

VALUE FOCUS

FinTech Industry



Third Quarter 2015

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Fairness Opinions & Down Markets

August has become the new October for markets in terms of increased volatility and downward pressure on equities and high yield credit. This year has seen similar volatility as was the case in some memorable years such as 1998 (Russian default; LTCM implosion), 2007 (tremors in credit markets), 2008 (earthquakes in credit and equity markets) and 2011 (European debt crisis; S&P's downgrade of the U.S.). Declining commodity markets, exchange rate volatility and a pronounced widening of credit spreads finally began to reverberate in global equity markets this year.

So far the downdraft in equities and widening high yield credit spreads has not slowed M&A activity. Preliminary data from Thomson Reuters for the third quarter indicates global M&A exceeded \$1 trillion, which represents the third highest quarter on record and an increase of 11% over the year ago quarter. Activity is less broad-based though as 8,989 deals were announced compared to 10,614 a year ago.

Within the FinTech sector, IPO activity slowed in the third quarter of 2015 but M&A activity continued at a brisk pace and was up 7% in the first three quarters of 2015 compared to the same period in 2014. Deal values (both in total and the median of those deals reported) were also up significantly as 2015 included several larger deals. The most active FinTech niches continue to be technology providers, particularly those focused on investments and/or insurance healthcare.

Immediately prior to intensified pressure on risk-assets, Thomson Reuters estimated that as of August 13 global M&A was on pace for a record year with \$2.9 trillion of announced transactions globally (+40% vs. LYTD) and \$1.4 trillion in the U.S. (+62%). Within the U.S., strategic buyer activity rose 53% to \$1.1 trillion while PE M&A rose 101% to \$326 billion.

LBO multiples have been trending higher since 2009. The median LBO EBITDA multiple for broadly syndicated large deals was 10.1x through September, while middle market multiples expanded to 10.3x. Debt to EBITDA multiples for LBOs were 6.0x for large deals YTD and 5.5x for middle market transactions.

No one knows what the future holds for markets. Deal activity could slow somewhat; however, a weak environment for organic revenue growth will keep many strategic buyers engaged, while lower prices for sellers if sustained will make more targets affordable for private equity provided debt financing costs do not rise too much. As of October 14, the option-adjusted-spread (OAS) on Bank of America Merrill Lynch's High Yield Index was 6.31%, up from 5.04% at year-end and 4.83% a year ago.

The role of the financial advisor becomes tougher too when markets are declining sharply. Obviously, sellers who do not have to sell may prefer to wait to see how market turmoil will play out while buyers may push to strike at a lower valuation. Questions of value and even fair dealing may be subjected to more scrutiny.

Fairness opinions seek to answer the question whether a proposed transaction is fair to a company's shareholders from a financial point of view. Process and especially value are at the core of the opinion. A fairness opinion does not predict where a security—e.g. an acquirer's shares—may trade in the future. Nor does a fairness opinion approve or disapprove a board's course of action. The opinion, backed by a rigorous valuation analysis and review of the process that led to the transaction, is just that: an opinion of fairness from a financial point of view. Nevertheless, declining markets in the context of negotiating and opining on a transaction will raise the question: How do current market conditions impact fairness?

There is no short answer; however, the advisor's role of reviewing the process, valuation, facts and circumstances of the transaction in a declining market should provide the board with confidence about its decision and the merits of the opinion. Some of the issues that may weigh on the decision process and the rendering of a fairness opinion in a falling market include the following:

- **Process vs. Timing.** Process can always be tricky in a transaction. A review of fair dealing procedures when markets have fallen sharply should be sensitive to actions that may favor a particular shareholder or other party. A management-led LBO after the market has fallen or a

board that agrees to buyback a significant shareholder's interest when prices were higher are examples. Even an auction of a company may be subject to second guessing if the auction occurred in a weak environment.

- **Corporate Forecasts.** Like the market, no one knows how the economy will perform over the next several years; however, consideration should be given to whether declining equity markets and widening credit spreads point to a coming economic slowdown. A baseline forecast that projects rising sales and earnings or even stable trends may be suspect if the target's sales and earnings typically fall when the economy enters recession. A board should consider the implications of any sustained economic slowdown on the subject's expected financial performance with follow-through implications for valuation.
- **Valuation.** Unless markets experience a sharp drop from a valuation level that reflects a widely held view that multiples were excessive, a sharp pullback in the market will cause uncertainty about what's "fair" in terms of value. DCF valuations and guideline M&A transaction data may derive indications that are above what is obtainable in the current market. Transactions that were negotiated in mid-2007 and closed during 2008 may have felt wildly generous to the seller as conditions deteriorated. Likewise, deals negotiated in mid-2012 that closed in 2013 when markets were appreciating may have felt like sellers left money on the table. There is no right or wrong, only the perspective provided from the market's "bloodless verdict" of obtaining a robust market check if a company or significant asset is being sold. It is up to the board to decide what course of action to take, which is something a fairness opinion does not address.
- **Exchange Ratios.** Acquisitions structured as share exchanges can be especially challenging when markets are falling. Sellers will tend to focus on a fixed price, while buyers will want to limit the number of shares to be issued. The exchange ratio can be (a) fixed when the agreement is signed; (b) fixed immediately prior to closing (usually based upon a 10 day volume-weighted average price of the buyer); or (c) a hybrid such as when the ratio floats based upon an agreed upon value for the seller provided the buyer's shares remain within a specified band. Floating exchange ratios can be seen as straightjackets for buyers and lifejackets for sellers in falling markets; rising markets entail opposite viewpoints.
- **Buyer's Shares.** An evaluation of the buyer's shares in transactions that are structured as a share exchange is an important part of the fairness analysis. Like profitability, valuation of the buyer's shares should be judged relative to its history and a peer group presently and relative to a peer group through time to examine how investors' views of the shares may have evolved

through market and profit cycles. The historical perspective can then be compared with the current down market to make inferences about relative performance and valuation that is or is not consistent with comparable periods from the past.

