

VALUE FOCUS

FinTech Industry



First Half 2017

2017 got off to a fast start for broader equity markets as they were supported by continued low interest rates, share buybacks, corporate earnings growth, and relatively positive economic reports. Publicly traded FinTech companies got off to an even faster start than the market though as all three FinTech niches that we track outperformed the market in the first half of 2017 with year-to-date returns for each in excess of 15%. In general, trends in FinTech were consistent with trends in the broader market in the first half of 2017 where the technology sector led the way and outpaced broader market returns. Valuation multiples of publicly traded FinTech

companies also expanded further in the first half of 2017 and remain elevated relative to broader markets and financials.

Contrasting the above-market returns of publicly-traded FinTechs, the private markets got off to a relatively modest start. M&A activity was on a bit slower pace in the first half of 2017 in terms of number of deals although there were a few notable larger deals that pulled average FinTech deal values higher. Venture funding was also off to a relatively modest start after recent years of continually churning higher and FinTech IPOs remained absent in the first half of 2017.

While interest in the FinTech sector remains high, the outlook remains uncertain as competitive pressures, continuing technological change, and regulatory/policy uncertainty remain. Only time will tell if the fast start to 2017 in the publicly traded FinTechs drives a pick-up in activity and valuations in the private FinTech market or the divergence in performance persists.



FinTech Industry Services

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

Services Provided

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

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Learn More about Mercer Capital &
our FinTech Services at
<http://mer.cr/1fiOndr>

Is FinTech a Threat or an Opportunity to Community Banks?

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

Adapted from the new book [Creating Strategic Value Through Financial Technology](#) by [Jay D. Wilson, Jr., CFA, ASA, CBA](#), this excerpt is of interest for those FinTech entrepreneurs that seek to work with community bankers.

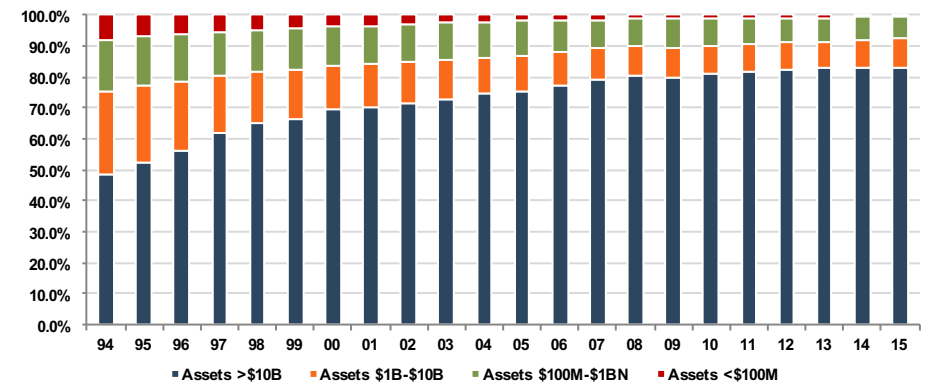
In order to understand how FinTech can help community banks create strategic value, let us take a closer look at the issues facing community banks. This is significant, particularly in the U.S., as community banks compose an important part of the economy, constitute the majority of banks in the U.S. and are collectively the largest providers of certain loan types such as agricultural and small business lending.

Threats to Community Banks

There are nearly 6,000 community banks with 51,000 locations in the U.S. (includes commercial banks, thrifts, and savings institutions). While community banks constitute the vast majority of banks (approximately 90% of U.S. banks have assets below \$1 billion), the majority of banking industry assets are controlled by a small number of large banks. These larger banks have acquired assets more quickly than community banks in the last few decades (as shown in Chart 1).

In addition to competition from larger banks and industry headwinds, community bankers are also attempting to assess and respond to the growing threat from the vast array of

Chart 1: Overview of U.S. Banks // % of Total Assets

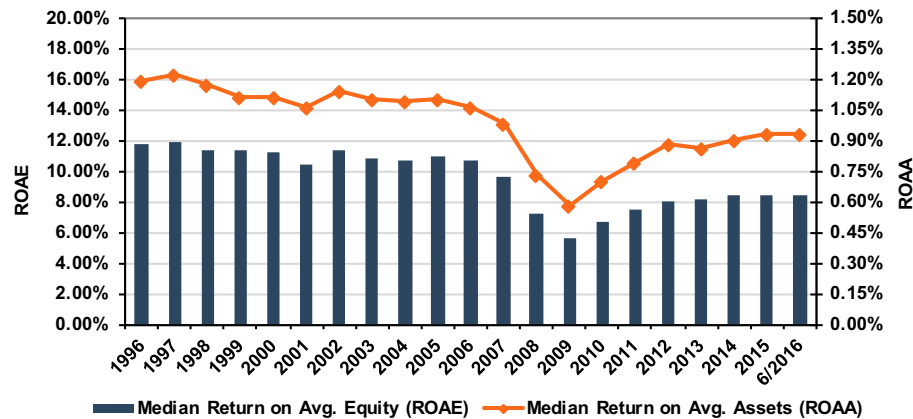


Source: QBPR, www.fdic.gov

FinTech companies and startups taking aim at the banking sector. For perspective, a group of community bankers meeting with the FDIC in mid-2016 noted that FinTech poses the largest threat to community banks. One executive indicated that the payment systems “are the scariest” as consumers are already starting to use FinTech applications like Venmo and PayPal to send peer-to-peer payments. Another [banker went on to note](#), “What’s particularly concerning about [the rise of FinTech] for us is the pace of change and the fact that it’s coming so quickly.”

