

TransactionWatch

*Weekly Newsletter For Payments Executives That Covers The Most Important
And Relevant Merchant Acquiring Deals And Activity*

*Week of:
August 17th – August 21st*

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Deal Activity Summary

August 17th – August 21st

This Week's M&A Overview

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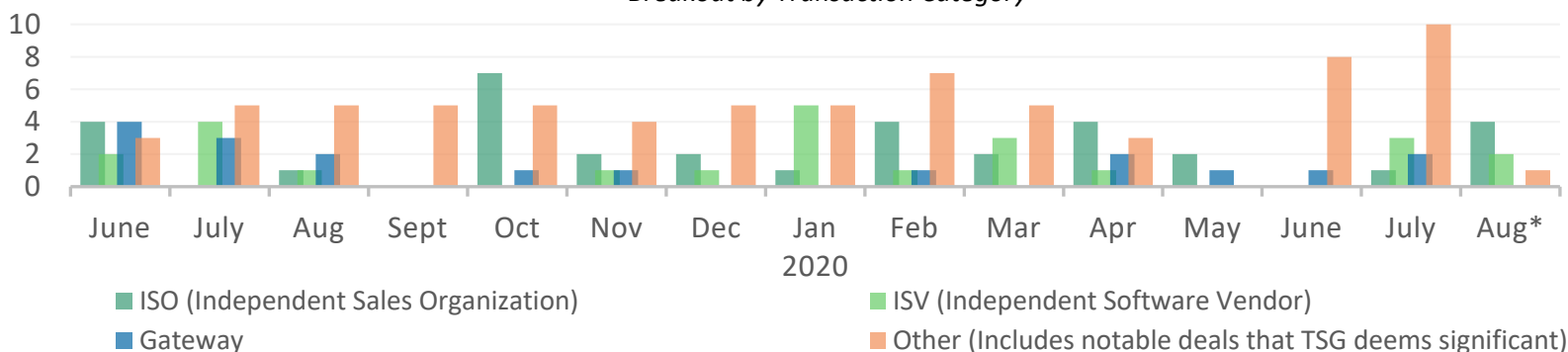
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Continuing with strong movement in the third quarter, M&A activity within the merchant acquiring industry remained lively this week with American Express's acquisition of Kabbage and Wirecard's global assets beginning to sell to interested third-parties. First off, American Express made their announcement of their intent to acquire online lending provider, Kabbage. While terms of the agreement were not disclosed, it is suspected that the deal was valued at around \$850 million. With this new acquisition, American Express plans to provide a broader set of cash flow management tools and working capital offerings to their U.S. customers. The acquisition is expected to close later this year.

In other news, Wirecard's global operating assets are picking up interest from potential buyers following the company's filing for insolvency a few months earlier. An agreement for the sale of Wirecard Brazil has been made by a subsidiary of PagSeuro Digital, a leading payments technology company based in Brazil. In addition, a preliminary agreement to sell off Wirecard Card Solutions in the United Kingdom to Railsbank Technology is currently underway. Other global operating assets of Wirecard are suspected to be sold off in the coming months.

2019-2020 M&A Activity – Year to Date

Breakout by Transaction Category



*As of publication.

Note: TSG's selected M&A activity monitors specific markets relating to the acquiring industry and the general payments market.



COVID-19 Industry Impact

August 17th – August 21st

As the world faces the continuously evolving COVID-19 pandemic, TSG is here to help support our clients by providing valuable information as it relates to COVID-19's impact on the merchant acquiring industry. In order to help keep our readers well-informed about this ongoing crisis and how it relates to the payments market, below are this week's essential news stories.

Restaurants & Retailers in Pasadena Establish Nation's First Pay-by-Face Network

[PRNewswire](#) | August 14th, 2020

With California imposing strict restrictions to stem the spread of COVID-19, a number of restaurant and retail store owners in the city of Pasadena have quietly established the nation's first dense "face-pay" network. These small business owners have embraced an advanced facial recognition technology that lets their customers make secure, hands-free purchases using only their faces.