- **Financing.** If consummation of a transaction is dependent upon the buyer raising cash via selling shares or issuing debt, a sharp drop in the market may limit financing availability. If so, the board and the financial advisor will want to make sure the buyer has back-up financing lined-up. The absence of back-stop financing, no matter how remote, is an out-of-no-where potential that a board and an advisor should think through. Down markets make the highly unlikely possible if capital market conditions deteriorate unabated. While markets periodically become unhinged, a board entering into an agreement without a backstop plan may open itself to ill-informed deal making if events go awry.

A market saw states that bull markets take the escalator up and bear markets take the elevator down. Maybe the August sell-off will be the pause that refreshes, leading to new highs, tighter credit spreads, and more M&A. Maybe the October rebound in equities (but not credit, so far) will fade and the downtrend will resume. It is unknowable.

What is known is that boards that rely upon fairness opinions as one element of a decision process to evaluate a significant transaction are taking a step to create a safe harbor. Under U.S. case law, the concept of the "business judgment rule" presumes directors will make informed decisions that reflect good faith, care and loyalty to shareholders. The evaluation process is trickier when markets have or are falling sharply, but it is not unmanageable. We at Mercer Capital have extensive experience in valuing and evaluating the shares (and debt) of financial and non-financial service companies engaged in transactions during bull, bear and sideways markets garnered from over three decades of business.



Jeff K. Davis, CFA

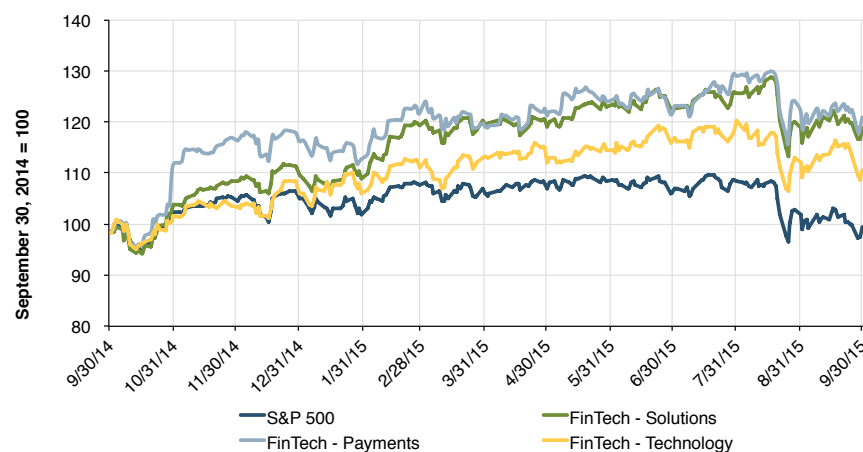
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Public Market Indicators

- Despite experiencing a contraction consistent with broader markets in the 3Q15, FinTech has outperformed the broader markets in the year-to-date period
- Broader markets were relatively flat over the trailing twelve month period as declining commodity markets, exchange rate volatility and a pronounced widening of credit spreads finally began to reverberate in global equity markets
- Investor interest in FinTech remains high given FinTech's high growth and innovation that is displacing traditional models

Mercer Capital FinTech Indices vs. S&P 500

for LTM Period



Source: SNL Financial

Median Total Return

as of September 30, 2015

Segment	Month-to-Date	YTD15	Last 12 Months
FinTech - Payments	-1.1%	4.1%	20.9%
FinTech - Solutions	-0.1%	8.4%	18.9%
FinTech - Technology	-1.3%	4.2%	10.5%
S&P 500	-2.5%	-5.3%	-0.6%

Source: SNL Financial

Valuation Multiples

as of September 30, 2015

Segment	Price / LTM EPS	Price / 2015 (E) EPS	Price / 2016 (E) EPS	Ent'p Value / LTM EBITDA	Ent'p Value / FY15 (E) EBITDA	Ent'p Value / FY16 (E) EBITDA	Ent'p Value / LTM Revenue
FinTech - Payments	28.3	18.7	16.3	14.4	12.9	11.1	2.2
FinTech - Solutions	29.1	24.8	20.7	14.6	12.6	11.1	3.2
FinTech - Technology	26.9	25.9	20.1	14.8	13.4	10.7	4.1

Source: SNL Financial

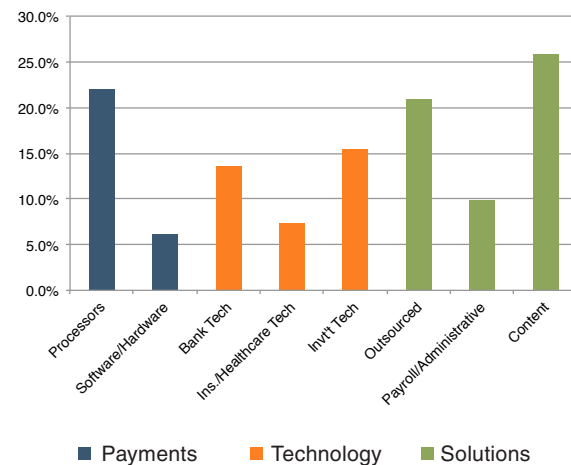
Consistent with recent historical growth patterns and outlook near-term, FinTech companies are generally priced at a premium to the broader markets with the S&P 500 priced at 15.1x estimated forward earnings at 9/30/15 (per [FactSet](#)).

