Android Pay and Apple. The company's goal is to offer users more opportunities to use their accounts to pay for goods and services online and in-store. These advancements may be a precursor to PayPal introducing its own stand-alone, NFC-based in-store payment app.

Launch of payment banks in India

In Jul’17, Fino Payment Bank launched in India with 410 branches, becoming the fourth payments bank in India after Airtel Payments Bank, India Post Payments Bank and Paytm Payments Bank. Earlier Fino operated as a remittance service provider. The company converted its Fino Money Mart outlets into bank branches.

Facebook Messenger introduced group payments

In Apr’17, Facebook enabled group payments through Messenger. The company first launched payments in March 2015 that made it possible for two people to send payments to each other via a debit card stored on the app on Android, iOS and desktop. With the introduction of group payment, users can send money between groups. This will assist users in splitting a restaurant bill or chipping in for a group gift. Messenger’s new tool will compete with other apps with peer-to-peer payment services like PayPal, PayPal-owned Venmo, Snapchat, Square Cash and China-based WeChat.

Credorax and Creditcall introduced Omni Channel Platform to serve the SME market

In Mar’17, Credorax, one of the first Fintech companies to evolve into a licensed European Merchant acquiring Bank and Creditcall, an omni-channel Payment Gateway partnered to launch an integrated omni-channel payment platform for the under-served European SME market. The two companies have begun to roll out an end-to-end service that includes online, mobile, in-store, and unattended payments acceptance, with a rapid certification service for ISVs, ISOs, and PFs targeting the European market.

Vodafone India launches M-Pesa Pay for merchants and retailers

In Jan’17, Vodafone India extended the mobile money service, M-Pesa to merchants and retailers with M-Pesa Pay, a digital payment system that enables them to receive payments from their customers without any exchange of cash. M-Pesa has enabled cash collection for Water Health India across 450 locations in Andhra Pradesh, Telangana, Gujarat, Karnataka and Tamil Nadu.

