

# VALUE FOCUS

## FinTech Industry

### Second Quarter 2016

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# Mercer Capital

Financial Technology  
Industry Services

Mercer Capital provides financial technology companies with valuation, financial advisory, and consulting services.

Mercer Capital provides valuations for a variety of purposes including, corporate/strategic planning, transactions (fairness opinion and M&A), equity compensation (409A compliance, ESOPs, and stock option programs), and financial statement reporting (purchase price allocations, impairment testing, equity compensation). Additionally, Mercer Capital provides related financial advisory and consulting services for companies across the corporate lifecycle — from start-ups to more mature companies.

## Services Provided

- Valuation of financial technology companies
- Financial advisory/valuations for acquisitions and divestitures
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- Fairness and solvency opinions
- Litigation support for economic damages and valuation and shareholder disputes
- Consulting and board presentations for corporate and strategic planning

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

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# Three Reasons to Consider a Valuation of Your FinTech Company

by Jay D. Wilson, Jr., CFA, ASA, CBA

*"Nowadays people know the price of everything and the value of nothing."*

– Oscar Wilde, *The Picture of Dorian Gray*

The above quote seems especially apt in the FinTech industry because the implied values of high-profile, private FinTech companies are often mistakenly reported by the media based on the share price paid by investors in a recently completed funding round. The problem with applying the pricing of the most recent raise to all shares is that the media rarely knows about investor preferences attributable to each funding. As a result, the value of the company is most likely overstated. Capital structures and shareholder preferences matter. *Pari passu* is not a given although it is often implicitly implied in media reports.

Consider the following example. Investors in a late-stage funding invest \$100 million in return for 100,000 convertible preferred shares that represent 10% of the company's post-raise fully diluted shares. The investors also get certain economic, control rights and other preferences with their preferred shares that earlier investors did not obtain. The headline notes that a new FinTech Unicorn has arrived because the implied value is \$1 billion based upon the \$100 million investment for the 10% interest; however, this simple calculation typically will overstate the Company's value because the majority of the shares do not have the same rights and preferences as those purchased in the most recent financing round.

Valuing companies with limited if any operating history that involves a new technology is inherently difficult. The challenge increases when the subject has a complex capital

structure. Nevertheless, valuations—whether reasonable or unreasonable—have very real economic consequences for investors, employees and other stakeholders, especially when new capital is injected into the equation. We are biased, but we believe private FinTech companies will be well served over the long-run to obtain periodic valuations from independent third parties. Reasons to do so include the following.

## 1. To Measure Value Creation Over Time

One of the best performance scorecard metrics to measure is value creation over extended time periods. For public companies, it is a simple process. Measure a company's total return (percentage change in share price plus the return from reinvested dividends) and compare it to other benchmark measures such as the broader market, industry, and/or peers. For example, a publicly traded payments company whose shareholders have achieved a one-year total return of 10.0% can note on their scorecard that their performance has outpaced the returns from the S&P 500 and Mercer Capital's FinTech Payments Index, which rose 4.0% and 4.6%, respectively, in the twelve months ended June 30, 2016.

For private companies, annual or more frequent valuations have to be obtained to create a realistic scorecard. Rules-of-thumb exist in every industry, but they are at best approximations and often haphazard guesses that do not take into account the key value drivers of earning power (or cash flow generation), growth, and risk. Some privately held financial services companies like banks may be able to proxy value creation without annual valuations by tracking growth in book value, ROE, and dividend payments, but even for homogenous entities such as banks these metrics say nothing about an institution's risk profile. FinTech companies with little homogeneity among

business models are poorly suited to measure value based upon rules-of-thumbs that are applied to revenues or even EBITDA. Every company is unique, and markets in which companies are valued are not static.

Also, there may be a tendency to overlook balance sheets beyond cash because FinTech balance sheets typically do not “drive” earning power as intangible assets, such as customer databases, intellectual property, patents, and the like, are not recorded unless there has been an acquisition. While understandable, ignoring the balance sheet can be a mistake because sometimes there are aspects to it that will impact value.

Additionally, dividends (the other element of shareholder return) and dividend paying capacity should be an important value consideration, even though FinTech companies often do not or cannot pay dividends in order to reinvest internally generated capital to fund future growth. Another benefit of the valuation process might be insight that suggests the board should shift to distributions from reinvestment because incremental returns are too low to justify.

It is advisable for private FinTech companies to measure value creation by having annual or more frequent valuations performed by an outside third-party. For example, consider Table 1 for Private FinTech Company that tracks returns to shareholders based upon changes in the appraised value of the shares and dividends paid over a three-year period. While the hypothetical 45% total return outwardly appears attractive, there is no context. Comparisons with publicly traded FinTech companies, broad industry indexes and realized returns following an acquisition for public and private companies will provide further relevance to the scorecard (Chart 1).

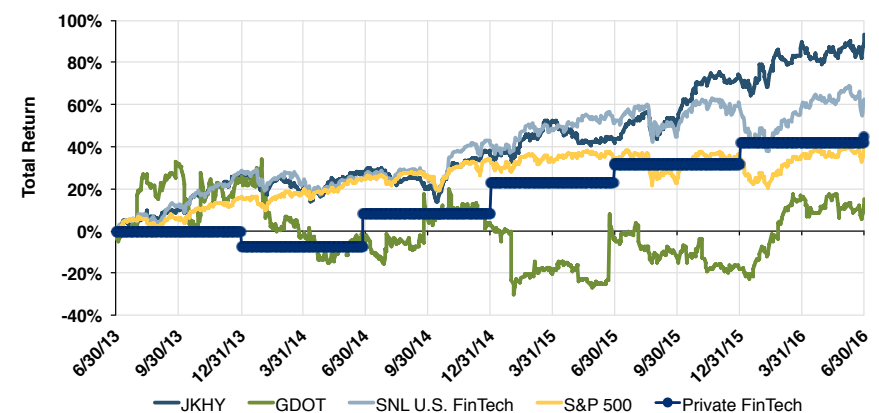
## 2. For Planning Purposes

Projections for an early-stage FinTech company are a given. In theory so too are rising valuations as important milestones, such as targeted market penetration, users, revenues, and EBITDA, are met. Unless the company does not require significant capital and/or internal capital generation is sufficient, the projections should incorporate additional capital raises and expected dilution based upon implicit valuations. On a go forward basis periodic valuations can be overlaid with the initial and any refreshed

**Table 1: Private FinTech Company**

Valuation Date	Value Per Share	Div. Per Share	Total Return (Chg. In Share Price + Div. Yield)	Cumulative Divs.
6/30/16	\$12.90	\$0.30	45.0%	\$1.60
12/31/15	\$12.90	\$0.30	42.0%	\$1.30
6/30/15	\$12.20	\$0.25	32.0%	\$1.00
12/31/14	\$11.55	\$0.25	23.0%	\$0.75
6/30/14	\$10.30	\$0.25	8.0%	\$0.50
12/31/13	\$9.00	\$0.25	-7.5%	\$0.25
6/28/13	\$10.00	na	0.0%	

**Chart 1: Total Returns (%) Since 6/30/13**



Source: S&P Global Market Intelligence (JKHY, GDOT, SNL U.S. FinTech, & S&P 500)

#### FINTECH NEWSLETTER: ARTICLES

Each quarter, the FinTech newsletter features an article on a valuation or financial advisory topic. Past articles include: "Preferences and FinTech Valuations" and "How to Value FinTech Venture Capital Portfolio Investments."