Market performance of FinTech companies continues to gyrate as investors weigh:

- Threats of new entrants, including other technology companies and traditional financial institutions
- Continued technological change
- Emerging risks including regulatory and business model

FinTech Margins

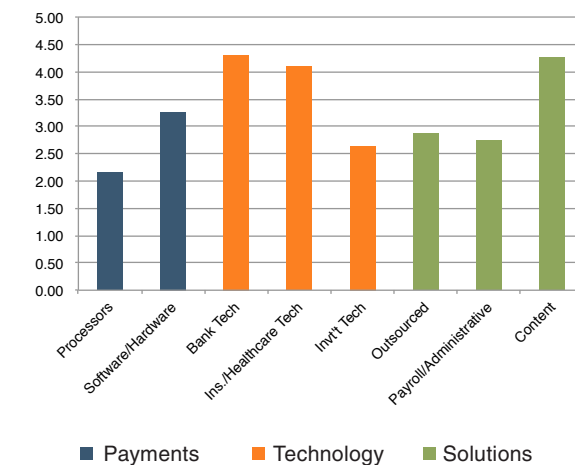
EBITDA Margin (LTM)



Source: SNL Financial and Capital IQ
Contact: wilsonj@mercercapital.com

FinTech Revenue Multiples

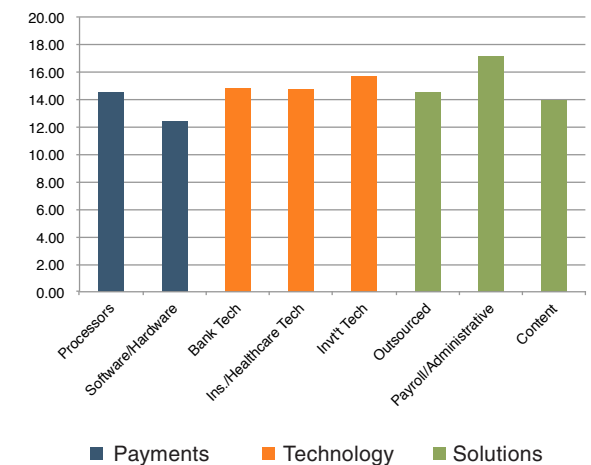
EV / Revenue (LTM)



Source: SNL Financial and Capital IQ
Contact: wilsonj@mercercapital.com

FinTech EBITDA Multiples

EV / EBITDA (LTM)



Source: SNL Financial and Capital IQ
Contact: wilsonj@mercercapital.com

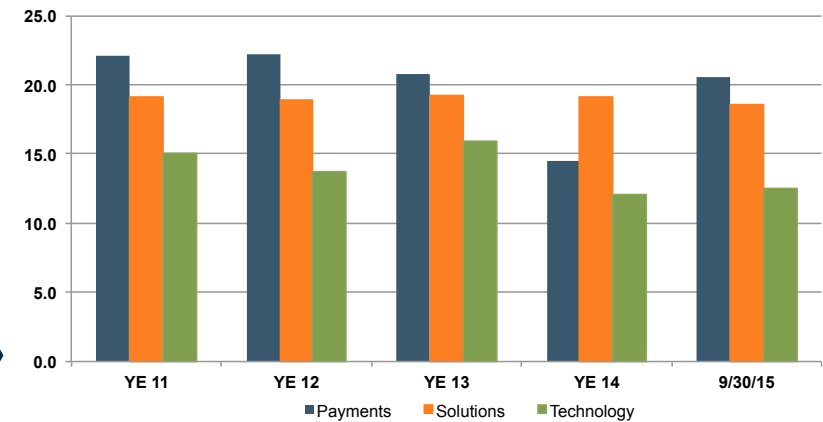
FinTech Bubble Watch

As margins continue
to contract...

Valuation multiples continue
to expand and rise relative to
historical levels...

FinTech Public Company Overview

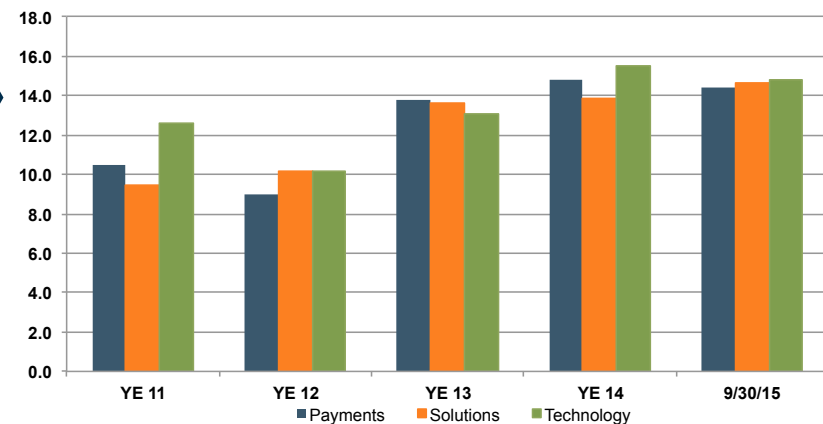
Median EBITDA Margins (%)



Source: Capital IQ, Mercer Capital Research
Contact: wilsonj@mercercapital.com

FinTech Public Company Overview

Median Enterprise Value / EBITDA Multiple (x)



Source: Capital IQ, Mercer Capital Research
Contact: wilsonj@mercercapital.com

FinTech IPO Watch

22 FinTech IPOs occurred in 2014 and the 1st half of 2015 and the median return for this group was 6.8% since IPO.

There were no FinTech IPOs in the third quarter of 2015 as market contractions weighed on IPO activity.