Payments Will Help Lead a Post-Pandemic Rebound, a New Report Argues

[Digital Transactions](#) | August 20th, 2020

Payments are expected to play a significant role in the economic recovery that will take place as the Covid-19 pandemic eases, says a new report from Boston-Based Aite Group. The ways payments can help jump-start the economic recovery include reducing friction at the point-of-sale, increasing payment access, and integrating the digital and physical worlds of commerce, according to the report titled "The Impact of the COVID-19 Pandemic on Commerce and Payments."

Signs Of Recovery In Retail Sectors Amid The Pandemic

[PYMNTS](#) | August 17th, 2020

The department store sector had mixed news last week, with Dillard's displaying signs of recovery and a new report showing a reversal of some of the positive trends that had led to a measured optimistic outlook. And the luxury merchandise and clothing business appears to be set for a comeback, partly fueled by the consumer shift to Digital 3.0.

Amidst a Pandemic, Consumers Adapt by Adopting Touch-free Payments and Shopping

[Digital Transactions](#) | August 19th, 2020

The use cases for contactless payments have been there all along, but the Covid-19 pandemic is turning out to be a major motivator in adoption of the touch-averse technology. Evidence comes in a roundup of data from the U.S. Payments Forum, a Princeton Junction, N.J.-based payments association.



Payments Monetization

Drive Growth Through The Monetization Of Payments

The continuous adoption of integrated software solutions among business owners has created a large opportunity for independent software vendors (ISVs). Effectively implementing payment processing capabilities can create significant payment revenue through their platform, increasing overall market valuation.

The process of monetizing payments within ISVs can be challenging and time consuming [as there are several models to choose from](#). An ISV needs to evaluate factors such as the revenue opportunity, the level of risk, the resources required, and the overall customer relationship.

The Strawhecker Group's expertise and experience can [provide customized guidance](#) on your firm's go-forward strategy and execution.

EXPERTISE

TSG has served leading software companies and is well positioned to build-out a payment strategy that helps you avoid barriers to entry. **TSG can assess your current situation, review relationships, and develop a roadmap to your financial and operational objectives.**



INDUSTRY CONTACTS

TSG is highly knowledgeable of payment providers and can pin-point the appropriate partner to create a cohesive solution for you and your customers. **TSG can provide an experienced guide that will reduce complexity, speed up implementation, and maximize your investment.**



TSG can identify and assess areas of payment monetization and provide support to a relationship that is financially beneficial and increases enterprise value. Whether it is a new or existing offering, TSG can provide actionable insights to maximize the benefits of integrated payments among software solutions.

For more information, please contact MI@thestrwegroup.com



Historical M&A Tracker

Transaction History: April 2020 – July 2020

Transaction Categories:



ISO

Independent
Sales Organization



ISV

Independent
Software Vendor



Gateway



Other

Includes notable deals that TSG
deems significant

Transaction Category	Buyer	Seller	Purchase Amount (\$ million)	Date
ISO	PagSeguro Digital	Wirecard Brazil	-	8/21/2020
Other	American Express	Kabbage	-	8/17/2020
ISO	Fortis Payment Systems	Blue Dog Business Services	-	8/11/2020
ISV	SpotOn	Seatninja	-	8/11/2020
ISO	Payroc	Strategic Payment Systems	-	8/10/2020
ISV	TouchBistro	TableUp	-	8/5/2020
ISO	FinTech Acquisition Corp. III	Paya	\$1,300 (Enterprise value)	8/3/2020
Other	Apple	Mobeewave	\$100	7/31/2020
Gateway	CITCON	OPAY	-	7/31/2020
ISV	Trust Payments	Mobilize Systems	-	7/30/2020
Other	Corsair Capital	MSTS	-	7/30/2020