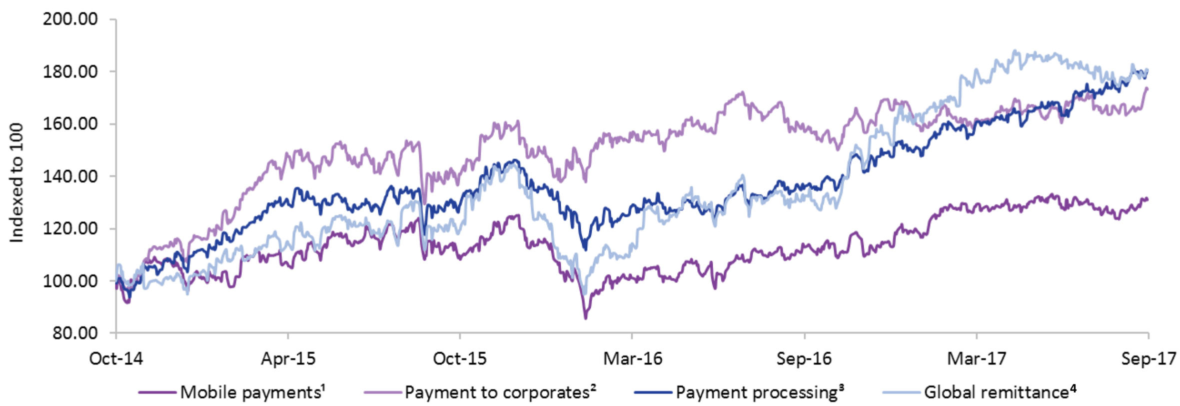
7. PEER ANALYSIS

Company Names	Country	Share Price (€)	Market Cap (€m)	EV (€m)	LTM EV/ Rev(x)	LTM EV/EBITDA (x)	LTM P/E(x)	LTM Margin Gross Profit(%)	LTM Margin EBITDA(%)
Mobile payments									
WorldPay Group	GB	4.62	9,130	10,297	7.5x	17.8x	47.3x	47.3%	42.0%
First Data	US	15.26	14,111	32,241	3.0x	13.0x	22.0x	32.8%	23.2%
Ingenico Group	FR	80.20	5,150	5,154	2.1x	11.2x	20.4x	41.5%	19.1%
FleetCor Tech	US	130.92	13,693	15,151	7.8x	14.9x	27.3x	64.2%	52.0%
PayPal Holding	US	54.16	77,255	62,077	5.6x	27.9x	54.5x	48.8%	20.1%
PayPoint	GB	10.83	703	679	2.7x	9.5x	9.9x	50.0%	28.4%
Qiwi	CY	14.33	870	598	2.2x	7.1x	22.9x	47.8%	31.8%
Euronet Wolrdwide	US	80.18	4,111	4,108	2.1x	12.0x	21.7x	21.6%	17.4%
Mindbody	US	21.87	1,020	842	5.4x	nm	nm	71.2%	(3.6%)
eServGlobal	AU	0.08	107	114	8.7x	nm	nm	5.3%	(63.9%)
Mean					**4.7x**	**14.2x**	**28.3x**	**43.0%**	**16.6%**
Median					**4.2x**	**12.5x**	**22.5x**	**47.5%**	**21.6%**
Payment to corporates									
Fiserv Inc.	US	109.08	22,857	27,447	5.4x	16.0x	27.6x	46.4%	33.8%
The Western Union Company	US	16.24	7,602	9,672	2.0x	8.2x	40.2x	38.9%	23.9%
Nets A/S	DK	21.90	4,400	5,321	5.3x	29.5x	nm	45.2%	17.9%
Mean					**4.2x**	**17.9x**	**33.9x**	**43.5%**	**25.2%**
Median					**5.3x**	**16.0x**	**33.9x**	**45.2%**	**23.9%**
Payment processing									
Vantiv Inc.	US	59.61	10,614	14,601	4.1x	17.1x	49.3x	44.7%	24.0%
Evertec Inc.	PR	13.41	882	1,473	4.0x	9.2x	12.2x	40.4%	43.5%
Pay Safe	GB	6.61	3,247	3,491	3.6x	12.2x	23.5x	33.5%	29.8%
Square Inc.	US	24.37	9,366	8,847	5.1x	nm	nm	36.6%	1.2%
Visa Inc	US	89.02	202,735	210,877	12.7x	18.3x	33.4x	79.3%	69.3%
Mastercard Incorporated	US	119.44	126,457	124,279	11.5x	19.7x	30.2x	na	58.4%
Cielo S.A.	BR	5.88	16,658	17,985	5.4x	12.2x	14.6x	51.1%	44.8%
Total System Services, Inc	US	55.41	11,459	13,624	3.1x	13.9x	30.3x	24.2%	22.5%
Wirecard	DE	77.41	10,555	9,846	8.3x	27.6x	51.6x	34.6%	29.9%
Cass Information Systems, Inc.	US	53.66	611	358	3.0x	11.0x	25.8x	96.5%	27.2%
Earthport plc	GB	0.28	102	114	3.2x	nm	nm	57.0%	(16.6%)
Mean					**5.8x**	**15.7x**	**30.1x**	**49.8%**	**30.4%**
Median					**4.1x**	**13.9x**	**30.2x**	**42.5%**	**29.8%**
Global remittances									
Global Payment Inc	US	80.38	13,686	17,104	4.5x	22.3x	56.2x	50.6%	20.3%
American Express	US	76.52	71,508	92,682	2.9x	8.3x	16.7x	72.9%	35.6%
Moneygram International Inc.	US	13.63	762	1,549	1.0x	10.9x	28.1x	44.7%	9.3%
Mean					**2.8x**	**13.8x**	**33.7x**	**56.1%**	**21.7%**
Median					**2.9x**	**10.9x**	**28.1x**	**50.6%**	**20.3%**
Overall Mean					**4.9x**	**15.2x**	**30.3x**	**47.2%**	**23.7%**
Overall Median					**4.1x**	**13.0x**	**27.4x**	**45.8%**	**24.0%**

Source: FactSet as on 30 Sep 2017

8. SHARE PRICE PERFORMANCE

(% Change)	Mobile payments	Payment to corporates	Payment processing	Global remittance
3Y	31.0%	73.3%	80.7%	80.4%
1Y	15.9%	10.3%	32.7%	36.2%
6m	1.3%	7.0%	12.3%	(0.4%)



Source: FactSet
Notes:
1. Includes Worldpay Group, FirstData, Ingenico Group SA, FleetCor Technologies, PayPal, PayPoint, Qiwi, Euronet, MINDBODY and eServGlobal
2. Includes Fiserv, Western Union and Nets
3. Includes Vantiv, Evertec, Paysafe, Square, Visa, Mastercard, Cielo, Total System, Wirecard, Cass Informa and Earthport
4. Includes Global Payment, American Express and MoneyGram

Over the last three years, the payment industry has witnessed a steady growth. With the largest growth of 80.7% experienced by the payment processing companies, followed by global remittance with 80.4%. The industry overall experienced a slump in August 2015 as the processing fees dropped due to increase competition within the industry. Mobile payment and Global remittance companies in particular saw a major dip in prices in February 2016 due to companies Q4'15 falling short of analyst expectations.