- Recent FinTech IPOs exhibited relatively volatile performance in 3Q15 as the broader market contracted

Largest FinTech IPOs

12 Months Ended Sept. 15

Ticker	Name	IPO Price	IPO Date	Gross Proceeds (\$M)	% Return Since IPO	9/30/15 Price	9/30/15 Mkt Cap (\$M)	9/30/15 Ent Val (\$M)	FinTech Niche	Description
LC	LendingClub Corporation	\$15.00	12/10/14	\$1,001	-11.8%	\$13.23	4,964	8,134	Alternative Lending	Peer to peer lending technology platform
INOV	Inovalon Holdings, Inc.	\$27.00	2/11/15	\$685	-22.9%	\$20.83	3,082	2,575	Insurance/Healthcare Solutions	Provides cloud-based data analytics systems to the healthcare industry
BKFS	Black Knight Financial Services, Inc.	\$24.50	5/19/15	\$507	32.9%	\$32.55	2,213	4,812	Outsourcing	Provider of integrated technology, data and analytics solutions
TRU	TransUnion	\$22.50	6/24/15	\$764	11.6%	\$25.12	4,577	6,863	Financial Media & Content	Risk and information solutions provider to businesses and consumers

Source: SNL Financial and Capital IQ

Industry Articles of Note

Unicorn Valuations: What's Obvious Isn't Real, and What's Real Isn't Obvious

Mercer Capital

Travis W. Harms, CFA, CPA/ABV

<http://mer.cr/1F2EBxG>

Mutual Funds Flail at Valuing Hot Startups Like Uber

The Wall Street Journal

Kirsten Grind

<http://mer.cr/1OjrgF2>

(subscription required)

Changing IPO climate threatens valuations of some \$1 billion plus tech unicorns

San Francisco Business Times

Cromwell Schubarth

<http://mer.cr/1HnnfaS>

FinTech M&A

YTD15 vs. YTD14

M&A activity was up 7% in the first three quarters of 2015 compared to the same period in 2014.

- Deal values (both in total and the median of those deals reported) were also up significantly as 2015 included several larger deals
- The most active niches continue to be technology providers, particularly those focused on investments and/or insurance healthcare

Deal Activity	YTD 9/15	YTD 9/14	% Change
# of Deals	140	131	7%
Total Reported Deal Value (\$M)	\$34,930.7	\$13,200.9	165%
Median Reported Deal Value (\$M)	\$64.0	\$45.0	42%

Target in Following FinTech Industry Niche	# of Deals		%
	YTD 9/15	YTD 9/14	Change
Payment Processors	23	30	
Processing Software & Hardware	12	12	
Payments Total	35	42	-17%
Bank	6	5	
Investments	26	16	
Insurance/Healthcare Solutions	39	33	
Technology Total	71	54	31%
Outsourcing	15	19	
Payroll & Administrative Solutions	3	3	
Financial Media & Content	16	13	
Solutions Total	34	35	-3%

Industry Articles of Note

At Money20/20, VCs Aren't Fretting Soaring Valuations in Fintech World

The Wall Street Journal: MoneyBeat
Telis Demos and Peter Rudegeair
<http://mer.cr/1Md9ilc>

S.E.C. Gives Small Investors Access to Equity Crowdfunding

New York Times
Stacy Cowley
<http://mer.cr/1XKkOIT>

FinTech M&A

2015 Overview

The largest FinTech deals in the first three quarters of 2015 are listed below.

Largest FinTech M&A

YTD 2015

Buyer Name/ Target Name	Announce Date	Deal Value (Reported) \$M	Deal Value, Including Debt Assumption (Reported) \$M	Valuation Multiples		Target Niche	Target Description
				Total Ent. Value (i.e., DV, Including Debt) / Revenue	Total Ent. Value (i.e., DV, Including Debt) / EBITDA		
SS&C Technologies Holdings, Inc./ Advent Software, Inc.	2/2/15	2,456	2,661	3.40	NM	Investments Technology	A provider of software and services for the global investment management industry
Lexmark International Inc./ Kofax Limited	3/24/15	1,014	1,014	7.31	NM	Processing Software & Hardware	Provider of capture and business process management software and related maintenance and professional services
DH Corporation/ Fundtech Ltd.	3/30/15	1,250	1,250	4.76	NA	Banking Technology	A provider of transaction banking software and services to financial institutions and corporations
Cox Enterprises, Inc./ Dealertrack Technologies, Inc.	6/15/15	4,001	4,709	11.12	NA	Banking Technology	A provider of web based software solutions to the retail automotive industry
Willis Group Holdings Public Limited Company/ Towers Watson & Co.	6/30/15	8,647	8,829	6.76	NM	Outsourcing	Merger of Equals; Towers Watson is a global professional services company that helps organizations improve performance through effective people, risk and financial management
eBay Inc./ Xoom Corporation	7/1/15	1,226	1,226	4.97	NM	Payment Processors	A digital transfer money provider that targets US consumers needing to transfer money abroad
McGraw Hill Financial, Inc./ SNL Financial LC	7/27/15	2,225	2,491	5.48	15.40	Financial Media & Content	Business intelligence company that collects and disseminates data and focuses its research on the banking, financial services, media and communications, insurance, real estate, energy and metals & mining sectors
Fidelity National Information Services, Inc./ SunGard	8/12/15	5,195	9,864	2.43	11.63	Investments Technology	Provider of solutions for financial services, public sector and education
Vista Equity Partners Management, LLC/ Solera Holdings, Inc.	9/13/15	3,766	6,248	3.47	13.55	Insurance/Healthcare Solutions	Provider of risk and asset management software and services to the automotive and property marketplace
Median		2,456	2,661	4.97	13.55		