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## What We're Reading

### FinTech Poses No. 1 Threat to Community Banks, Execs Tell FDIC

In a recent meeting with the FDIC, many community bankers voiced their fears about the potential disruption that FinTech could have on their business models.

### Cost-Conscious Small Businesses Want Better Bank Tech

*American Banker* examines small businesses' calls for their banks to adopt more up to date technology.

### FinTech Startup Craves More Regulation

Digital payment FinTech companies are beginning to explore special purpose charters from the OCC that would subject them to some of the same regulatory scrutiny as banks.

(subscription required)

### FinTech and Financial Inclusion

In a blog post from the *Wall Street Journal*, FinTech is hailed as a vehicle of financial inclusion in underbanked emerging markets.

(subscription required)

forecasts to measure how the company is progressing in terms of value creation relative to plan and to alternatives (e.g., a strategy pivot to a collaborative partnership from disruptor). The key is to measure and compare in order to have a contextual perspective to facilitate decision making.

## 3. For Employee Ownership Plans

FinTech companies usually attract talent by offering stock ownership so that employees share in the upside should the company's valuation improve over time. Plus, stock-based compensation lessens a company's cash needs all else equal. Complex capital structures with private equity investors that have preferences vis-a-vis employees create another potential valuation wrinkle. Returns to the two groups usually will differ. Well documented, periodic valuations are critical. There have been **examples** where employees have lost money by paying taxes based upon valuations higher than the company realized in a sale. While downside exposure to a company's faltering performance and/or market conditions is the risk that comes with the potential upside of equity ownership, it is important to have a formalized valuation process to demonstrate compliance with tax and financial reporting regulations. Certainly, scrutiny from auditors, the SEC, and/or the IRS are likely at some point, but very real tax issues also can result from poorly structured or administered equity compensation plans for employees.

## Conclusion

If you are interested in discussing the valuation needs for your FinTech company, please contact us. Depending upon how it is defined FinTech is a relatively new industry "vertical." Mercer Capital has been providing valuation and transaction advisory services to a wide swath of financial services companies for over 30 years that runs the gamut from banks to FinTech. Financials are our largest practice vertical. We have a deep bench and would be delighted to assist.

**Jay D. Wilson, Jr., CFA, ASA, CBA**

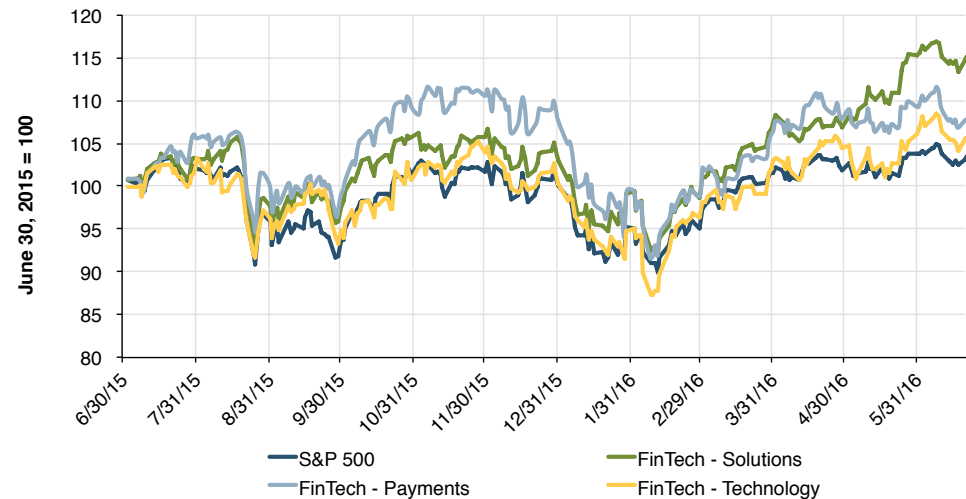
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## Public Market Indicators

FinTech outperformed the 4% trailing twelve month gain in the S&P 500 as of June 30. All three sectors—Payments, Solutions and Technology—exceeded the S&P led by a 16% gain in the Solutions niche.

- During 1H16 the Solutions and Technology niches outperformed the S&P 500 by rising 13% and 8% compared to 4% for the market.
- Second quarter performance was placid until the unexpected “yes” vote to Brexit rattled the market for a few days, which was then followed by a recovery.
- For the first half of 2016, the Solutions and Technology niches outperformed the broader markets (up 13% and 8%, respectively, compared to the S&P 500 that was up ~4%) while Payments lagged (down ~3%).

### Mercer Capital FinTech Indices vs. S&P 500



Source: S&P Global Market Intelligence

### Median Total Return

as of June 30, 2016

Segment	Month-to-Date	YTD 16	LTM 6/16
FinTech - Payments	-4.2%	-2.8%	4.6%
FinTech - Solutions	0.7%	12.7%	16.1%
FinTech - Technology	1.9%	7.8%	8.2%
<b>S&amp;P 500</b>	<b>0.3%</b>	<b>3.8%</b>	<b>4.0%</b>

Source: S&P Global Market Intelligence

#### FINTECH NEWSLETTER: PUBLIC MARKET INDICATORS

Each quarter, the FinTech newsletter reviews the public FinTech market.

To receive quarterly updates, follow the link below.