9. SELECTED M&A TRANSACTIONS: YTD 2017

Ann. Date	Target	Country Code	Buyer	Country Code	EV (€ mn)	EV/ Rev (x)	EV/ EBITDA (x)
26-Oct-17	Planet Payment Inc.	GB	Fintrax Group Holdings	IE	180	3.5x	15.2x
20-Oct-17	BluePay Processing, LLC	US	First Data Corporation	US	644	NA	NA
20-Oct-17	Silverlake Digital Economy Sdn Bhd; Silverlake Digitale Sdn Bhd; Silverlake One Paradigm Sdn Bhd	MY	Silverlake Axis Ltd	MY	31	NA	NA
17-Oct-17	IECISA Electronic Payment System	ES	Ingenico Group S.A.	FR	20	NA	NA
27-Sep-17	Pivotal Payments Direct Corp.	CA	Caisse de Depot et Placement du Quebec; Novacap Investments	CA	359	NA	NA
25-Sep-17	Nets A/S	DK	Evergood 5 AS	DK	5,575	5.6x	20.6x
21-Sep-17	Paul Merchants Limited (Money Transfer Service Scheme business)	IN	YouFirst Money Express Pvt.	IN	34	NA	NA
9-Aug-17	Worldpay Limited	GB	Vantiv	US	10,231	1.9x	18.7x
4-Aug-17	Paysafe Group Plc	GB	Blackstone - CVC consortium	GB	3,589	3.1x	10.2x
27-Jul-17	Freecharge Payment Technologies Pvt. .; Accelyst Solutions Pvt. .	IN	Axis Bank Ltd	IN	51	NA	NA
25-Jul-17	First Data Corporation (First Data Baltics)	EE;LT;LV	Worldline SA	FR	73	3.2x	NA
20-Jul-17	Bambora Group AB	SE	Ingenico Group S.A.	FR	1,500	7.4x	NA
10-Jul-17	Beijing Muwei Technology Co. (83.33% Stake)	CN	China Honden Holding Co., ; Zhang Jun; Li Hongqiang	CN	7	6.3x	29.4x
1-Jul-17	Multiple Assets	GB	UK Finance Limited	GB	17	NA	NA
29-May-17	CardConnect Corp.	US	First Data Corporation	US	522	0.9x	0.9x
18-May-17	One97 Communications Limited (20% Stake)	IN	SoftBank Group	JP	6,287	NA	NA
1-May-17	Cambridge Mercantile Corp.	CA	Fleetcor Technologies	US	633	NA	NA
17-Apr-17	MoneyGram International Incorporated	US	Euronet Worldwide	US	1,484	1.0x	9.3x
11-Apr-17	Banking Computer Services Pte ; BCS Information Systems Pte	SG	Network For Electronic Transfers	SG	25	NA	NA
28-Mar-17	MyGate Communications (Pty)	ZA	Wirecard AG	DE	18	NA	NA
21-Mar-17	MoneySwap Plc (67.11% Stake)	HK	Gilbert Armenta	NL	6	17.4x	NM
16-Mar-17	Acculynk, Inc.	US	First Data Corporation	US	79	NA	NA
13-Mar-17	DH Corporation	CA	Vista Equity Partners	US	3,210	2.7x	10.9x
7-Mar-17	One97 Communications Limited (4.3% Stake)	IN	Alibaba Group Holding	CN	5,389	NA	NA
23-Feb-17	Paycorp Payment Solutions Pty	AU	MYOB Group Limited	AU	35	NA	NA
14-Feb-17	TIO Networks Corp	CA	PayPal Holdings	US	166	3.2x	27.0x
6-Feb-17	Billpay GmbH	DE	Klarna Bank AB	SE	70	NA	NA
30-Jan-17	TechProcess Payment Services Limited	IN	Ingenico Group S.A.	FR	82	NA	NA
26-Jan-17	MoneyGram International Incorporated	US	Ant Financial Services Group	CN	1,611	1.0x	10.1x
Mean						**4.4x**	**15.2x**
Median						**3.2x**	**13.0x**