These significant competitive pressures combined with other industry headwinds such as higher regulatory and compliance costs and a historically low interest rate

Chart 2: Community Bank Profitability Trends



Source: S&P Global Market Intelligence

environment have hurt returns on equity (ROEs) for community banks (as noted in Chart 2).

Opportunities for Community Banks

While many bankers view FinTech as a significant threat, FinTech also has the potential to assist the community banking sector. FinTech offers the potential to improve the health of community banks by enhancing performance and improving profitability and ROEs back to historical levels.

One way to better understand how FinTech can assist community banks is to understand where the Big Banks are outperforming smaller banks. Big Banks (defined as those with assets greater than \$5 billion) have outperformed community banks consistently for many years. In the 20-year period from 1996 to 2016, Big Banks reported a higher return on asset (ROA) than community banks in each period except for 2009 (the depths

NEW BOOK // NOW AVAILABLE

Creating Strategic Value Through Financial Technology



[Learn More & Order](#)

This book is not only written for bankers but also FinTech entrepreneurs and investors. While many bankers view FinTech as a potential threat, FinTech offers the potential to improve the health of community banks for those banks that can selectively leverage FinTech to enhance performance, customer satisfaction, and improve profitability and returns. FinTech can also help level the playing field for community banks to compete more effectively with larger banks and non-bank lenders.

Creating Strategic Value Through Financial Technology not only illustrates the potential benefits of FinTech to banks but also helps FinTechs understand their value.

Chapter 10, "Early Stage FinTech Valuation Issues" is worth the price of the book.

What We're Reading

What's Holding Back Fintech?

CIO of Ping An Insurance Group discusses the future of Fintech and existing barriers.

A "Digital CFO" in Customers' Pockets: Where Banking Should Go

American Banker examines how financial technology is impacting the evolution of financial services.

Fintech Tools That Can Change the World of Finance

The *Forbes* Finance Council takes a look at some of the greatest trends and new technologies of FinTech.

Regulators Play Waiting Game as Financial Technology Evolves

Regulators weigh the risk of FinTech to decide on rules for the new FinTech industry.

Visualizing Where Major US Banks Have Invested in Fintech

This *CB Insights* blog post shows the increasing investments banks have made into FinTech companies since 2012.

Collaboration is the Way Forward for Banks and FinTech

Banks and FinTech firms should find ways to co-exist to maximize innovation.

of the financial crisis). Interestingly, though, the source of outperformance is not due to net interest margin, perhaps the most common performance metric that bankers often focus on. Community banks had consistently higher net interest margins than Big Banks in each year over that 20-year period (1996-2016). Rather, the outperformance of the Big Banks can be attributed to their generation of greater non-spread revenues (i.e., non-interest income) and lower non-interest expense (i.e., lower efficiency ratios).

FinTech and Non-Interest Income and Efficiency Ratios

While FinTech can benefit community banks in a number of areas, it also offers some specific solutions where community banks have historically underperformed: non-interest income and efficiency. To enhance non-interest income, community banks may consider a number of FinTech innovations in niches like payments, insurance, and wealth management. Since many community banks have minimal personnel and legacy systems in these areas, they may be more apt to try a new FinTech platform in these niches. For example, a partnership with a robo-advisor might be viewed more favorably by a community bank as it represents a new source of potential revenue, another service to offer their customers and it will not cannibalize their existing trust or wealth management staff since they have minimal existing wealth management personnel.

FinTech can also enhance efficiency ratios and reduce expenses for community banks. Branch networks are the largest cost of community banks and serving customers through digital banking costs significantly less than traditional in-branch services and interactions with customers. For example, branch networks make up approximately 47% of banks' operating costs and 54% of that branch expenditure **goes to staffing**. Conversely, the cost of ATM and online-based transactions are **less than 10% of the cost of paper-based branch transactions** in which tellers are involved. In addition to the benefits from customers shifting to digital transactions, community banks can utilize FinTech to assist with lowering regulatory/compliance costs by leveraging "reg-tech" solutions.

To illustrate the potential financial impact of transitioning customers to digital transactions

for community banks, let's assume that a mobile transaction saves the bank approximately **\$3.85 per branch transaction**. If we assume that FinTech Community Bank has 20,000 deposit accounts and each account shifts two transactions per month to mobile from in-person branch visits, the bank would save approximately \$150 thousand per month and approximately \$1.8 million annually. These enhanced earnings would serve to enhance efficiency and improve shareholder returns and the bank's valuation.