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## Valuation Multiples

as of June 30, 2016

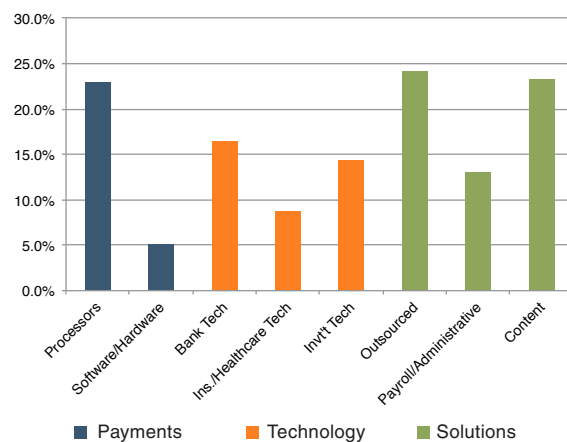
Segment	Price / LTM EPS	Price / 2016 (E) EPS	Price / 2017 (E) EPS	Ent'p Value / LTM EBITDA	Ent'p Value / FY16 (E) EBITDA	Ent'p Value / FY17 (E) EBITDA	Ent'p Value / LTM Revenue
FinTech - Payments	28.4	18.0	16.2	14.7	10.9	9.9	2.8
FinTech - Solutions	36.5	24.6	21.8	16.6	12.4	11.3	3.4
FinTech - Technology	39.6	27.4	23.3	16.9	13.2	12.1	3.9

Source: S&P Global Market Intelligence

- Consistent with superior historical growth and mostly favorable near-term outlooks, FinTech companies remain priced at a premium to the broader market with the S&P 500 trading at 16.4x estimated forward earnings at 7/1/16 (per [FactSet](#)).
- FinTech generally has been viewed as a long-term growth sector in a low-growth world, which enhances its investor appeal.
- Investor interest in FinTech remains high, in our view. However, investors continue to weigh competitive threats from incumbents as well as other startups, continuing technological change, and regulatory/business model risk.

## FinTech Margins

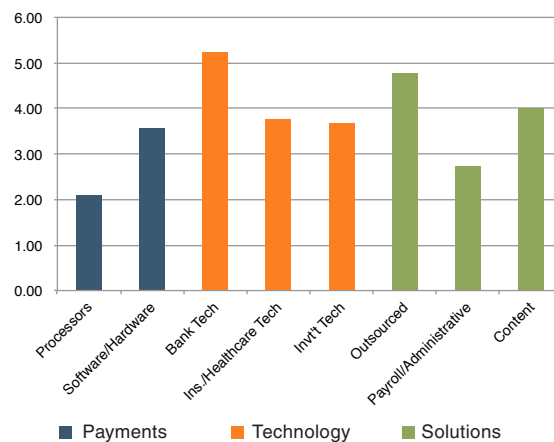
EBITDA Margin (LTM)



Source: S&P Global Market Intelligence

## FinTech Revenue Multiples

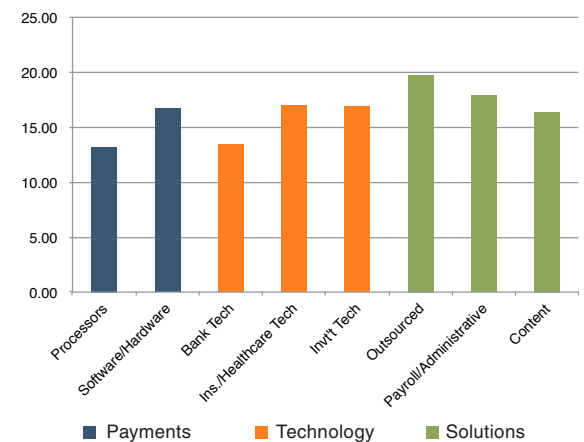
EV / Revenue (LTM)



Source: S&P Global Market Intelligence

## FinTech EBITDA Multiples

EV / EBITDA (LTM)



Source: S&P Global Market Intelligence



# FinTech IPO Watch

- IPO activity slowed sharply in late 2015 and early 2016 as concerns about future Fed rate hikes, widening credit spreads, sharp deterioration in the once booming U.S. energy sector, Brexit, and other factors weighed on markets in the form of lower valuations across sectors.
- Whether IPO investors were on strike or PE-backed firms were not willing to accept lower IPO valuations, there were no FinTech IPOs during 1H16 compared to eight in 2015 and 16 in 2014.
- Another factor weighing on activity is poor performance with three of the eight IPOs in 2015 reporting a share price decline greater than 30% from the IPO.
- Declines for some notwithstanding, the median increase for the recent IPO group was 7%.
- Three FinTech IPOs occurred in 4Q15, including payments companies Square and First Data.

## 2015 & 1H16 FinTech IPOs

Ticker	Name	IPO Price	IPO Date	Gross Proceeds (\$M)	% Return Since IPO	6/30/16 Price	6/30/16 Mkt Cap (\$M)	6/30/16 Ent Val (\$M)	LTM		FinTech Niche	Description
									Rev (\$M)	EBITDA (\$M)		
INOV	Inovalon Holdings, Inc.	\$27.00	2/11/15	\$685	-33.3%	\$18.01	2,744	2,274	453	111	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	53.5%	\$37.60	2,598	5,223	969	340	Outsourcing	Provider of integrated technology, data and analytics solutions
EVH	Evolent Health, Inc.	\$17.00	6/4/15	\$225	12.9%	\$19.20	1,154	1,252	192	(46)	Insurance/Healthcare Solutions	Partners with health systems to provide value-based care transformation
TRU	TransUnion	\$22.50	6/24/15	\$764	48.6%	\$33.44	6,108	8,514	1,607	511	Financial Media & Content	Risk and information solutions provider to businesses and consumers
XTLY	Xactly Corporation	\$8.00	6/25/15	\$65	60.1%	\$12.81	386	355	81	(17)	Payroll & Administrative Solutions	Provider of cloud-based, incentive compensation solutions
PMTS	CPI Card Group, Inc.	\$10.00	10/8/15	\$173	-49.9%	\$5.01	283	562	361	73	Payment Processors	Provider of payment card production and related services, offering a single source for financial and prepaid debit cards
FDC	First Data Corporation	\$16.00	10/14/15	\$2,817	-30.8%	\$11.07	10,046	31,922	7,842	2,378	Payment Processors	Global payment processor and commerce-enabling technology and solutions provider
SQ	Square, Inc.	\$9.00	11/18/15	\$279	0.6%	\$9.05	3,035	2,631	1,524	(91)	Payment Processors	Point-of sale payment service and solutions provider
<b>Median</b>				<b>\$393</b>	<b>6.7%</b>		<b>2,671</b>	<b>2,453</b>	<b>711</b>	<b>92</b>		



# FinTech M&A

## 1H16 vs. 1H15

Defying the slowdown in FinTech IPOs, M&A activity remained robust during 1H16 both in terms of the number of deals and reported deal values.

- Payments, investment technology, and insurance technology remain the most active FinTech niches.
- Pricing exhibited some signs of weakness during 1H16 with revenue multiples down relative to 1H15.
- Prior to 1Q16, M&A activity has risen consistently for FinTech in recent years both in terms of total deals and deal volume.