Historical M&A Tracker

Transaction History: April 2020 – July 2020

Transaction Category	Buyer	Seller	Purchase Amount (\$ million)	Date
Other	ZenBusiness	Joust	-	7/30/2020
Other	Quadient	YayPay	\$20	7/29/2020
Other	Prove (formerly Payfone)	Early Warning Service's 'Mobile Authentication' Business	-	7/29/2020
ISO	Network International	DPO Group	\$288	7/28/2020
Other	Enova	OnDeck	\$90	7/28/2020
Gateway	Paysafe	Openbucks	-	7/27/2020
Other	REPAY	cPayPlus	\$16	7/23/2020
Other	NewOak Finance	FuturePay	-	7/23/2020
ISV	HealthEdge	Burgess Group	-	7/21/2020
ISV	Square	Stitch Labs	-	7/10/2020
Other	Heidelpay Group	Paysafe's 'Pay Later' business	-	7/9/2020
Other	Paytm	Raheja QBE	\$76	7/6/2020
Other	MFS Africa	Beyonic	-	6/30/2020
Other	Mastercard	Finicity	\$825	6/23/2020
Gateway	Planet	3C Payment	-	6/18/2020
Other	Professional Datasolutions	National Payment Card Association (ZipLine)	-	6/18/2020
Other	Boku	Fortumo Holdings	\$41	6/17/2020



Historical M&A Tracker

Transaction History: April 2020 – July 2020

Transaction Category	Buyer	Seller	Purchase Amount (\$ million)	Date
Other	Square	Verse	-	6/15/2020
Other	TAS Group	Infraxis	-	6/10/2020
Other	Infibeam Avenues	Cardpay Technologies	-	6/8/2020
Other	Zip	QuadPay	\$403	6/2/2020
ISO	Base	LucentPay <i>*merchant accounts</i>	-	5/28/2020
Gateway	Checkout.com	Pin Payments	-	5/26/2020
ISO	Ontario Systems	SwervePay	-	5/19/2020
Other	Santander	Ebury	\$453	4/29/2020
Other	Euronet	Dolphin Debit	-	4/28/2020
ISO	Rapyd	Korta	-	4/24/2020
Gateway	Worldline	GoPay	-	4/23/2020
ISV	Gojek	Moka POS	\$130	4/22/2020
ISO	Payroc	Gateway Payments	-	4/22/2020
Gateway	Harbour & Hills	Global Envoi	-	4/8/2020
Other	SoFi	Galileo Financial Technologies	\$1,200	4/7/2020
ISO	Celero Commerce	FlashBanc	-	4/7/2020
ISO	VizyPay	Echo Daily	-	4/2/2020



Headline News

August 17th – August 21st



Adyen Clinches Wirecard Clients During Online Shopping Boom

[Bloomberg](#) | August 20th, 2020

Adyen NV said it poached new merchants from embattled German payments firm Wirecard AG, as the Dutch company reported a 27% rise in revenue for the first half of the year. The scandal that plagued competitor Wirecard proved to be a boost in Adyen's favor. Retail merchants looked for payment processing alternatives following the German company's spectacular collapse in June, when Wirecard filed for insolvency after admitting that almost 2 billion euros (\$2.37 billion) previously reported as cash didn't exist.



Puerto Rico Payments Company Evertec Is Said to Explore Sale

[Bloomberg Law](#) | August 18th, 2020

Evertec Inc., a Puerto Rico-based payments processor, is exploring strategic options including a potential sale, according to people familiar with the matter. Its shares rose as much as 17% on the news. The company is working with a financial adviser to field interest from potential buyers, said the people, who asked to not be identified because the matter isn't public. It could appeal to larger payments companies such as Global Payments Inc. and Fiserv Inc., the people added.



EU Approves Mastercard Takeover Of Nets' Units, Subject To Concessions

[Finextra](#) | August 18th, 2020

The European Commission has approved the €2.85 billion take-over by Mastercard of key business units of Nets, subject to the transfer of a licence for the Nordic payment processor's account-to-account core infrastructure services to a rival brand. The concession on the sale was offered by Mastercard after the EU voiced concerns over anti-trust issues in the A2A CIS market, in which both companies compete.



Partnership Activity

August 17th – August 21st



American Express has partnered with HighRadius, a Software-as-a-Service (SaaS) provider that focuses on accounts receivable solutions utilizing artificial intelligence technology. Under this partnership, American Express is seeking to assist its customers transition into new digital accounts receivable processes. American Express SMBs will now be able to have access to HighRadius' platform, which offers them numerous alternative payment method acceptance along with automating processes digitally for easier management and accountability into their payments.