Moving beyond non-interest income and efficiency ratios, FinTech also offers a number of other potential benefits for community banks. FinTech can be used to help community banks compete against Big Banks more effectively by minimizing the impact of scale as more customers carry their branch in their pocket. By leveraging FinTech solutions, smaller banks can more easily compete against a large bank's footprint digitally via the web or a mobile device. FinTech also offers many community banks an opportunity to enhance loan portfolio diversification and regain some market share after years of losing ground in certain segments (such as consumer, mortgage, auto, and student).

FinTech can also provide an additional touch point to improve customer retention and preference. While data is limited, some studies have shown that customer loyalty (i.e., retention) is higher for those customers that use mobile offerings and digital banking (online and mobile) is increasingly **preferred by customers**. While digital is clearly growing among customer preference, data has also shown that digital-only customers can be less engaged, loyal, and profitable than those who interact with the bank through a combination of interactions across multiple channels (digital, branches, etc.). So community banks that rely more heavily on their branch networks should find it beneficial to add digital services to complement their traditional offerings in order to enhance customer retention and preference.

Change Is Inevitable, Growth Is Optional

As technological advances continue to penetrate the banking industry, community banks will need to leverage technology in order to more effectively market to and serve small

businesses and consumers in an evolving environment. It is likely that community banks will increasingly rely on a model that makes widespread use of ATM's, the Internet, mobile apps and algorithm driven decision making, enabling them to deliver their services to customers in a streamlined and efficient manner.

Conclusion

Our world is changing quickly. FinTech represents an opportunity for community banks. Many community banks are actively surveying the FinTech landscape and pursuing a strategy to improve their digital footprint and services through partnerships with FinTech companies.

Understanding how FinTech fits in and adapting to the current environment is incumbent upon any institution that seeks to compete effectively and Mercer Capital will be glad to assist. We have successfully worked with both traditional financial incumbents (banks, insurance, wealth managers) as well as FinTech companies in a number of strategic planning and valuation projects over the years.



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How to Value an Early-Stage FinTech Company Webinar

September 7, 2017 | 12:00–1:00PM Central | Registration Fee: \$79

Do you have a clear picture of your company's value and do you know if you are creating value in your early-stage FinTech company?

Hidden behind the veil of the private market, an early-stage FinTech company's value can seem complex and obscure. However, it doesn't have to be that way. Entrepreneurs and investors benefit from a clear picture of company value. Measuring value creation over time is vital for planning purposes, and an awareness of valuation drivers can propel the company to higher growth.

The knowledge gleaned from the valuation process provides insights and identifies key risk and growth opportunities that can improve the company's strategic planning process—a process that might build to a successful liquidity event (sale or IPO) or the development of a stable company that can operate independently for a long time.

For investors, entrepreneurs, and potential partners, this webinar identifies the key value drivers for an early-stage FinTech company.

Register Today

1 hour of CPE Credit



About the Speaker

Jay Wilson leads Mercer Capital's FinTech industry team and publishes research related to the industry. He is also a senior member of Mercer Capital's Depository Institutions practice and is the author of the recent book, *Creating Strategic Value Through Financial Technology*.

wilsonj@mercercapital.com | 214.468.8400

Webinar Special Offer

With registration, receive a complimentary copy of Jay Wilson's recent book, *Creating Strategic Value Through Financial Technology*.

Webinar Registration Fee: \$79

Written primarily for FinTechs and banks who want to work together, this book contains valuation information and guidance specifically for early-stage FinTech companies.

Free Book with Registration



Regular Price: \$65

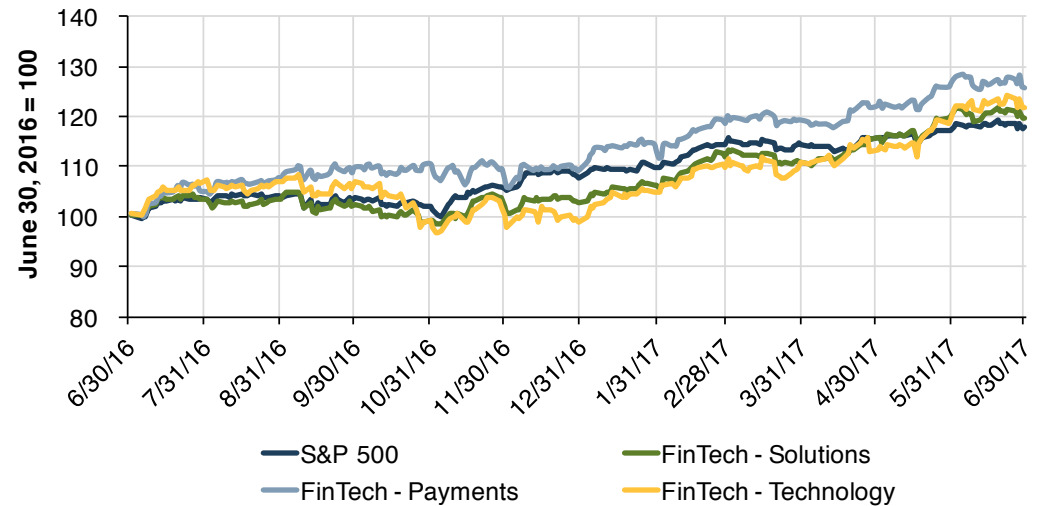
Public Market Indicators

Since June 30, 2016, the three FinTech niches of Solutions, Payments, and Technology all outperformed the market.