### FINTECH NEWSLETTER: M&A

Each quarter, the FinTech newsletter reviews FinTech M&A activity. Mercer Capital provides valuation and transaction advisory services (M&A, fairness opinions, and consulting) to FinTech companies.

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### Deal Activity

	1H16	1H15	% Change 1H16/1H15	FY 15	FY 14
# of Deals	102	92	11%	195	169
Total Reported Deal Value (\$M)	\$13,228.4	\$6,326.0	109%	\$49,057.9	\$16,675.2
Median Reported Deal Value (\$M)	\$87.5	\$20.3	332%	\$73.5	\$39.0

### Deal Activity by FinTech Industry Niche

	# of Deals		% Change	FY 15	FY 14
	1H16	1H15			
Payment Processors	21	10		30	38
Processing Software & Hardware	8	9		14	14
<b>Payments Total</b>	<b>29</b>	<b>19</b>	<b>53%</b>	<b>44</b>	<b>52</b>
Bank	4	3		9	6
Investments	21	18		42	18
Insurance/Healthcare Solutions	29	29		51	45
<b>Technology Total</b>	<b>54</b>	<b>50</b>	<b>8%</b>	<b>102</b>	<b>69</b>
Outsourcing	12	10		23	28
Payroll & Administrative Solutions	2	2		4	4
Financial Media & Content	5	10		22	16
<b>Solutions Total</b>	<b>19</b>	<b>22</b>	<b>-14%</b>	<b>49</b>	<b>48</b>

### Median Pricing Metrics

	1H16	1H15	% Chg	FY 15	FY 14
Deal Value / Revenue	2.11	2.59	-19%	3.56	2.72
Deal Value Greater than \$1BN	2	5		13	6
Deal Value Greater than \$500M	2	5		15	8
Deal Value Greater than \$50M	5	19		45	27

### Median Deal Value

	1H16	1H15	FY 15	FY 14
Payments	229.0	na	67.5	40.8
Technology	71.2	77.0	35.0	48.1
Solutions	42.0	21.0	162.5	32.5

# FinTech M&A

## 1H16 Largest FinTech M&A Overview

Buyer Name/ Target Name	Announce Date	Deal Value (Reported) \$M	Deal Value, Including Debt Assumption (Reported) \$M	Valuation Multiples Total Enterprise Value (i.e., including net debt)		Target Niche	Target Description
				/ Revenue	/ EBITDA		
Quintiles Transnational Holdings, Inc./ IMS Health Holdings, Inc.	5/3/16	9,002	13,539	4.42	NA	Insurance/ Healthcare Solutions	In a merger of equals, Danbury, Conn.-based IMS Health Holdings Inc. will merge with Durham, N.C.-based Quintiles Transnational Holdings Inc., with Quintiles continuing as the surviving corporation following the merger. Quintiles is a provider of support services for pharmaceutical, biotech, and medical companies and individuals while IMS Health Holdings is a leading provider of information and technology services to clients in the healthcare industry
Total System Services, Inc./ TransFirst Holdings Corp.	1/26/16	2,350	3,483	2.26	NA	Payment Processors	Provides merchant solutions to more than 235,000 small and medium-sized businesses in the U.S. through its proprietary technology, end-to-end customized and multi-channel products and superior customer service
Wipro Limited/ HealthPlan Services	2/11/16	460	460	2.06	NA	Insurance/ Healthcare Solutions	Provides sales, benefits administration, retention, and technology solutions to the insurance and managed care industries
FinTech Acquisition Corp./ FTS Holding Corporation	3/7/16	350	412	3.42	NA	Payment Processors	Provides payment processing and technology solutions
Blackboard Inc./ Higher One Holdings, Inc.	6/30/16	258	287	1.79	NA	Payment Processors	Provider of financial services and data analytics services to colleges and universities
Fiserv, Inc./ Community Financial Services Business	1/20/16	200	NA	2.11	NA	Processing Software & Hardware	Community financial services business from ACI Worldwide Inc. which provides financial institutions with a suite of digital banking and electronic payments solutions including Architect Banking, which supports online, mobile, and tablet banking for retail banks and small business customers on a single platform
Asset International, Inc./ Market Metrics, LLC	5/23/16	175	175	NA	NA	Financial Media & Content	Target was market research business focusing exclusively on advisor-sold investments and insurance world-wide that originated from Norwalk, Conn.-based FactSet Research Systems Inc., a market research firm
<b>Median</b>		<b>304</b>	<b>412</b>	<b>2.09</b>	<b>NA</b>		

Source: SNL Financial

# FinTech Venture Capital Activity Overview

## Larger Fundings During 2Q16

### FINTECH NEWSLETTER: VC

Each quarter, the FinTech newsletter reviews FinTech venture capital funding.

To receive quarterly updates, follow the link below.

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Company	Amount \$M	Company Description	FinTech Niche	Country
<b>ANT Financial</b>	\$4,500	Secure online payments provider	Payments	China
<b>Mosaic</b>	\$200	Marketplace lender for residential solar projects	Alternative Lending	U.S. Oakland, CA
<b>Avant</b>	\$188	Online alternative lender free of origination fees	Alternative Lending	U.S. Chicago, IL
<b>Clover Health</b>	\$160	Health insurance plan using advanced data and analytics to improve results and lower costs	Insurance Tech	U.S. San Francisco, CA
<b>Weidai</b>	\$153	Peer-to-peer lending service that uses vehicles as collateral	Alternative Lending	China
<b>XP Investimentos</b>	\$130	Provides individuals with wide range of financial education, also includes asset management company	Broker and Asset Management	Brazil
<b>SocietyOne</b>	\$125	Peer-to-peer lending platform	Alternative Lending	Australia
<b>Affirm</b>	\$100	Offers installment loans to consumers at point of sale	Alternative Lending	U.S. San Francisco, CA
<b>Bright Health</b>	\$80	Tech-based consumer health insurance	Insurance Tech	U.S. Minnesota City, MN
<b>Personal Capital</b>	\$75	Digital wealth management firm	Asset Management	U.S. Redwood City, CA
<b>Nubank</b>	\$56	Mobile credit service and digital finance service	Bank Technology	Brazil

*A summary of selected FinTech venture capital financing activity in the second quarter of 2016. Covers selected financing rounds larger than \$10 million.*

*Source: Finovate Emails which cite a number of sources including: themselves, Crunchbase, FT Partners, and The Wall Street Journal & Company Websites*