Source: SNL Financial and Capital IQ

FinTech Venture Capital Activity Overview

Larger Fundings
During 3Q15

Company	Amount (\$M)	Company Description
SoFi (Social Finance)	1,000	Alternative (Marketplace) Lender - Student Loan Focus
Avant	339	Alternative Lender - Consumer Focus
Avant	325	Alternative Lender - Consumer Focus
AvidXchange	225	Payment Solutions (Automated Billpay & A/P)
Clover Health	100	Health Insurance - Focus on Seniors
Elevate	70	Alternative Lender - Consumer Focus
Compass	50	Real Estate Marketplace
FundBox	50	Accounts Receivable Financing for Small Businesses
Shift Payments	50	Debit Card with Universal Currency Access
Payoneer	50	International Money Transfers
CommonBond	35	Alternative/P2P Lending - Student Focus
Maestro Health	35	Health Insurance Solutions - Enterprise Focus

A summary of selected FinTech venture capital financing activity in the third quarter of 2015. Covers selected financing rounds larger than \$10 million.

Source: Finovate Emails (which cite themselves, Crunchbase, FT Partners, and *The Wall Street Journal*) & Company Websites

FinTech Venture Capital Activity Overview

Larger Fundings
During 3Q15 (cont.)

Company	Amount (\$M)	Company Description
PokitDok	34	Healthcare & Insurance APIs
CoverHound	33	Insurance Portal
Kensho	33	Artificial Intelligence Technology
Oscar	32.5	Health Insurance
Chain	30	Blockchain Technology - Enterprise Applications
Orchard Platform	30	Marketplace Lending
LaunchPoint	22.5	Health Care Payments & Analytics Software
DriverUp	20	Alternative (Marketplace) Lender - Auto Lending Focus
DISCERN	20	Investment Information - Professional Investors
eShares	17	Equity Management System
Nok Nok Labs	16	Authentication Solutions
Aspiration	15.5	Online Investment Platform

A summary of selected FinTech venture capital financing activity in the third quarter of 2015. Covers selected financing rounds larger than \$10 million.

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FinTech Venture Capital Activity Overview

Larger Fundings
During 3Q15 (cont.)

Company	Amount (\$M)	Company Description
CashStar	15	Prepaid Card Solutions for Retailers and Restaurants
Lumity	14	Health Insurance Selection for Enterprises
Revel Systems	13.5	iPad-based POS System
Abra	12	Crowdsourced Remittances
Remitly	12	Mobile Remittance Services
Fundera	11.5	Alternative (Marketplace) Lender - Small Business Focus
Alkami Technology	11	Digital Banking Solutions Provider
Ellevest	10	Women's Investing Platform
Credible	10	Alternative Lender - Student Focus
NEFT LLC (mPowerCredit)	10	Credit Tools for Consumers
InVenture	10	Mobile Loan Underwriting for Unbanked
Driveway	10	Smartphone Software

A summary of selected FinTech venture capital financing activity in the third quarter of 2015. Covers selected financing rounds larger than \$10 million.

Source: Finovate Emails (which cite themselves, Crunchbase, FT Partners, and *The Wall Street Journal*) & Company Websites

Top 2015 FinTech Venture Capital Fundings

	Company	Amount (\$M)	Company Description
1	SoFI (Social Finance)	1,000	Marketplace for student loan refinancing and other loans
2	Zenefits	500	All-in-one online human resources management platform
3	Avant	400	Personal loan and line of credit provider that lowers the barriers and cost of borrowing
4	Avant	325	Personal loan and line of credit provider that lowers the barriers and cost of borrowing
5	Avant	339	Personal loan and line of credit provider that lowers the barriers and cost of borrowing
6	Affirm	275	Offers more flexible installment loans at the point of sale focused toward millennials
7	AvidXchange	225	Automated bill payment solution provider
8	SoFI (Social Finance)	200	Marketplace for student loan refinancing and other loans
9	Credit Karma	175	Free access to credit scores, reports, and monitoring and other financial and educational tools
10	Prosper	165	Online peer-to-peer lending service in which people invest in each other
11	ZestFinance	150	Uses big data technology to improve credit underwriting for lenders
12	CommonBond	150	Student loan marketplace lender
13	Oscar	145	Health insurance company that focuses on technology, design, and customer service

A summary of selected FinTech venture capital financing activity in the third quarter of 2015. Covers selected financing rounds larger than \$10 million.

