

IMAP

Industry Report

Payment Processing Executive Summary Q1 2017

Research Conducted by



Capstone Partners



KEY M&A TAKEAWAYS

- ▶ Technological advancements such as digital wallets, apps, increased connectivity, near field communication and Bluetooth have changed the way in which consumers interact with payment technology. Companies have taken notice, often either developing in-house solutions or turning to acquisitions to capitalize on technology. Volkswagen's December acquisition of PayByPhone, a company that lets drivers pay for parking using mobile phones, exemplifies this trend.
- ▶ Capstone expects that due to a highly commoditized market, providers will continue to differentiate in ways beyond payment processing. Companies that can provide additional loyalty and incentive programs, mobile technology, on-demand offers or spending management will be sought after acquisition targets.
- ▶ In early January, Sterling Payment Technologies (Sterling) was acquired by EVO Payments (EVO) for an undisclosed amount. While Sterling's integrated payment solutions and network of dealers and distributors will enhance EVO's offerings, EVO will connect Sterling to international markets. EVO is backed by Madison Dearborn Partners, a Chicago-based private equity investment group.

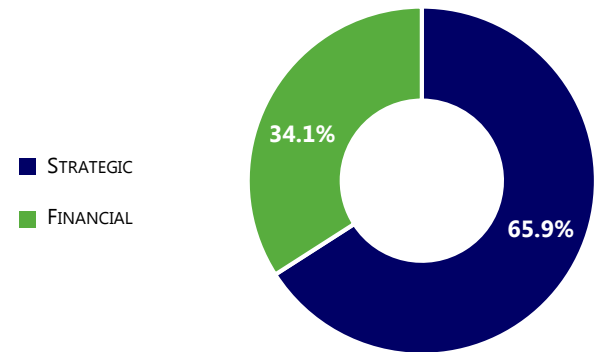
MOST ACTIVE BUYERS

- ▶ Blackboard, an EdTech company, accounted for two payment processing deals in 2016. In June, it acquired Higher One Holdings for 1.5x revenue (\$212.9 million), a payment processing and refund disbursement provider, and in May it acquired Sequoia Retail Systems, a POS and e-commerce management system. Both target companies provide payment services to higher education.
- ▶ Blackhawk, a major industry consolidator, continued its acquisition spree in 2016 acquiring The Grass Roots Group (August), extrameasures (March), NimbleCommerce (February) and Omni Prepaid (January).

| Buyer Name | # Deals in 2016 | # Deals in past 5 years | Disclosed 2016 Deal Value (\$mm) |
|-------------------|-----------------|-------------------------|----------------------------------|
| Blackhawk Network | 4 | 11 | \$345.4 |
| Blackboard | 3 | 16 | \$212.9 |
| BluePay | 2 | 3 | \$8.2 |
| i3 Verticals | 2 | 8 | N/A |

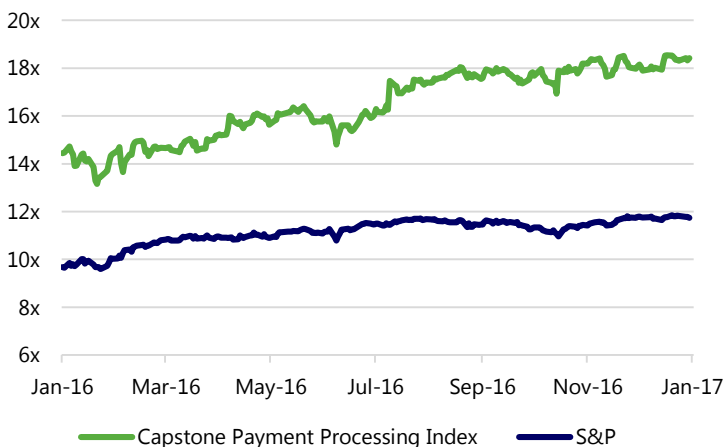
BUYER BREAKDOWN

- ▶ In 2016, a total of 91 acquisitions were announced or completed. Strategic acquirers accounted for the majority of the acquisitions (60) compared to financial acquirers (31).
- ▶ Financial buyers were also very active. There were more than double the number of add-on acquisitions made versus direct investments, indicating a strong interest in growing an existing holding and an openness to acquiring smaller-sized companies in the space that are synergistic.



PUBLIC COMPANY AVERAGE EBITDA MULTIPLE

- ▶ The average public company EBITDA multiple for Capstone's Payment Processing index increased by 24.5% over the last twelve months. This growth outpaced the S&P, which increased by 18.2% over the same time frame.



PUBLIC COMPANY VALUATION DATA

| Company (1/20/17) | Enterprise Value | LTM Margin | EV / LTM | |
|------------------------|------------------|------------|----------|--------|
| | | | Revenue | EBITDA |
| ACI Worldwide | \$19.13 | 7.6% | 3.0x | NM |
| Aimia | \$6.37 | 5.1% | 0.6x | 12.6x |
| Blackhawk Network | \$36.65 | 7.7% | 1.2x | 16.0x |
| Deluxe Corporation | \$73.03 | 23.4% | 2.2x | 9.5x |
| First Data Corporation | \$15.79 | 30.5% | 4.6x | 14.9x |
| FleetCor Technologies | \$150.25 | 49.1% | NM | 20.4x |
| Global Payments | \$79.08 | 25.1% | 4.9x | 19.4x |
| PayPal Holdings | \$41.69 | 19.9% | 4.3x | 21.9x |

| | | | |
|--------|-------|------|-------|
| Mean | 21.0% | 3.0x | 16.4x |
| Median | 21.6% | 3.0x | 16.0x |