# FinTech Venture Capital Activity Overview

## Larger Fundings During 2Q16 (cont.)

Company	Amount \$M	Company Description	FinTech Niche	Country
<b>VTS</b>	\$55	Commercial real estate platform	Asset Management	U.S. New York, NY
<b>Mobikwik</b>	\$50	Mobile wallet app in India	Payments	India
<b>Omni Prime</b>	\$46	Offers loans to underbanked customers through mobile app	Alternative Lending	China
<b>Intacct</b>	\$40	Cloud-based financial and accounting management for businesses	Tech Solutions Provider	U.S. San Jose, CA
<b>SigFig</b>	\$40	Digital financial advisory and wealth management firm	Asset Management	U.S. San Francisco, CA
<b>Remitly</b>	\$39	International payment service allowing customers to make international transfers from U.S.	Payments	U.S. Seattle, WA
<b>Simplee</b>	\$38	Software platform for healthcare payments and billing	Payments	U.S. Palo Alto, CA
<b>EZBob</b>	\$36	Fully automated smart lending platform for small businesses	Alternative Lending	United Kingdom
<b>Kueski</b>	\$35	Online lender providing loans to Middle Classes of Mexico and Central America	Alternative Lending	Mexico
<b>Bridge2 Solutions</b>	\$35	Online incentives and rewards system for financial institutions	Tech Solutions Provider	U.S. Daytona Beach, FL
<b>Carson Group</b>	\$35	Online investment and wealth management platform	Asset Management	U.S. Omaha, NE
<b>Chedai.com</b>	\$34	Chinese automobile lending platform	Alternative Lending	China

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# FinTech Venture Capital Activity Overview

## Larger Fundings During 2Q16 (cont.)

Company	Amount \$M	Company Description	FinTech Niche	Country
<b>Forter</b>	\$32	Fraud prevention service offering real time decisions as a safeguard	Tech Solutions Providers	U.S. San Francisco, CA
<b>Transactis</b>	\$30	SaaS based billing and payment service exclusively targeting resellers	Payments	U.S. New York, NY
<b>Persado</b>	\$30	Content generator for marketers driven by data to create optimal combination of words, phrases and images	Analytics	U.S. New York, NY
<b>Acorns</b>	\$30	App that gives consumer option to automatically reinvest spare change into diversified fund	Asset Management	U.S. Newport Beach, CA
<b>Vestmark</b>	\$30	Wealth management and financial advisory firm providing guidance and solutions through advanced technological platform	Asset Management	U.S. Wakefield, MA
<b>Nvest</b>	\$30	Online platform providing investors with crowdsourced information	Tech Solutions Provider	Canada
<b>Lend Street Financial</b>	\$28	Online refinancing service that helps consumers reduce debt and improve credit	Alternative Lending	U.S. Oakland, CA
<b>bitFlyer</b>	\$27	Bitcoin exchange and market-place based in Japan	Payments	Japan
<b>Trov</b>	\$26	Insurance service that allows consumers to choose things to protect through use of mobile app	Insurance Tech	U.S. Danville, CA
<b>TransferWise</b>	\$26	International fund transfer network	Payments	United Kingdom

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*Source: Finovate Emails which cite a number of sources including: themselves, Crunchbase, FT Partners, and The Wall Street Journal & Company Websites*

# FinTech Venture Capital Activity Overview

## Larger Fundings During 2Q16 (cont.)

Company	Amount \$M	Company Description	FinTech Niche	Country
<b>Eligible</b>	\$25	Application program interface that helps to identify medical eligibility, claims and payments	Insurance Tech	U.S. Brooklyn, NY
<b>Capital Float</b>	\$25	Online platform providing working capital to small businesses in India	Alternative Lending	India
<b>Zooz</b>	\$24	Payments platform specializing in management of digital payments	Payments	Israel
<b>Viva Republica</b>	\$23	Peer-to-peer lending app that brings together consumers through app called "Toss"	Alternative Lending	South Korea
<b>Tuliu.com</b>	\$23	Comprehensive online platform to facilitate land transfers	Online Broker	China
<b>Orderbird</b>	\$23	Provider of iPad POS systems for the hospitality industry	Payments	Georgia
<b>Dashlane</b>	\$23	Password management and secure digital wallet provider	Payments	U.S. New York, NY
<b>Invest.com</b>	\$20	Online alternative investment platform	Asset Management	Cyprus
<b>Sunfunder</b>	\$17	Crowdfunding platform that connects investors to communities around the world to invest in solar panels	Crowdfunding	U.S. San Francisco, CA
<b>AutoFi</b>	\$17	Online lender providing point of sale auto financing	Alternative Lending	U.S. San Francisco, CA
<b>EuroCCP</b>	\$16	Equity trading clearing service	Tech Solutions Providers	The Netherlands

*A summary of selected FinTech venture capital financing activity in the second quarter of 2016. Covers selected financing rounds larger than \$10 million.*

*Source: Finovate Emails which cite a number of sources including: themselves, Crunchbase, FT Partners, and The Wall Street Journal & Company Websites*

# FinTech Venture Capital Activity Overview

## Larger Fundings During 2Q16 (cont.)

Company	Amount \$M	Company Description	FinTech Niche	Country
<b>E La Carte</b>	\$15	Allows restaurant customers to view menu, order and pay from tablet on table	Payments	U.S. Palo Alto, CA
<b>Bench</b>	\$15	Online bookkeeping platform for small businesses	Tech Solutions Provider	Canada
<b>Azimo</b>	\$15	International money transfer service	Payments	United Kingdom
<b>Tally Technologies</b>	\$15	App that consolidates multiple credit cards into one management platform	Payments	U.S. San Francisco, CA
<b>Lendix</b>	\$14	Online marketplace for small business loans	Alternative Lending	France
<b>Varthana</b>	\$14	Provides loans and support to emerging private schools in India	Alternative Lending	India
<b>Wolt</b>	\$12	Mobile app that enables users to order and pay for meals at restaurants before even arriving	Payments	Finland
<b>Nauto</b>	\$12	Camera network that records scene inside and outside of auto just before collision and accident	Tech Solutions Providers	U.S. Palo Alto, CA
<b>Embroker</b>	\$12	Tech driven commercial insurance company	Insurance Tech	U.S. San Francisco, CA
<b>Tink</b>	\$10	Mobile app that gives consumers info, stats and advice on personal finances	Asset Management	Sweden
<b>Shift Technology</b>	\$10	SaaS platform that leverages big data to detect fraud in e-commerce	Tech Solutions Provider	France

*A summary of selected FinTech venture capital financing activity in the second quarter of 2016. Covers selected financing rounds larger than \$10 million.*

*Source: Finovate Emails which cite a number of sources including: themselves, Crunchbase, FT Partners, and The Wall Street Journal & Company Websites*



# Venture Capital Case Study



“Over the next several years, no matter what you think about digital advice, you would be pressed to argue that it won’t be more popular versus less popular five to ten years from now.”