- The Payments niche led the way with a stronger 2H16 as all three niches saw nearly equal growth rates in the first half of 2017.
- The Solutions and Technology FinTech niches were relatively stagnant in the 2H16 and started 2017 below the market benchmark (~8%), only to outperform the market at the start of 2Q17.

The FinTech IPO drought seen in 2016 continues into the first half of 2017 with no new IPOs.

- Strategic mergers and acquisitions continue to dominate exit activity in the FinTech industry as companies look beyond IPO plans.
- Factors weighing on recent FinTech IPO activity are the performance of recent IPOs with some notable FinTech IPOs reporting a decline in pricing since IPO, increased regulations and reporting requirements that come with being a public company, and access to funding at attractive valuations in private markets.



Median Total Return

as of June 30, 2017

Segment	Month-to-Date	YTD 17	LTM 6/17
FinTech - Payments	-0.7%	15.3%	25.7%
FinTech - Solutions	-0.4%	16.5%	19.7%
FinTech - Technology	2.0%	23.1%	21.8%
S&P 500	0.6%	9.3%	17.9%

Source: S&P Global Market Intelligence

Valuation Multiples

as of June 30, 2017

Segment	Price / LTM EPS	Price / 2017 (E) EPS	Price / 2018 (E) EPS	Ent'p Value / LTM EBITDA	Ent'p Value / FY17 (E) EBITDA	Ent'p Value / FY18 (E) EBITDA	Ent'p Value / LTM Revenue
FinTech - Payments	31.7	19.4	16.8	14.3	12.3	11.3	3.3
FinTech - Solutions	37.6	23.9	21.0	16.7	12.9	12.0	4.0
FinTech - Technology	33.5	30.0	25.2	17.4	15.7	14.4	4.1

Source: S&P Global Market Intelligence

Consistent with recent historical growth patterns and outlook near-term, FinTech companies remain priced at a premium to the broader markets with the S&P 500 priced at 17.7x estimated forward earnings at 6/16/17 (per [FactSet](#)).

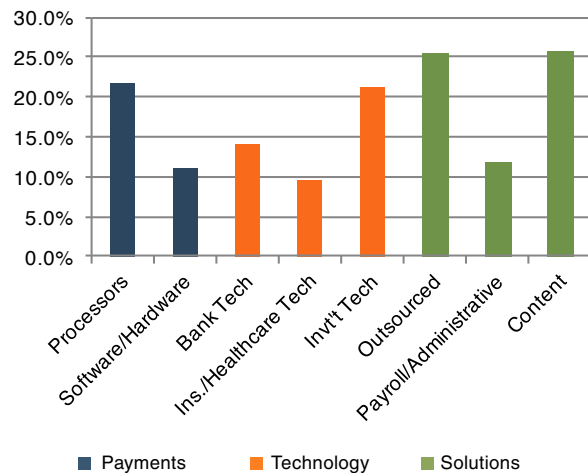
Investments have increased in mature companies that have already proven themselves.

Valuation multiples remain consistent with the trends from the 2H16.

Investors continue to weigh market potential and growth for the sector against recent FinTech performance and profitability, while traditional financial incumbents are weighing whether to develop FinTech partnerships, develop their own in-house solutions or acquire FinTech companies.

FinTech Margins

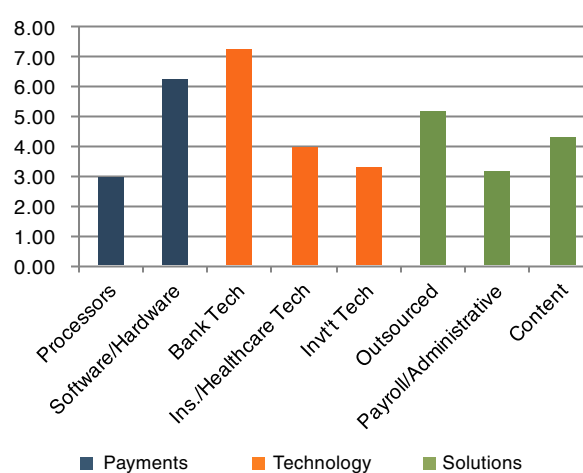
EBITDA Margin (LTM)



Source: S&P Global Market Intelligence

FinTech Revenue Multiples

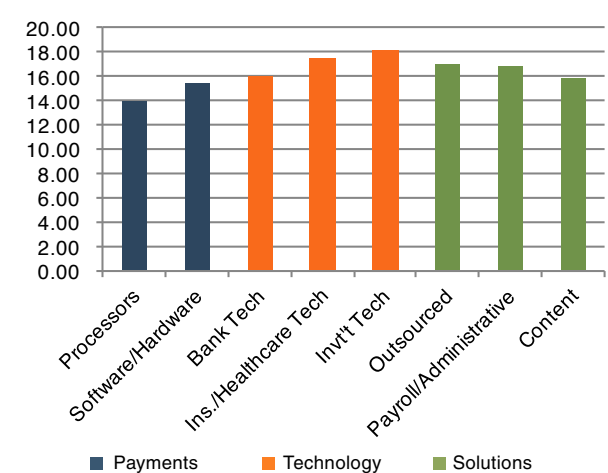
EV / Revenue (LTM)