Mastercard and TransferWise have expanded their partnership to serve more customers globally. First established in 2018, TransferWise's partnership with Mastercard enables the technology company to issue Mastercard-branded debit cards. The expansion into their partnership enables TransferWise to issue more debit cards globally by being able to reach more countries. Currently, TransferWise has issued more than one million Mastercard-branded cards in Europe.

Other Notable Partnerships:

- **Hexopay** and **Macropay** form strategic partnership on expanding market presence.
- **Mastercard** and **AptPay** team up on digital payments with the integration of Mastercard Send into the AptPay platform.
- **Fiserv** is collaborating with **LeaseQuery** which will provide access to Fiserv's accounting software to LeaseQuery's platform.
- **MoneyGram** teams up with **Airtel Africa** on providing money transfer services to Airtel Money's 19 million customers.



Management Changes

August 17th – August 21st



Chargebacks911 has appointed Suraj Badlani as the company's new CFO and Head of Corporate Development
Suraj Badlani joins Chargebanks911 from Agrento where he served as the company's CFO. Under his new role at Chargebacks911, Mr. Badlani will focus on the company's corporate strategy and financial growth management while also assisting in commercial scale.

Date Announced	Company	Personnel	New Position	Previous Position
8/17/2020	Chargebacks911	Suraj Badlani	<i>CFO & Head of Corporate Development</i>	CFO at Argento
8/18/2020	Optimized Paymnts	Jim Paradis	<i>Senior Payments Consultants</i>	VP, Senior Relationship Manager at Chase Merchant Services
8/20/2020	Behalf	Rob Rosenblatt	<i>CEO</i>	President at Behalf



TSG Payments Index

Q1 2011 – Q2 2020

*Drop in value from Q4 2019 to Q1 2020 is attributed to the volatility and uncertainty caused by the ongoing COVID-19 pandemic

