

TransactionWatch

Weekly Newsletter For Payments Executives That Covers The Most Important And Relevant Merchant Acquiring Deals And Activity **Week of:** September 14th – September 18th

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Deal Activity Summary

September 14th – September 18th

This Week's M&A Overview

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M&A activity within the merchant acquiring industry persisted this week with the announcements of a couple notable deals. First off, Payroc announced their acquisition of Blackline Partners, LLC (dba eConduit), which is primarily a technology provider that focuses on enabling software companies the ability to integrate payment processing capabilities into their platform. This acquisition provides Payroc's software partners and point of sale (POS) systems a single cloud integration point to a variety of payment terminals and ultimately eases the process for software solutions to accept in-person EMV payments at checkout.

Separately, Fleetcor announced on Thursday (September 17th) their acquisition of cross-border payments provider, Associated Foreign Exchange (AFEX). While this transaction is expected to close in the first quarter of 2021, it further enhances Fleetcor's global offerings and cross-border payment and risk solutions. Furthermore, the acquisition of AFEX brings additional payment volumes for Fleetcor and their cross-border platform. AFEX handles more than \$22 billion in annual payment volume across their 35,000 customers.

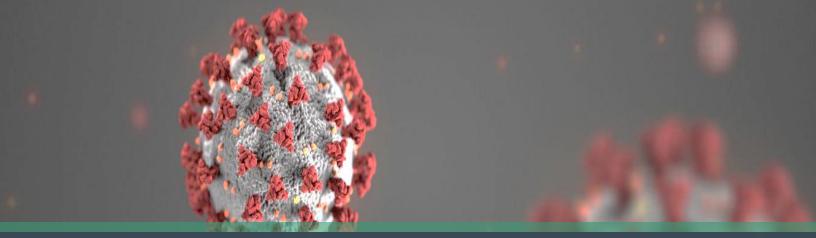
2019-2020 M&A Activity – Year to Date

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

September 14th – September 18th

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.

New York City Council OKs Restaurant Surcharge During Pandemic

The Wall Street Journal September 16th, 2020

New York City restaurants would be able to charge customers a 10% Covid-19 relief fee under legislation approved Wednesday (September 16th) by the City Council. The move would temporarily end a ban on restaurant surcharges in the city that has lasted more than four decades. The new fee is intended to ease some of the financial hardship city restaurants have faced since March because of the coronavirus pandemic and lockdowns meant to curb the spread of virus.

Square Report Reveals How Much the Pandemic Has Accelerated the Digital Economy

BusinessWire | September 15th, 2020

Today (September 15th), Square, Inc. released a new report that highlights how the onset of COVID-19 has affected global commerce and payments behavior. This is the third installment of Square's Making Change series, which examines whether or not we're headed towards a cashless society. In February 2020, just 5.4% of Square sellers across the US were cashless*. By April 2020, amidst the height of shelter-in-place mandates, that number jumped up to 23.2%. By August 2020, as the world slowly began to reopen, the number of Square sellers with a cashless business model was showing signs of stabilizing at 13.4%.

In the Midst of the Pandemic, Fintechs Launch Services to Speed Wages to Workers

Digital Transactions | September 16th, 2020

As workers struggle with cash-flow issues that in some cases were worsened by the coronavirus pandemic, banks and fintechs are working to get wages into employees' hands faster—sometimes in real time. Two such developments emerged this week from Square Inc. and Immediate Solutions Inc., a company that specializes in speeding up payroll on behalf of employers. Birmingham, Ala.-based Immediate Solutions on Wednesday (September 16th) said it has forged an integration with Visa Inc. to allow workers to flow their pay in real time via Visa Direct. The service flows the funds to a Visa debit card linked to the ImmediatePay app. Employees can then transfer the money to a bank account or to a debit card they already hold.





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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 <u>as there</u> <u>are several models to choose from</u>. 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 <u>provide customized guidance</u> 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@thestrawgroup.com









Historical M&A Tracker

Transaction History: May 2020 – August 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
Other	Fleetcor	AFEX	-	9/17/2020
Other	Payroc	Blackline Partners (dba eConduit)	-	9/15/2020
ISV	North American Bancard	Salido	-	9/10/2020
Gateway	Verifone	2Checkout	-	9/8/2020
Other	Cornerstone Brands	FXPress Payments	-	9/1/2020
ISV	MRI Software	RentPayment	-	9/1/2020
ISO	Railsbank	Wirecard U.K. (Wirecard Card Solutions)	-	8/28/2020
Other	WorldRemit	Sendwave	~\$500	8/25/2020
ISV	Mastercard	IfOnly	-	8/24/2020
Other	Afterpay	Pagantis SAU & PMT Technology	~\$59	8/24/2020
ISO	PagSeguro Digital	Wirecard Brazil	-	8/21/2020





Historical M&A Tracker

Transaction History: May 2020 – August 2020

Transaction Category	Buyer	Seller	Purchase Amount (\$ million)	Date
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	Рауа	\$1,300 (Enterprise value)	8/3/2020
Other	Apple	Mobeewave	\$100	7/31/2020
Gateway	CITCON	ΟΡΑΥ	-	7/31/2020
ISV	Trust Payments	Mobilize Systems	-	7/30/2020
Other	Corsair Capital	MSTS	-	7/30/2020
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





Historical M&A Tracker

Transaction History: May 2020 – August 2020

Transaction Category	Buyer Seller		Purchase Amount (\$ million)	Date
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
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 *merchant accounts	-	5/28/2020
Gateway	Checkout.com	Pin Payments	-	5/26/2020
ISO	Ontario Systems	SwervePay	-	5/19/2020







Headline News

September 14th – September 18th



Klarna Announces \$650M Funding Round To Further Accelerate Global Growth

PR Newswire September 15th, 2020

Klarna, the leading global payments and shopping service, is pleased to announce it has raised \$650 million in an equity funding round, at a post money valuation of \$10.65 billion, which ranks Klarna as the highest-valued private fintech in Europe and now the 4th highest worldwide.