Source: S&P Global Market Intelligence

FinTech EBITDA Multiples

EV / EBITDA (LTM)



Source: S&P Global Market Intelligence

FinTech M&A

1H17

The number and total value of M&A deals for the first half of 2017 is on a slightly slower pace than 2016 levels. However, median deal value in the first half of 2017 increased 138% compared to that of all of 2016 due to some larger deals

- 1H17 has already seen two deals valued at greater than \$1 billion, compared to one in all of 2016.
- The Payments and Solutions niches saw the most M&A activity and are on track to exceed activity in all of 2016.
- The Technology niche experienced a decline in M&A activity compared to 2016, although the median deal value was up sharply.
- M&A activity is expected to ramp up as further consolidation occurs.

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.

[View Past Issues or Subscribe](#)

Deal Activity

	1H17	FY16	% Change 1H17 / FY16
# of Deals	84	192	-56.3%
Total Reported Deal Value (\$M)	\$8,627.7	\$18,475.3	-53.3%
Median Reported Deal Value (\$M)	\$94.1	\$39.6	137.9%

Deal Activity by FinTech Industry Niche

	# of Deals		% Change
	1H17	FY16	
Payments Total	24	34	-29.4%
Technology Total	22	108	-79.6%
Solutions Total	38	50	-24.0%

Median Pricing Metrics

	1H17	FY16	% Change
Deal Value / Revenue	1.58	2.87	-44.9%
Deal Value Greater than \$1BN	2	1	
Deal Value Greater than \$500M	4	4	
Deal Value Greater than \$50M	15	25	

Median Deal Value (\$M)

	1H17	FY16
Payments	167.0	258.0
Technology	57.3	20.3
Solutions	98.1	36.8

FinTech Venture Capital Activity Overview

Larger Fundings During 1H17

Venture capital funding saw some larger fundings in the first half of 2017.

- Increased venture capital activity has been concentrated in late stage funding, which is reflective of investors focusing on expanding already proven companies.
- While deal activity remains high, overall investment levels in the industry decreased, as slow M&A and IPO activity may be making investors more cautious until the exit market picks up.

FINTECH NEWSLETTER: VC

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

To receive quarterly updates, follow the link below.

[Subscribe](#)

Company	Amount \$M	Company Description	FinTech Niche	Country
Paytm	1400	Online marketplace for consumers	Payments	India
Yixin Group	579	Online automotive transaction platform	Payments	China
SoFi	500	Alternative lending and wealth management	Alternative Lending	U.S. Healdsburg, CA
Avaloq	353	Core and digital banking software	Alternative Lending	Switzerland
AvidXChange	300	Automated bill payment and accounts payable solutions	Payments	U.S. Charlotte, NC
Tuandaiwang	262	Peer-to-peer lending company	Alternative Lending	China
Magento	250	Open commerce platform	Payments	U.S. Campbell, CA
Modernizing Medicine	231	Software company that delivers intelligent EMRs to physicians	Health Tech	U.S. Boca Raton, FL
Gryphon Group Holdings	230	Digital and cloud based insurance platform	Insurance Tech	London, U.K.
Paytm	200	Online marketplace for consumers	Payments	India

A summary of selected FinTech venture capital financing activity in the first half of 2017. Covers selected financing rounds larger than \$35 million.

Sources: FT Partners, Crunchbase, & Company Websites

FinTech Venture Capital Activity Overview

Larger Fundings
During 1H17 (cont.)

Company	Amount \$M	Company Description	FinTech Niche	Country
Kakao Pay	200	Peer-to-peer payments	Payments	South Korea
Bright Health	160	Health insurance service platform	Insurance Tech	U.S. Minneapolis, MN
Clover Health	130	A preferred provider organization that uses care management to prevent illness	Health Tech	U.S. San Francisco, CA
Alignment Healthcare	115	End-to-end continuous care program	Health Tech	U.S. Irvine, CA
Robinhood	110	Online trading company	Wealth Tech	U.S. Palo Alto, CA
R3	107	A database that records financial events and executes smart contracts	Tech Solutions Provider	U.S. New York, NY
Atom Bank	102	Mobile personal and business banking application	Alternative Lending	U.K.
Funding Circle	100	Online marketplace for business loans	Alternative Lending	U.S. San Francisco, CA
Nuna	90	Data driven healthcare solution	Health Tech	U.S. San Francisco, CA
PointClickCare	85	Web-based products and services for healthcare providers	Health Tech	Canada

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FinTech Venture Capital Activity Overview

Larger Fundings
During 1H17 (cont.)