Source: Finovate Emails (which cite themselves, Crunchbase, FT Partners, and *The Wall Street Journal*) & Company Websites

Publicly Traded Payments Companies

		9/30/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY15E	FY16E	LTM	FY15E	FY16E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
Payment Processors															
ADS	Alliance Data Systems Corporation	258.98	15,910	29,973	32.3	17.2	15.0	18.6	16.0	14.1	5.1	5,907	1,611	27%	9%
HAWK	Blackhawk Network Holdings, Inc.	42.39	2,314	2,422	46.2	18.7	16.3	16.2	13.0	10.9	1.5	1,620	149	9%	3%
CATM	Cardtronics Inc.	32.70	1,468	2,038	33.7	11.4	10.2	8.0	6.8	6.2	1.8	1,135	255	22%	4%
DLX	Deluxe Corp.	55.74	2,785	3,228	13.7	12.3	11.6	8.3	7.3	6.9	1.9	1,731	389	22%	12%
EEFT	Euronet Worldwide, Inc.	74.09	3,906	3,805	40.3	23.3	19.9	15.4	13.3	11.2	2.2	1,736	247	14%	6%
EVRI	Everi Holdings Inc.	5.13	338	1,331	NM	6.0	4.2	9.8	6.4	5.8	1.9	711	136	19%	-2%
EVTC	EVERTEC, Inc.	18.07	1,400	2,022	19.9	10.6	9.9	13.0	10.9	10.3	5.5	367	155	42%	19%
FLT	FleetCor Technologies, Inc.	137.62	12,671	15,646	31.5	22.1	18.9	20.0	16.9	14.9	10.5	1,493	797	53%	27%
GPN	Global Payments Inc.	114.73	7,451	9,241	27.8	21.8	18.9	15.6	15.4	13.6	3.3	2,774	594	21%	10%
GDOT	Green Dot Corporation	17.60	917	216	15.3	13.3	12.0	1.8	1.4	1.3	0.3	700	123	18%	8%
HPY	Heartland Payment Systems, Inc.	63.01	2,316	2,818	60.1	22.1	19.2	14.7	13.0	11.5	1.1	2,483	192	8%	2%
ONE	Higher One Holdings, Inc.	1.97	95	145	6.0	4.7	5.1	3.0	2.9	3.4	0.6	228	49	22%	7%
MA	MasterCard Incorporated	90.12	102,025	98,475	27.6	26.8	22.7	18.1	17.3	15.1	10.3	9,553	5,447	57%	39%
MGI	Moneygram International Inc.	8.02	427	1,441	NM	10.6	8.3	8.6	6.0	5.4	1.0	1,397	168	12%	-6%
PLPM	Planet Payment, Inc.	2.83	144	132	28.3	25.0	19.7	16.4	11.4	9.1	2.7	49	8	16%	12%
TSS	Total System Services, Inc.	45.43	8,357	9,467	25.8	19.8	17.9	14.4	11.6	10.5	3.6	2,607	637	24%	12%
JTPY	JetPay Corporation	2.77	38	83	NM	NM	NM	27.3	21.4	16.7	2.1	39	3	8%	-10%
VNTV	Vantiv, Inc.	44.92	6,566	9,792	51.3	20.5	17.9	14.9	12.3	11.1	3.4	2,923	656	22%	5%
PAY	VeriFone Systems, Inc.	27.73	3,187	3,794	44.6	14.7	12.2	13.8	9.2	9.1	1.9	1,977	275	14%	4%
V	Visa Inc.	69.66	169,476	164,754	28.8	26.7	22.4	18.1	16.6	14.8	12.2	13,538	9,078	67%	43%
WU	The Western Union Company	18.36	9,390	11,377	11.4	11.1	10.6	8.1	8.3	8.1	2.0	5,555	1,407	25%	15%
WEX	WEX Inc.	86.84	3,357	4,512	19.8	17.2	15.5	12.7	12.9	11.3	5.3	850	354	42%	20%
Median			2,986	3,511	28.3	17.2	15.5	14.6	12.0	10.7	2.2	1,676	265	22%	9%

Publicly Traded Payments Companies

		9/30/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY15E	FY16E	LTM	FY15E	FY16E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
Payment Software/Hardware															
ADP	Automatic Data Processing, Inc.	80.36	37,389	35,733	27.8	26.9	23.0	15.7	15.7	13.5	3.3	10,939	2,281	21%	13%
CVG	Convergys Corporation	23.11	2,271	2,401	16.6	13.5	12.3	6.5	6.3	5.8	0.8	2,971	371	12%	5%
NSP	Insperty, Inc.	43.93	1,088	899	30.7	19.4	16.7	9.8	7.7	6.8	0.4	2,483	92	4%	2%
PAYX	Paychex, Inc.	47.63	17,209	16,671	25.7	24.8	22.6	14.4	13.9	13.0	6.1	2,796	1,189	43%	25%
WDAY	Workday, Inc.	68.86	13,221	11,817	NM	NM	NM	NM	167.3	89.9	12.1	975	(152)	-16%	-26%
PAYC	Paycom Software, Inc.	35.91	2,123	2,106	115.3	100.5	78.5	55.3	45.8	36.6	11.4	185	38	21%	9%
PCTY	Paylocity Holding Corporation	29.99	1,521	1,439	NM	NM	NM	NM	223.9	89.1	9.4	153	(8)	-5%	-9%
TNET	TriNet Group, Inc.	16.80	1,185	1,567	54.6	16.0	12.7	10.5	10.0	8.3	0.6	2,425	149	6%	1%
UPLD	Upland Software, Inc.	7.90	121	119	NM	NM	NM	NM	30.6	19.0	1.7	68	(11)	-17%	-18%
Median			2,123	2,106	29.3	22.1	19.7	12.5	15.7	13.5	3.3	2,425	92	6%	2%
Overall Payments Median			2,316	2,818	28.3	18.7	16.3	14.4	12.9	11.1	2.2	1,731	247	21%	7%