– Rob Goldstein  
Head of BlackRock’s Tech Division

**“This (acquisition of FutureAdvisor by BlackRock) is actually a really big watershed moment, not just for us as an entity but for the broader financial services industry as a whole.”**

– Bo Lu  
Co-Founder of FutureAdvisor

“More Americans are responsible for investing for the important life goals, whether that is retirement, education, etc. We think that a broad cross section of that market may be slightly under-served. We believe that is the mass-affluent or those who don’t want to seek out a traditional advice model.”

– Frank Porcelli  
Head of BlackRock’s U.S. Wealth Advisory Business

# Venture Capital Case Study

## FutureAdvisor

FutureAdvisor provides investors with a low cost index investing service that diversifies the portfolio in a personalized and holistic manner based on the investor's age, needs, and risk tolerance. A series of algorithms automatically rebalance investors' accounts, constantly look for tax savings and manage multiple accounts for investors. Assets are held by Fidelity or TD Ameritrade in the investor's name, to assuage investors' fears concerning safety and accessibility of funds.

In 2015, it was announced that FutureAdvisor would be acquired by BlackRock.

### FINTECH NEWSLETTER: CASE STUDY

Each quarter, the FinTech newsletter features a case study, typically covering companies with notable VC funding rounds. Past VC case studies include TradeKing and Stripe.

[Learn More](#)

### Timeline

Year	Significant Corporate Events
2010	FutureAdvisor founded by Microsoft employees Jon Xu and Bo Lu First round of seed funding (\$1M)
2012-2015	Second round of seed funding (undisclosed amount) Raised \$5M in a Series A issue Raised \$15.5M in a Series B issue Announces intent to be acquired by BlackRock for \$152 million in August 2015
2016	Partners with BBVA Compass to offer low cost investment advice to bank's clients Partners with Royal Bank of Canada Partners with LPL Financial

#### Sources for Case Study:

Crunchbase  
Forbes.com, "BlackRock To Buy FutureAdvisor; Signaling Robo-Advice Is Here To Stay"  
FutureAdvisor.com  
Financialadvising.com, "Jon Xu Interview"  
Forbes.com, "BlackRock To Buy FutureAdvisor; Signaling Robo-Advice Is Here To Stay"  
Financial-planning.com, "FutureAdvisor co-founder: Risk, robos and 'hyperpersonalization'"

# Venture Capital Case Study

## FutureAdvisor

### Key Takeaways

1. The acquisition of FutureAdvisor signaled BlackRock's intent to stay ahead of the robo-advice curve and confirmed the increased staying power of automated investment advice, as Blackrock is the world's largest asset manager.
2. The low-cost and low-fee structure of FutureAdvisor can extend previously inaccessible financial advice to a broader scope of consumers given the totally automated allocation and management process.
3. After the acquisition, FutureAdvisor was able to evolve into a "startup within a huge company," according to founder Jon Xu. The company still held on to the creative culture and environment of a tech startup, but now had the resources and tools of asset management giant BlackRock at its disposal.
4. The acquisition also reinforced the trend of wealth management and financial advising moving forward towards a model based on convenience for the consumer, rooted in the automated processes. The crux of the evolution of financial advising and wealth management will eventually become whether or not the explanation and personal attention of a human can add enough value to outweigh the benefits of convenience fostered by automation.
5. Since being acquired by BlackRock, FutureAdvisor has in the past six months partnered with LPL, BBVA Compass and RBC in business-to-business partnerships in efforts to provide the banks' clients with more affordable and accessible investment advice. This has prompted other banks to follow suit, including UBS' partnership with FinTech startup SigFig and MorganStanley's effort to build its own robo-advisor.

## Publicly Traded Payments Companies

		6/30/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
Payment Processors															
ADS	Alliance Data Systems Corporation	195.92	11,547	28,813	22.1	11.7	10.4	18.8	13.9	12.6	4.4	6,763	1,552	23%	9%
HAWK	Blackhawk Network Holdings, Inc.	33.49	1,880	2,149	50.4	13.3	12.0	14.0	10.8	9.1	1.2	1,867	149	8%	1%
CATM	Cardtronics plc	39.81	1,800	2,272	27.0	-	-	8.2	7.2	7.3	1.9	1,242	290	23%	6%
PMTS	CPI Card Group, Inc.	5.01	283	562	22.3	10.1	6.3	6.4	-	-	1.5	361	73	20%	5%
DLX	Deluxe Corp.	66.37	3,246	3,792	14.4	13.5	12.7	9.1	8.0	7.7	2.1	1,813	422	23%	13%
EEFT	Euronet Worldwide, Inc.	69.19	3,601	3,546	31.1	18.0	15.6	12.4	10.2	8.9	2.0	1,867	302	16%	8%
EVRI	Everi Holdings Inc.	1.15	76	1,114	NM	1.9	1.4	5.9	5.7	5.4	1.3	833	181	22%	-14%
EVTC	EVERTEC, Inc.	15.54	1,165	1,789	13.8	9.5	9.0	12.1	9.8	9.4	4.7	382	145	38%	23%
FDC	First Data Corporation	11.07	10,046	31,922	NM	8.5	7.3	12.3	11.0	10.4	4.1	7,842	2,378	30%	-16%
FLT	FleetCor Technologies, Inc.	143.13	13,247	15,586	35.6	21.5	18.5	19.8	16.3	14.2	9.2	1,714	847	49%	23%
GPN	Global Payments Inc.	71.38	10,992	14,972	31.2	22.3	18.7	19.6	14.1	11.7	4.3	2,898	664	23%	9%
GDOT	Green Dot Corporation	22.99	1,105	598	40.0	16.2	13.4	4.5	2.7	2.4	0.6	699	91	13%	5%
MA	MasterCard Incorporated	88.06	96,752	93,643	26.5	24.9	21.3	16.8	15.6	13.8	9.5	10,187	5,765	57%	37%
MGI	Moneygram International Inc.	6.85	368	1,343	NM	7.7	6.6	7.4	5.0	4.7	0.9	1,487	226	15%	0%
PLPM	Planet Payment, Inc.	4.49	244	243	26.3	28.1	21.6	29.1	15.6	12.9	4.2	55	7	14%	18%
SQ	Square, Inc.	9.05	3,035	2,631	NM	NM	NM	NM	-	-	1.9	1,524	(91)	-6%	-15%
TSS	Total System Services, Inc.	53.11	9,752	12,959	26.1	18.8	16.7	14.8	10.4	9.2	3.8	3,316	769	23%	11%
JTPY	JetPay Corporation	2.28	38	86	NM	NM	NM	23.5	27.7	17.6	1.9	44	4	8%	-4%
VNTV	Vantiv, Inc.	56.60	8,849	11,997	52.9	21.4	19.1	16.2	13.5	12.3	3.7	3,378	783	23%	6%
PAY	VeriFone Systems, Inc.	18.54	2,050	2,881	28.4	9.9	8.5	10.3	7.4	7.8	1.4	2,064	281	14%	4%
V	Visa Inc.	74.17	176,889	189,733	25.9	26.1	21.7	18.0	16.2	14.0	12.1	14,392	9,811	68%	39%
WU	The Western Union Company	19.18	9,420	11,467	12.0	11.7	11.0	8.3	8.5	8.3	2.1	5,453	1,391	26%	15%
WEX	WEX Inc.	88.67	3,431	4,384	33.6	21.2	18.1	14.7	12.7	11.0	4.8	879	279	32%	10%
Median			3,246	3,546	26.8	13.5	12.7	13.2	10.4	9.2	2.1	1,813	290	23%	8%