Company	Amount \$M	Company Description	FinTech Niche	Country
Ivalua	70	Cloud source-to-pay platform that manages enterprise wide services	Tech Solutions Provider	U.S. Redwood City, CA
iZettle	63	Portable POS solution for small businesses	Payments	Sweden
Decisely	60	HR and benefits platform	Health Tech	U.S. San Mateo, CA
FreeCharge	57	Online facility to charge mobile phone plan	Payments	India
PropTiger	55	Online real estate advisor	Alternative Lending	India
Practo Technologies	55	Online health care portal	Health Tech	India
Singapore Life	50	Online insurance technology firm	Insurance Tech	Singapore
Billtrust	50	Automated payment cycle management solutions	Tech Solutions Provider	U.S. Hamilton Township, NJ
Namely	50	All-in-one online HR platform	Health Tech	U.S. New York, NY
Collibra	50	Automated data management applications	Tech Solutions Provider	U.S. New York, NY

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Sources: FT Partners, Crunchbase, & Company Websites

FinTech Venture Capital Activity Overview

Larger Fundings
During 1H17 (cont.)

Company	Amount \$M	Company Description	FinTech Niche	Country
Viva Republica (Toss)	48	Peer-to-peer money transfer application	Payments	South Korea
Trov	45	Provider of on-demand insurance for individual items	Insurance Tech	U.S. Danville, CA
Bitglass	45	Cloud security gateway	Tech Solutions Provider	U.S. Campbell, CA
Tandem Bank	43	Full-service digital retail bank	Alternative Lending	U.K.
One97 Communications	42	Digital goods marketplace and mobile marketing platform	Payments	India
Transmit Security	40	Connects applications to biometric authenticators	Tech Solutions Provider	U.S. Newton, MA
Next Insurance	35	Streamlines the insurance acquisition process for consumers	Insurance Tech	U.S. Palo Alto, CA
WorkFusion	35	Automates business processes through robotics and AI	Tech Solutions Provider	U.S. New York, NY

A summary of selected FinTech venture capital financing activity in the first half of 2017. Covers selected financing rounds larger than \$35 million.

Sources: FT Partners, Crunchbase, & Company Websites

Venture Capital Case Study



"Not only has Vyze allowed us to deliver a superior financing experience to all our customers, it has also resulted in newly acquired customers, increased customer loyalty, and sales."

– David Dirven
VP of Sales, ABC Warehouse Partner

"Vyze is disrupting the traditional financing paradigm to give more consumers more purchasing power when shopping online and in stores. However, nearly half of consumers today are declined for credit at the point of sale, with almost three out of four consumers being declined for financing when shopping online, resulting in lost revenue and a profoundly negative customer experience. Vyze resolves this by bringing a full spectrum of lenders to businesses so that they can provide financing to more of their customers. I am proud of all that we've accomplished in 2016 and look forward to working with our world-class client and partners to transform retail financing in the year ahead."

– Keith Nealon
CEO, Vyze

Venture Capital Case Study

Vyze

Austin, TX-based Vyze (formerly NewComLink) is a financial technology solutions and payments company that combines transactional credit with a cloud-based lender marketplace to increase retailer and consumer accessibility to financing options at point of sale. The company is currently in over 2,000 stores in the U.S. and is prominent on multiple eCommerce sites and call centers.

Vyze provides a unique financing solution to businesses across all channels to give consumers an affordable and accessible financing option. Keith Nealon, CEO of Vyze, saw deficiencies in customers being unable to get financing and businesses losing out on potential sales and loyal customers, so Vyze was created in order to bridge the gap between what consumers and businesses want in retail. Users complete a single application at point of sale and are quickly reviewed and matched with the right financing options for consumers to complete their purchase.

The company sets up retailers with multiple lending partners to create accessible financing options for crediting, loaning, and leasing products. These solutions are personalized for each retailer and are consistent across all platforms. Vyze's product also provides retailers with performance and marketing analytics tools to allow businesses to measure and optimize their sales.

Timeline

Year	Significant Corporate Events
2008	September: NewComLink is founded by Suneet Paul and Jim White October 5: NewComLink secures \$5 million in Series A funding round at unknown valuation and unknown investor
2011	July 20: NewComLink secures \$10.2 million in Series B financing round from Austin Ventures and StarVest Partners
2013	April 2: NewComLink secures \$6.1 million in equity funding from unknown
2016	April: Company changes name to Vyze June 2: Vyze secures Series B financing round funding of \$13 million from Austin Ventures and StarVest Partners at unknown valuation August: Vyze launches an eCommerce solution as an additional, complimentary product
2017	January: Vyze announces it has connected hundreds of thousands of consumers with new financing options and opened up over \$500 million in purchasing power at point of sale. February 28: Vyze announces industry's first financing platform calculator for retailers

Sources for Case Study:
Business Wire Press Releases
[Vyze Website](#)
[Crunchbase](#)

Venture Capital Case Study

Vyze

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](#)

Key Takeaways

1. Traditional financing options are phasing out of popularity, and FinTech solutions like Vyze can fill the gap.

Younger generation shoppers want more financing options available at point of purchase, especially when shopping online. 52% of Gen Z and 60% of millennials prefer to have more options available as it gives greater flexibility and purchasing power. Vyze's multiple lending partners and platform integration can provide solutions to traditional financing problems.