Publicly Traded Solutions Companies

Ticker	Name	9/30/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY15E	FY16E	LTM	FY15E	FY16E		Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA
Outsourced															
ACXM	Acxiom Corporation	19.76	1,540	1,689	NM	35.1	33.7	11.2	11.1	12.0	1.6	1,030	151	15%	0%
CSC	Computer Sciences Corporation	61.38	8,491	8,934	NM	12.8	12.0	8.8	4.6	4.4	0.8	11,697	1,015	9%	0%
CSGS	CSG Systems International Inc.	30.80	1,007	1,098	25.7	13.0	11.8	9.0	6.6	6.2	1.5	747	122	16%	5%
EFX	Equifax Inc.	97.18	11,491	12,927	30.5	22.0	19.7	14.5	13.9	12.6	5.0	2,568	893	35%	15%
EXLS	Exlservice Holdings, Inc.	36.93	1,224	1,123	35.8	19.0	16.6	15.7	10.5	9.1	2.0	557	72	13%	6%
FICO	Fair Isaac Corporation	84.50	2,631	3,195	30.9	19.6	16.4	17.3	15.1	12.7	3.9	828	185	22%	11%
FIS	Fidelity National Information Services, Inc.	67.08	18,889	23,576	27.0	20.3	17.6	14.6	11.9	9.6	3.7	6,436	1,611	25%	11%
FISV	Fiserv, Inc.	86.61	20,317	24,023	29.2	22.7	20.1	14.5	13.5	12.5	4.7	5,152	1,572	31%	14%
IL	IntraLinks Holdings, Inc.	8.29	480	503	NM	146.3	63.8	41.4	13.1	11.5	1.9	268	12	5%	-12%
INTU	Intuit Inc.	88.75	24,611	23,414	61.2	31.6	24.7	21.5	16.8	13.4	5.6	4,192	1,087	26%	9%
PRGX	PRGX Global, Inc.	3.77	91	71	NM	188.5	44.4	6.2	3.6	3.4	0.5	155	12	7%	-3%
BKFS	Black Knight Financial Services, Inc.	32.55	2,213	4,812	NM	35.3	30.7	15.6	11.7	10.8	5.4	895	308	34%	-12%
SSNC	SS&C Technologies Holdings, Inc.	70.04	6,907	6,643	43.6	27.4	22.7	21.4	15.1	10.9	8.2	812	310	38%	18%
TW	Towers Watson & Co.	117.38	8,133	7,546	21.3	19.0	17.3	10.6	9.9	9.1	2.1	3,645	715	20%	11%
Median			4,769	5,727	30.5	22.3	19.9	14.6	11.8	10.9	2.9	962	309	21%	8%

Publicly Traded Solutions Companies

Ticker	Name	9/30/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY15E	FY16E	LTM	FY15E	FY16E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
Payroll/Administration															
ACIW	ACI Worldwide, Inc.	21.12	2,488	3,273	27.8	25.9	25.4	15.6	11.8	10.8	3.2	1,039	210	20%	9%
EPAY	Bottomline Technologies (de), Inc.	25.01	974	989	NM	18.2	14.9	22.7	13.6	11.8	3.0	331	44	13%	-10%
BR	Broadridge Financial Solutions, Inc.	55.35	6,546	6,912	23.9	22.2	19.1	12.1	12.7	10.8	2.6	2,694	577	21%	11%
CDK	CDK Global, Inc.	47.78	7,616	8,200	43.4	35.1	25.8	18.7	16.8	13.5	4.0	2,064	438	21%	9%
DBD	Diebold, Incorporated	29.77	1,934	2,265	23.5	16.6	14.0	9.3	8.9	8.2	0.8	3,018	244	8%	3%
NCR	NCR Corporation	22.75	3,863	6,937	NM	8.5	7.6	21.5	6.7	6.3	1.1	6,495	323	5%	-4%
NTWK	NetSol Technologies, Inc.	5.02	52	56	NM	NM	-	11.0	-	-	1.1	51	5	10%	-11%
PEGA	Pegasystems Inc.	24.61	1,884	1,657	63.1	31.4	27.3	22.0	14.7	12.5	2.7	622	75	12%	5%
XTLY	Xactly Corporation	7.80	227	184	NM	NM	NM	NM	NM	NM	2.7	67	(13)	-20%	-27%
WK	Workiva Inc.	15.19	617	555	NM	NM	NM	NM	NM	NM	4.4	127	(37)	-29%	-35%
YDLE	Yodlee, Inc.	16.13	490	421	NM	227.2	76.0	NM	45.0	25.5	4.3	99	(6)	-6%	-12%
Median			1,884	1,657	27.8	24.0	19.1	17.2	12.7	10.8	2.7	622	75	10%	-4%
Content															
RATE	Bankrate, Inc.	10.35	1,044	1,204	128.7	15.4	15.3	12.4	8.4	8.2	2.2	553	97	18%	2%
CLGX	CoreLogic, Inc.	37.23	3,317	4,512	26.5	20.4	18.4	12.7	10.8	10.0	3.1	1,464	338	23%	8%
CSGP	CoStar Group Inc.	173.06	5,619	5,643	NM	101.7	44.8	55.0	47.6	24.2	8.8	639	103	16%	1%
DNB	Dun & Bradstreet Corp.	105.00	3,792	5,451	16.4	14.6	13.8	12.4	11.1	10.4	3.2	1,685	436	26%	11%
FDS	FactSet Research Systems Inc.	159.81	6,600	6,453	28.0	25.8	22.6	17.8	17.0	15.3	6.4	1,007	363	36%	24%
TRU	TransUnion	25.12	4,577	6,863	NM	26.2	21.3	15.6	13.5	12.2	4.9	1,405	431	31%	-2%
MRKT	Markit Ltd.	29.00	5,125	5,584	28.0	19.7	18.4	13.9	11.4	10.6	5.1	1,086	412	38%	18%
FORR	Forrester Research Inc.	31.44	563	453	48.1	29.7	23.9	13.3	15.5	11.8	1.4	314	34	11%	4%
IT	Gartner Inc.	83.93	6,970	7,327	42.8	35.4	28.8	22.1	17.5	15.1	3.5	2,074	332	16%	8%
MORN	Morningstar Inc.	80.26	3,551	3,330	29.1	26.1	22.4	13.6	12.5	11.3	4.3	781	245	31%	16%
VRSK	Verisk Analytics, Inc.	73.91	12,453	15,623	26.7	24.8	22.2	17.9	15.6	13.7	8.4	1,871	873	47%	25%
Median			4,577	5,584	28.0	25.8	22.2	13.9	13.5	11.8	4.3	1,086	338	26%	8%
Overall Solutions Median			3,434	4,662	29.1	24.8	20.7	14.6	12.6	11.1	3.2	1,019	276	19%	6%