## Publicly Traded Payments Companies

		6/30/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins		
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.	
Payment Software/Hardware																
ADP	Automatic Data Processing, Inc.	91.87	41,850	40,643	29.0	26.5	22.9	16.9	15.8	14.0	3.6	11,668	2,537	22%	13%	
CVG	Convergys Corporation	25.00	2,412	2,467	15.1	13.2	12.4	6.5	6.5	6.2	0.9	2,908	387	13%	6%	
NSP	Insperty, Inc.	77.23	1,652	1,483	31.7	22.0	18.6	13.0	10.0	8.4	0.5	2,786	113	4%	2%	
PAYX	Paychex, Inc.	59.50	21,427	21,075	28.5	28.1	25.8	16.7	16.1	14.9	7.1	2,952	1,262	43%	26%	
WDAY	Workday, Inc.	74.67	14,710	13,144	NM	NM	236.0	NM	98.4	58.9	10.5	1,257	(194)	-15%	-25%	
PAYC	Paycom Software, Inc.	43.21	2,589	2,538	76.8	64.6	50.2	41.7	34.0	26.0	9.8	284	67	24%	13%	
PCTY	Paylocity Holding Corporation	43.20	2,204	2,117	NM	168.1	111.6	NM	73.7	52.8	10.0	231	10	4%	-2%	
TNET	TriNet Group, Inc.	20.79	1,470	1,776	55.0	17.8	14.9	15.4	10.0	8.8	0.6	2,872	131	5%	1%	
UPLD	Upland Software, Inc.	7.62	131	151	NM	29.9	24.1	88.4	14.3	12.4	2.1	71	4	5%	-22%	
Median			2,412	2,467	30.3	27.3	24.1	16.7	15.8	14.0	3.6	2,786	113	5%	2%	
Overall Payments Median			2,812	2,756	28.4	18.0	16.2	14.7	10.9	9.9	2.8	1,840	280	22%	6%	

## Publicly Traded Solutions Companies

		6/30/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
Ticker	Name				LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
Outsourced															
ACXM	Acxiom Corporation	21.99	1,711	1,743	NM	38.6	33.7	21.6	11.8	10.4	2.0	868	85	10%	1%
CSC	Computer Sciences Corporation	49.65	6,914	8,321	115.9	18.6	14.8	8.6	6.7	6.1	1.2	7,106	970	14%	4%
CSGS	CSG Systems International Inc.	40.31	1,308	1,441	18.1	15.2	14.1	9.4	8.1	7.9	2.0	761	164	22%	10%
EFX	Equifax Inc.	128.40	15,281	18,173	35.0	24.7	22.1	19.8	16.8	15.0	6.7	2,873	977	34%	16%
EXLS	Exlservice Holdings, Inc.	52.41	1,754	1,599	32.2	22.5	19.9	15.8	13.1	11.3	2.5	667	104	16%	9%
FICO	Fair Isaac Corporation	113.01	3,523	4,006	38.3	24.6	20.9	20.5	20.3	18.0	4.8	878	213	24%	13%
FIS	Fidelity National Information Services, Inc.	73.68	24,053	34,528	38.0	19.4	16.8	19.9	12.1	11.2	4.8	7,939	2,000	25%	6%
FISV	Fiserv, Inc.	108.73	24,174	28,465	30.9	24.6	21.8	15.6	14.8	13.7	5.3	5,375	1,670	31%	17%
IL	IntraLinks Holdings, Inc.	6.50	375	416	NM	46.4	28.6	37.7	8.7	7.4	1.5	285	14	5%	-9%
INTU	Intuit Inc.	111.61	28,558	27,945	40.5	28.7	24.9	19.8	15.7	13.5	6.0	4,636	1,413	30%	22%
PRGX	PRGX Global, Inc.	5.22	114	99	34.8	30.7	20.9	8.4	5.5	4.9	0.7	135	10	8%	-2%
BKFS	Black Knight Financial Services, Inc.	37.60	2,598	5,223	77.5	33.6	29.6	15.7	11.2	10.2	5.4	969	340	35%	4%
SSNC	SS&C Technologies Holdings, Inc.	28.08	5,566	8,072	235.6	17.5	14.5	22.4	13.1	11.4	7.3	1,279	406	32%	1%
Median			3,523	5,223	38.0	24.6	20.9	19.8	12.1	11.2	4.8	969	340	24%	6%