2. FinTech solutions can also fill the gap between what businesses offer and what consumers desire.

While 78% of consumers are aware of traditional financing options from retailers, only 44% of consumers have ever applied for retail financing. While only 11% of high ticket retailers offer financing options, 42% of consumers responded that they were more likely to shop if the retailer had financing options, and this number increases to 55% for millennials. When consumers are declined financing (50% are declined in store and 75% are declined online), 68% of consumers say they will spend less or abandon the purchase altogether. Vyze offers increased financing options for retailers that would help businesses generate more revenue, create more loyal customers, and also improve the customer shopping experience.

3. Convenience is becoming king even in financial services.

Vyze's rise in retail success follows the recent economic trend of consumers preferring more convenient options, from mobile banking to fast financing. 51% of in store shoppers prioritize a simple application while 47% of online shoppers prioritize a simple application, which is higher than any other option including competitive interest rates. Increasing convenience will help retail stores retain more consumers as that is what is being prioritized by shoppers.

4. Financial security is still important.

27% of shoppers declined to apply for credit in store because they did not want to provide financial information to store employees. This rises online where 42% of online shoppers declined to apply for credit over fear of sharing financial information. Vyze can also bridge this gap through secure data storage and full payment card industry data security standard compliance. Clear security messaging is important to increase the number of customers that choose financing options.

Publicly Traded Payments Companies

		6/30/17 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY17E	FY18E	LTM	FY17E	FY18E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
Payment Processors															
ADS	Alliance Data Systems Corporation	256.69	14,291	33,095	34.1	13.8	12.0	22.8	16.5	14.7	4.5	7,341	1,453	20%	7%
HAWK	Blackhawk Network Holdings, Inc.	43.60	2,456	2,833	NM	26.4	21.7	20.4	12.1	10.4	1.5	1,941	139	7%	0%
CATM	Cardtronics plc	32.86	1,500	2,455	21.0	11.6	11.3	8.3	7.5	7.6	1.9	1,320	297	22%	5%
PMTS	CPI Card Group Inc.	2.85	158	435	NM	7.7	5.7	12.6	6.6	5.7	1.6	278	35	12%	-2%
DLX	Deluxe Corporation	69.22	3,357	4,011	14.9	13.3	12.6	9.1	7.9	7.5	2.1	1,878	440	23%	12%
EEFT	Euronet Worldwide, Inc.	87.37	4,581	4,423	27.2	19.3	16.8	13.3	11.0	9.6	2.2	1,994	332	17%	9%
EVRI	Everi Holdings Inc.	7.28	481	1,464	NM	7.1	15.3	7.6	7.0	6.6	1.6	891	192	22%	-27%
EVTC	EVERTEC, Inc.	17.30	1,255	1,851	16.3	10.6	10.0	11.9	10.0	9.7	4.7	395	155	39%	20%
FDC	First Data Corporation	18.20	16,727	37,834	32.9	11.9	11.1	12.6	12.5	11.8	4.8	7,851	2,750	35%	7%
FLT	FleetCor Technologies, Inc.	144.21	13,305	16,626	29.5	17.3	15.4	17.6	14.3	12.7	8.6	1,938	982	51%	24%
GPN	Global Payments Inc.	90.32	13,772	17,335	71.1	28.8	23.1	15.8	20.0	15.5	4.3	4,070	1,096	27%	5%
GDOT	Green Dot Corporation	38.53	1,917	1,253	39.6	19.8	17.1	12.2	6.5	5.7	1.7	744	103	14%	7%
MA	Mastercard Incorporated	121.45	130,180	127,763	31.7	28.2	24.3	19.9	18.3	16.3	11.5	11,064	6,421	58%	38%
MGI	MoneyGram International, Inc.	17.25	932	1,718	39.2	16.0	14.4	7.9	6.2	5.8	1.1	1,629	218	13%	2%
PLPM	Planet Payment, Inc.	3.30	164	159	7.5	19.6	15.2	13.9	9.3	7.7	3.0	53	11	21%	46%
SQ	Square, Inc.	23.46	8,776	8,231	NM	111.8	60.1	NM	66.4	37.4	4.6	1,791	(58)	-3%	-5%
TSS	Total System Services, Inc.	58.25	10,720	13,532	32.1	18.0	16.5	14.4	11.6	10.8	2.9	4,615	907	20%	7%
JTPY	JetPay Corporation	2.10	33	92	NM	NM	NM	25.6	18.5	15.1	1.5	64	4	6%	-12%
VNTV	Vantiv, Inc.	63.34	10,263	13,634	51.5	19.4	17.3	15.8	13.6	12.3	3.7	3,689	861	23%	5%
PAY	VeriFone Systems, Inc.	18.10	2,024	2,794	NM	12.4	11.7	14.1	9.5	8.3	1.5	1,880	199	11%	-8%
V	Visa Inc.	93.78	216,225	229,788	46.8	26.9	23.2	19.8	18.1	16.2	13.7	16,829	11,589	69%	29%
WU	The Western Union Company	19.05	8,977	11,138	41.4	11.4	10.8	8.2	8.6	8.4	2.1	5,428	1,364	25%	4%
WEX	WEX Inc.	104.27	4,472	6,654	65.4	19.6	16.9	19.6	13.9	12.1	6.0	1,104	340	31%	6%
Median			4,472	4,423	32.9	17.6	15.3	14.0	11.6	10.4	2.9	1,880	332	22%	6%