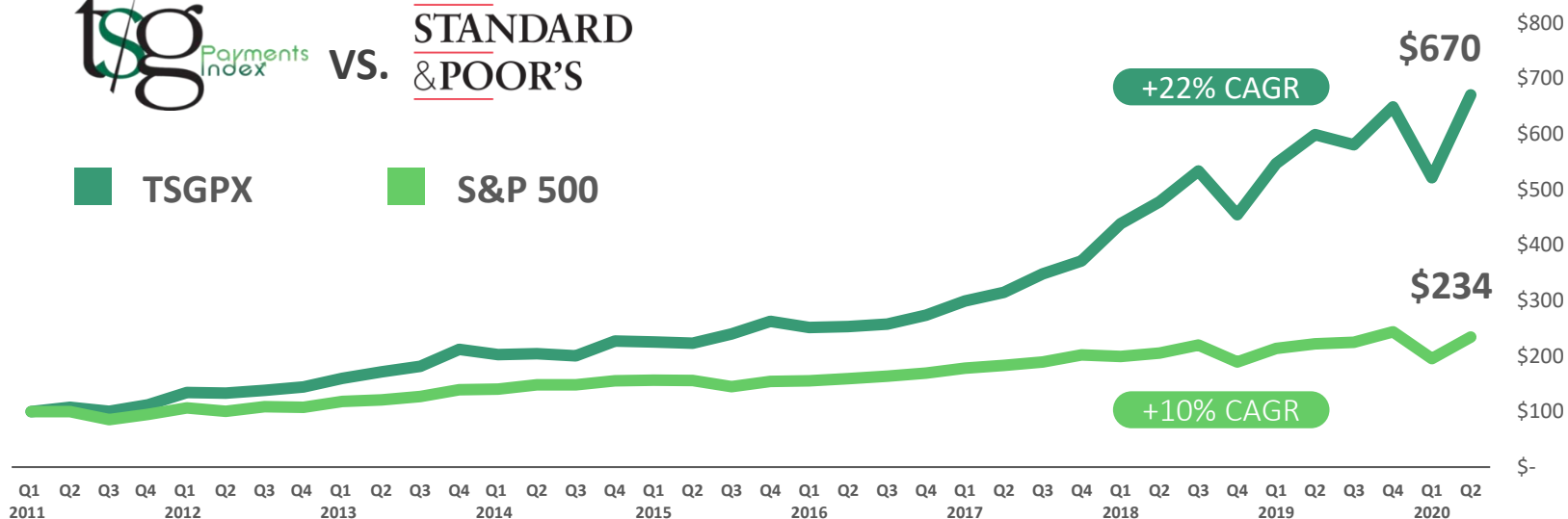


VS.

STANDARD
& POOR'S

TSGPX

S&P 500



Payments companies have been thriving in recent years and are becoming more valuable and profitable for the company and its investors. With strong earnings year after year, many payments companies are rapidly increasing their market capitalization and gaining the attention of additional stakeholders.

The chart displays the performance of a \$100 investment in an index of selected payments companies which represent the "TSG Payments Index" – this index is calculated on a value weighted basis using market capitalization and is compared to the S&P 500 which is also calculated using the same methodology. A \$100 investment in the TSGPX in Q1 2011 would be valued at approximately \$670 in Q2 2020, as compared to \$234, if invested in the S&P 500.

On average, payments companies grow at a compounded rate that is 12% higher than that of the industry average. This growth rate is more than double of the industry average and represents the attractiveness of the payments market. The Payments Index is depicted to portray the growing nature of the payments market and hints at where this market is headed in the coming years.





TSG Buy/Sell Consulting Services

Buy-Side

- Buyers use TSG's due-diligence subject matter experts for support on a variety of key decision criteria can affect the value of the property. TSG assists buyers by acting as their advisor as they evaluate the financial value, benchmarking key performance metrics, determine risk, and evaluate the value of any technology assets.

Sell-Side

- The key factor in a successful asset sale is understanding the true value of your enterprise. Value is defined as the "amount a buyer is willing to pay." TSG has a pulse of the market and performs an extensive evaluation of value drivers to ensure potential "sellers" understand the value of their company in the marketplace – prior to starting the sales process. In addition, buyers can use the data to assess offers that have been received for an accurate and fact-based assessment of the offer.

Private Equity

- TSG can help private equity firms understand the landscape before investing and can build a market analysis to determine which investment is the best fit to create the highest ROI. TSG provides investors and financial institutions with the documented valuation information needed to support funding events.

Restructuring & Re-Capitalization

- TSG can facilitate strategic exercises to help forge a new path ahead and can help with implementation of a new structure to ultimately maximize the value and performance of the entity.

30+

ACQUISITIONS
AND INVESTMENT
TRANSACTIONS



250+

COMPLETED
PAYMENTS CO.
VALUATIONS



8 of 12

OF THE LARGEST
PAYMENTS TRANS
IN THE LAST YEAR



\$10-100M

TYPICAL DEAL
RANGE





TSG Buy/Sell Consulting Services

TSG Has Advised For Many Leading Companies in the Payments Industry



In its
sale to



In the
acquisition of



In the
acquisition of



In the
acquisition of



In its
Merger with



In its
sale to



On their funding
event with



On their funding
event with



In the
acquisition of



In due diligence support
of its investment into



THE BEEKMAN GROUP LLC

In its
recapitalization of



In a merchant portfolio
purchase from



In its
merger with



On the organization of
its joint venture with



On their
investment in



In the
acquisition of



In the
acquisition of



In acquisition of the
operation assets of



In the
acquisition of



On their joint
venture with





Payments Experts. Powerful Data.
THE STRAWHECKER GROUP®

ANALYTICS + CONSULTING

The Strawhecker Group (TSG) is a fast-growing analytics and consulting firm. The company serves the entire payments ecosystem, from fintech startups to Fortune 500 companies. The firm provides its clients with advisory services, research and analytics to help them plan and execute their strategic initiatives. Based in Omaha, a recognized payments industry hub, TSG is an established leader in this high-growth, ever-evolving space.