Publicly Traded Technology Companies

Ticker	Name	9/30/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY15E	FY16E	LTM	FY15E	FY16E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
Banking Technology															
TRAK	Dealertrack Technologies, Inc.	63.16	3,496	4,280	NM	43.4	34.3	33.2	19.1	15.8	4.3	993	120	12%	-4%
ELLI	Ellie Mae, Inc.	66.57	1,970	1,880	98.0	51.5	41.3	41.0	30.6	23.8	9.0	210	46	22%	10%
EPIQ	Epiq Systems, Inc.	12.92	482	874	170.4	15.1	13.4	14.2	8.2	7.4	1.9	451	61	14%	1%
JKHY	Jack Henry & Associates Inc.	69.61	5,584	5,488	26.9	25.9	23.7	12.6	12.2	11.3	4.4	1,256	437	35%	17%
PFMT	Performant Financial Corporation	2.42	120	144	NM	50.3	18.0	14.8	6.5	5.1	0.9	159	10	6%	-4%
Median			1,970	1,880	98.0	43.4	23.7	14.8	12.2	11.3	4.3	451	61	14%	1%
Insurance/Healthcare Technology															
ATHN	athenahealth, Inc.	133.35	5,152	5,337	NM	109.6	89.9	86.6	31.8	26.0	6.4	835	62	7%	1%
CRVL	CorVel Corporation	32.30	644	617	24.5	-	-	9.9	-	-	1.2	495	62	13%	5%
CRD.B	Crawford & Company	5.61	311	516	15.2	9.6	7.3	6.2	5.1	4.4	0.4	1,171	82	7%	2%
EBIX	Ebix Inc.	24.96	860	983	12.7	12.2	11.8	11.5	10.5	10.0	4.1	240	85	35%	30%
GWRE	Guidewire Software, Inc.	52.58	3,734	3,163	NM	93.4	79.7	140.1	45.9	40.7	8.3	381	23	6%	3%
HMSY	HMS Holdings Corp.	8.77	777	824	58.4	15.9	14.0	9.5	7.4	6.5	1.8	453	87	19%	3%
MGLN	Magellan Health, Inc.	55.43	1,491	1,494	24.4	15.9	16.4	6.4	5.3	4.9	0.4	4,044	233	6%	1%
SLH	Solera Holdings Inc.	54.00	3,620	6,081	NM	18.3	16.9	14.7	13.2	12.0	5.3	1,141	413	36%	-9%
CSLT	Castlight Health, Inc.	4.20	396	232	NM	NM	NM	NM	NM	NM	3.8	61	(79)	-130%	-132%
CNXR	Connecture, Inc.	4.56	100	139	NM	NM	23.3	NM	15.5	7.7	1.5	93	(1)	-1%	-8%
HQY	HealthEquity, Inc.	29.55	1,691	1,542	124.8	99.2	68.5	53.7	40.8	29.4	14.4	107	29	27%	13%
IMPR	Imprivata, Inc.	17.77	434	380	NM	NM	NM	NM	NM	NM	3.5	110	(12)	-11%	-17%
IMS	IMS Health Holdings, Inc.	29.10	9,559	13,415	24.5	19.9	17.2	18.4	14.8	13.2	5.0	2,708	730	27%	15%
INOV	Inovalon Holdings, Inc.	20.83	3,082	2,575	43.2	39.2	30.4	18.6	16.2	12.9	6.7	387	139	36%	17%
EVH	Evolent Health, Inc.	15.96	941	1,017	3.1	NM	NM	NM	NM	NM	9.1	111	(62)	-56%	276%
Median			941	1,017	24.5	18.3	17.1	14.7	14.0	11.0	4.1	387	62	7%	3%

Publicly Traded Technology Companies

		9/30/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY15E	FY16E	LTM	FY15E	FY16E		Revenue	EBITDA (\$M)	EBITDA (\$M)	EBITDA
Ticker	Name														
Investment Technology															
DST	DST Systems Inc.	105.14	3,769	4,164	7.0	17.9	16.0	8.7	9.6	9.0	1.5	2,783	430	15%	20%
ENV	Envestnet, Inc.	29.97	1,067	1,017	91.0	30.1	22.3	22.4	13.6	9.7	2.6	384	45	12%	3%
MSCI	MSCI Inc.	59.46	6,449	6,794	34.0	27.1	22.7	15.7	14.8	13.3	6.6	1,036	432	42%	19%
Median			3,769	4,164	34.0	27.1	22.3	15.7	13.6	9.7	2.6	1,036	430	15%	19%
Overall Technology Median			1,491	1,494	26.9	25.9	20.1	14.8	13.4	10.7	4.1	451	62	13%	3%

Mercer Capital

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Contact a Mercer Capital professional to discuss your needs in confidence.

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