Source: FactSet

10. M&A OF KEY PLAYERS

First Data Corporation to acquire BluePay Processing

In Oct '17, First Data Corporation, a US-based provider of electronic commerce and payment solutions for merchants, financial institutions and card issuers agreed to acquire BluePay Processing, a US-based company, engaged in providing merchant credit card processing services for €644mn. The acquisition will help First Data can to accelerate BluePay's software-driven payments strategy through a vast distribution network and global expertise.

Evergood 5 AS to acquire Nets A/S

In Sep'17, Evergood 5 AS, a newly formed company controlled by funds managed and advised by Hellman & Friedman LLC, announced a voluntary recommended public takeover offer of Net A/S, a Denmark-based and listed payment services company for a consideration of €5.6bn.

Vantiv to acquire Worldpay

In Aug'17, Vantiv, a US-based provider of payment processing services agreed to acquire Worldpay Group, a UK-based company providing internet payment services and solutions for €10.2bn. The combination is expected to allow for increased scale and global presence. Pre-tax cost synergies of $200.0mn are anticipated to be fully realized by end of third year following the merger.

Blackstone to acquire Paysafe Group Plc

In Aug'17, Blackstone-CVC Consortium, made of funds managed by Blackstone and CVC Capital Partners agreed to acquire Paysafe Group, a UK-based payments company for €3.6bn at an EV/Revenue of 3.2x and EV/EBITDA of 10.8x.

Ingenico Group to acquire Bambora Group AB

In Jul'17, Ingenico Group, a France-based provider of electronic payment systems, terminals and card readers agreed to acquire Bambora Group, a Sweden-based provider of payment processing services, from Nordic Capital, for €1.5bn. This acquisition is in line with Ingenico's strategic plan to provide a more integrated client offering and omni-channel solutions to their customers.

Softbank Group to acquire One97 Communication

In May'17, Softbank Group, a Japan-based company engaged in telecommunications and internet related services agreed to acquire 20% stake in One97 Communications Limited, the India-based mobile internet company that operates Paytm, for €1.3bn. This transaction will allow Paytm to expand its bank operations and increase its user base.

Fleetcor Technologies to acquire Cambridge Mercantile

In May'17, Fleetcor Technologies, a US-based provider of specialized payment products and services to businesses, commercial fleets, oil companies and government entities, entered into an agreement to acquire Cambridge Mercantile, a Canada-based provider of foreign exchange and B2B international payment services for €633mn. The acquisition is expected to result in substantial synergies by integrating Comdatas domestic AP automation and virtual card solutions into Cambridges client base.

Euronet Worldwide to acquire MoneyGram

In Apr'17, Euronet Worldwide, a US-based company engaged in processing secure electronic financial transactions agreed to acquire MoneyGram International, a US-based provider of financial payment services, for €1.5bn. The acquisition will enable the combined business to grow in the fragmented global money transfer industry

DH Corporation to acquire Vista Equity Partners

In Mar'17, Vista Equity Partners, a US-based private equity and venture capital firm agreed to acquire DH Corporation, a Canada-based provider of financial technology for €3.2bn. The transaction is in line with Vista's strategy to combine DH with a current portfolio company, Misys. The two FinTech companies are thought to be highly complementary, with DH providing payments, lending, and retail banking and Misys providing capital markets, corporate banking, and retail banking.

AntFinancial buys MoneyGram for €1.6bn

In Jan'17, Ant Financial Services Group, the China-based provider of online payment and loan services agreed to acquire MoneyGram International, a US-based payment service provider for €1.6bn. The transaction is in line with the strategy of both the companies to expand its business into new global marke.

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ABOUT Global M&A Partners

Established in 1999, Global M&A Partners is a partnership of independent investment banking firms gathered together to offer to their respective client's premium services for their goals completion. Operating through over 200 M&A advisors, the company serves sectors including Consumer Products, Business Services, Energy & Mining, Healthcare & Pharmaceuticals, Industrials, Packaging, Leisure & Retail and IT. The company operates in over 50 countries and has completed over 1,500 transactions with a combined value in excess of €4.2bn over the last 5 years.

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