Square

Square Payroll Brings Faster, More Flexible Money Movement With Launch of On-Demand Pay and Instant Payments

BusinessWire | September 15th, 2020

Today (September 15th), Square announced the launch of two new features that enable Square Payroll customers and their employees to more easily and effectively manage their cash flow: On-Demand Pay for employees, and Instant Payments for employers. The new offerings, which leverage Square's Seller and Cash App ecosystems, represent a major milestone in providing employees and employers more flexibility and control over their money.



Payment Tech Firm Nuvei Jumps Over 30% In Toronto Debut

Reuters | September 17th, 2020

Shares of Nuvei Corp jumped more than 30% on their market debut on Thursday (September 17th) after the Canadian payment processing firm raised \$700 million in the largest ever technology company offering on the Toronto Stock Exchange. Nuvei's shares opened at C\$45.25 (\$34.38), a 32% premium to the stock's initial public offering price of \$26. It closed at C\$45.05.







Partnership Activity

September 14th – September 18th

flywire

Flywire and Mastercard are teaming up on cross-border tuition payment solutions for international students. Through this partnership, Flywire is providing discounted foreign exchange rates on cross-border payments that are made using Mastercard. This initiative helps relieve some financial burden on international students while also encouraging the use of Flywire and Mastercard's cross-border payment capabilities. This new collaboration between Flywire and Mastercard is part of an ongoing relationship among the two firms.

finicity

Finicity announced on Friday (September 18th) a direct agreement with Charles Schwab on providing security of consumer-permissioned data through APIs for Schwab clients. Finicity, which was recently acquired by Mastercard, provides real-time financial account data sharing through partnerships with thousands of financial institutions in North America. Schwab's partnership with Finicity enables the firm's clients to seamlessly and securely connect to third-parties that allow the transfer of financial account data across their platform.

Other Notable Partnerships:

- NCR is teaming up with Microsoft's Azure solution to support NCR's Digital Connected Services (DCS).
- **EVO Payments** and **Mypinpad** team up on expanding over-the-phone payment solutions in Poland.
- Agilysys teams up with Adyen on payment processing acceptance across their suite of hospitality solutions.
- **Citi Retail Services** signs a multi-year agreement with **Wayfair** on issuing a Wayfair Credit Card and cobranded Wayfair Mastercard to Wayfair customers.
- Accept.blue partners with VeriCheck on enabling their clients the ability to leverage VeriCheck's ACH services and solutions.







Management Changes

September 14th – September 18th



Paysafe:group

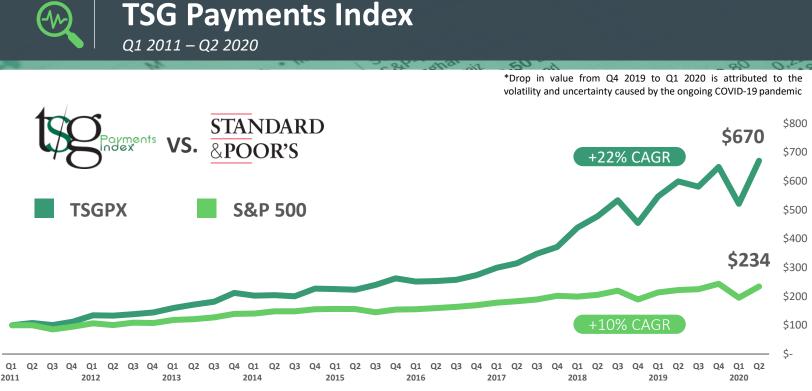
Paysafe Group Has Appointed Ismail ("Izzy") Dawood As The Company's New Group CFO

Paysafe has announced this week the appointment of Ismail Dawood to serve as the company's new Group CFO. Dawood will begin his role on September 28th and will report directly to Paysafe's CEO, Philip McHugh. Dawood comes to Paysafe from Branch International where he served as CFO.

Date Announced	Company	Personnel	New Position	Previous Position
9/15/2020	Paysafe	Ismail Dawood	Group CFO	CFO at Branch International
9/15/2020	l2c Inc.	Jonathan Vaux	General Manager, EU	Chief Product Officer (Interim) at Capco
9/15/2020	CPI Card Group	Jorg Schneewind	Board Member	Current President of Packing and Specialty Coating at Appvion
9/17/2020	Cascade Financial Technology	Scott Louie	VP of Processing Operations	VP Client Service Operations at FSV Payment Systems
9/18/2020	USA Technologies	Scott Stewart	Chief Accounting Officer	Assistant Controller at the International Exchange (ICE)









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.





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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.





TSG Buy/Sell Consulting Services

TSG Has Advised For Many Leading Companies in the Payments Industry



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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.



40+

Of the top 50 merchant acquirers served, including 9 of the top 10



250+

Completed payments company valuations; as well as ~30 buy/sell/investment advisements

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1,000+ Clients advised, including many in

the Fortune 500



23+ Years

Average Associate experience in the payments industry

3.7+ Million

201

Card-accepting merchants in TSG's AIM analytics platform, driving millions of dollars in ROI for its users