## Publicly Traded Solutions Companies

		6/30/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E		Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA
Payroll/Administration															
ACIW	ACI Worldwide, Inc.	19.51	2,275	2,958	13.3	36.7	31.9	19.4	11.5	10.6	2.8	993	104	10%	13%
EPAY	Bottomline Technologies (de), Inc.	21.53	881	901	NM	16.4	14.9	19.9	12.4	11.8	2.6	341	45	13%	-10%
BR	Broadridge Financial Solutions, Inc.	65.20	7,708	8,002	26.1	23.0	20.1	13.6	12.4	11.0	2.9	2,897	611	21%	11%
CDK	CDK Global, Inc.	55.49	8,620	9,634	40.0	28.4	22.4	20.4	15.6	12.6	4.5	2,115	490	23%	11%
DBD	Diebold, Incorporated	24.83	1,618	3,592	19.2	16.3	11.4	10.8	7.6	5.8	0.8	2,290	168	7%	9%
NCR	NCR Corporation	27.77	3,441	7,403	NM	9.5	8.7	16.4	6.9	6.8	1.2	6,357	895	14%	4%
NTWK	NetSol Technologies, Inc.	5.84	62	69	101.2	12.2	-	6.0	-	-	1.1	61	11	19%	1%
PEGA	Pegasystems Inc.	26.95	2,057	1,919	55.0	28.1	23.6	20.5	14.8	12.2	2.6	735	94	13%	5%
XTLY	Xactly Corporation	12.81	386	355	NM	NM	NM	NM	NM	NM	4.4	81	(17)	-21%	-30%
WK	Workiva Inc.	13.66	560	531	NM	NM	NM	NM	NM	NM	3.4	164	(45)	-28%	-30%
Median			1,837	2,438	33.0	19.7	17.5	17.9	11.9	10.8	2.7	864	99	13%	5%
Content															
RATE	Bankrate, Inc.	7.48	676	848	51.8	13.9	8.4	7.5	7.2	4.5	2.0	384	89	23%	-15%
CLGX	CoreLogic, Inc.	38.48	3,419	4,962	27.3	17.8	16.0	13.3	9.6	8.8	2.8	1,731	361	21%	8%
CSGP	CoStar Group Inc.	218.66	7,118	6,989	NM	53.5	39.6	56.7	28.7	21.6	9.3	789	171	22%	6%
DNB	The Dun & Bradstreet Corporation	121.84	4,418	5,787	22.8	16.6	15.6	13.9	11.6	11.0	3.5	1,679	394	23%	11%
FDS	FactSet Research Systems Inc.	161.42	6,570	6,659	26.2	23.7	22.0	17.4	16.2	14.8	6.0	1,102	384	35%	23%
TRU	TransUnion	33.44	6,108	8,514	231.7	24.9	22.4	17.0	14.1	12.8	5.5	1,607	511	32%	3%
FORR	Forrester Research Inc.	36.86	657	531	49.8	30.5	25.8	16.2	14.3	12.4	1.7	321	34	11%	5%
IT	Gartner Inc.	97.41	8,036	8,438	43.7	34.8	30.1	22.7	18.3	15.9	3.8	2,311	385	17%	8%
MORN	Morningstar Inc.	81.78	3,509	3,338	27.3	26.7	24.3	13.1	13.0	12.1	4.2	787	250	32%	17%
VRSK	Verisk Analytics, Inc.	81.08	13,635	15,710	26.7	26.2	23.6	16.6	16.1	15.0	7.6	2,246	1,018	45%	27%
Median			5,263	6,223	27.3	25.6	23.0	16.4	14.2	12.6	4.0	1,354	372	23%	8%
Overall Solutions Median			3,441	4,962	36.5	24.6	21.8	16.6	12.4	11.3	3.4	993	250	21%	6%



## Publicly Traded Technology Companies

Ticker	Name	6/30/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
Banking Technology															
ELLI	Ellie Mae, Inc.	91.65	2,749	2,660	135.0	47.6	35.3	56.6	28.0	19.4	9.8	298	54	18%	8%
EPIQ	Epiq Systems, Inc.	14.60	554	933	NM	16.4	14.6	11.8	8.3	7.8	1.8	530	87	16%	-3%
QTWO	Q2 Holdings, Inc.	28.02	1,099	1,004	NM	NM	NM	NM	NM	135.0	8.4	128	(21)	-16%	-27%
JKHY	Jack Henry & Associates Inc.	87.27	6,884	6,930	31.0	29.4	27.1	15.1	14.4	13.3	5.2	1,321	460	35%	17%
PFMT	Performant Financial Corporation	1.62	81	94	31.6	162.0	46.3	4.6	6.2	6.3	0.6	156	23	15%	2%
Median			1,099	1,004	31.6	38.5	31.2	13.5	11.3	13.3	5.2	298	54	16%	2%
Insurance/Healthcare Technology															
ATHN	athenahealth, Inc.	138.01	5,419	5,579	251.0	76.8	60.9	70.9	23.8	19.4	5.8	1,012	85	8%	1%
CRVL	CorVel Corporation	43.18	847	810	30.2	-	-	12.3	-	-	1.6	505	67	13%	6%
CRD.B	Crawford & Company	8.49	470	654	NM	13.3	10.4	6.5	5.5	4.9	0.5	1,138	104	9%	-3%
EBIX	Ebix Inc.	47.90	1,569	1,732	19.6	18.5	17.8	17.0	14.9	13.6	6.3	281	105	37%	31%
GWRE	Guidewire Software, Inc.	61.76	4,479	3,900	NM	81.9	66.4	171.8	45.1	34.3	9.5	409	23	6%	3%
HMSY	HMS Holdings Corp.	17.61	1,482	1,492	60.5	27.4	23.4	17.0	12.9	11.3	3.2	490	94	19%	6%
MGLN	Magellan Health, Inc.	65.77	1,619	1,864	45.0	23.2	18.9	8.4	6.6	6.0	0.4	4,740	209	4%	1%
CSLT	Castlight Health, Inc.	3.96	403	277	NM	NM	NM	NM	NM	NM	3.4	87	(72)	-82%	-88%
CNXR	Connecture, Inc.	2.26	50	116	NM	NM	34.8	28.6	11.1	5.6	1.1	88	(1)	-1%	-17%
HQY	HealthEquity, Inc.	30.39	1,765	1,632	91.9	62.7	47.9	39.6	27.4	21.4	11.6	141	41	29%	14%
IMPR	Imprivata, Inc.	14.00	355	308	NM	NM	NM	NM	NM	NM	2.4	131	(18)	-14%	-18%
IMS	IMS Health Holdings, Inc.	25.36	8,366	12,509	52.1	15.9	14.4	16.9	13.1	12.1	4.1	3,123	763	24%	4%
INOV	Inovalon Holdings, Inc.	18.01	2,744	2,274	49.4	32.1	25.5	18.3	13.4	10.8	5.1	453	111	24%	10%
EVH	Evolent Health, Inc.	19.20	1,154	1,252	5.1	NM	NM	NM	NM	NM	8.6	192	(46)	-24%	-77%
Median			1,526	1,562	49.4	25.3	23.4	17.0	13.1	11.3	3.8	431	76	9%	2%

## Publicly Traded Technology Companies

		6/30/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
Investment Technology															
DST	DST Systems Inc.	116.43	3,863	4,523	13.4	17.4	15.7	10.3	10.3	9.7	1.6	2,877	414	14%	9%
ENV	Envestnet, Inc.	33.31	1,422	1,675	NM	32.6	23.2	37.8	16.5	12.2	3.7	495	44	9%	-4%
MSCI	MSCI Inc.	77.12	7,442	8,618	34.3	26.8	22.5	16.9	15.6	14.1	7.9	1,111	535	48%	23%
Median			3,863	4,523	23.9	26.8	22.5	16.9	15.6	12.2	3.7	1,111	414	14%	9%
Overall Technology Median			1,526	1,653	39.6	27.4	23.3	16.9	13.2	12.1	3.9	471	76	14%	2%