Publicly Traded Payments Companies

		6/30/17 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY17E	FY18E	LTM	FY17E	FY18E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
Payment Software/Hardware															
ADP	Automatic Data Processing, Inc.	102.46	45,842	44,845	26.5	26.9	24.5	16.2	16.6	14.9	3.7	12,213	2,771	23%	14%
CVG	Convergys Corporation	23.78	2,238	2,394	19.1	12.9	12.2	6.5	6.6	6.3	0.8	2,919	367	13%	5%
NSP	Insperty, Inc.	71.00	1,496	1,295	21.9	16.4	14.3	10.8	8.0	6.9	0.4	3,022	120	4%	2%
PAYX	Paychex, Inc.	56.94	20,464	20,141	25.3	24.9	23.2	14.7	14.3	13.4	6.4	3,151	1,367	43%	26%
WDAY	Workday, Inc.	97.00	20,079	18,505	NM	149.5	104.4	NM	62.2	44.4	10.9	1,702	(242)	-14%	-23%
PAYC	Paycom Software, Inc.	68.41	4,065	4,004	79.8	62.8	49.3	50.5	33.7	26.0	11.2	359	79	22%	14%
PCTY	Paylocity Holding Corporation	45.18	2,327	2,226	NM	70.0	54.6	134.2	39.1	30.0	7.8	284	17	6%	2%
TNET	TriNet Group, Inc.	32.74	2,245	2,479	29.8	23.1	19.5	14.1	12.0	10.5	0.8	3,135	176	6%	3%
UPLD	Upland Software, Inc.	21.99	446	484	NM	28.3	25.9	56.5	18.0	15.6	6.2	78	9	11%	-17%
Median			2,327	2,479	25.9	26.9	24.5	15.5	16.6	14.9	6.2	2,919	120	11%	3%
Overall Payments Median			3,711	4,008	31.7	19.4	16.8	14.3	12.3	11.3	3.3	1,909	257	21%	5%

Publicly Traded Solutions Companies

		6/30/17 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins		
					LTM	FY17E	FY18E	LTM	FY17E	FY18E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.	
Outsourced																
ACXM	Acxiom Corporation	25.98	2,055	2,113	NM	35.5	25.9	24.9	12.0	10.3	2.4	880	85	10%	0%	
CSGS	CSG Systems International, Inc.	40.58	1,371	1,473	21.6	16.2	15.0	9.7	8.4	7.7	1.9	767	152	20%	8%	
EFX	Equifax Inc.	137.42	16,519	19,129	30.9	22.7	20.4	16.2	15.2	14.0	5.9	3,249	1,179	36%	17%	
EXLS	ExlService Holdings, Inc.	55.58	1,872	1,699	29.7	21.6	19.5	17.0	12.7	11.2	2.4	702	100	14%	9%	
FICO	Fair Isaac Corporation	139.41	4,317	4,827	34.7	27.0	22.7	23.0	19.6	17.6	5.2	923	210	23%	14%	
FIS	Fidelity National Information Services, Inc.	85.40	28,232	37,144	43.7	20.1	17.8	15.6	12.1	11.4	4.0	9,315	2,383	26%	7%	
FISV	Fiserv, Inc.	122.34	25,982	30,312	30.6	23.9	21.2	17.1	14.8	13.8	5.4	5,568	1,742	31%	16%	
INTU	Intuit Inc.	132.81	34,028	32,935	38.2	29.1	26.3	20.8	16.1	14.4	6.5	5,089	1,580	31%	18%	
PRGX	PRGX Global, Inc.	6.50	144	146	NM	72.2	92.9	16.0	7.1	6.5	1.0	143	9	6%	-1%	
BKFS	Black Knight Financial Services, Inc.	40.95	2,848	5,361	59.4	30.1	25.7	15.3	10.4	9.3	5.1	1,042	350	34%	4%	
SSNC	SS&C Technologies Holdings, Inc.	38.41	7,836	10,172	45.8	19.8	17.7	18.3	14.7	13.4	6.5	1,565	556	36%	11%	
Median			4,317	5,361	34.7	23.9	21.2	17.0	12.7	11.4	5.1	1,042	350	26%	9%	

Publicly Traded Solutions Companies

Ticker	Name	6/30/17 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins		
					LTM	FY17E	FY18E	LTM	FY17E	FY18E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.	
Payroll/Administration																
ACIW	ACI Worldwide, Inc.	22.37	2,641	3,243	67.5	47.9	38.9	23.6	12.9	11.9	3.2	1,011	137	14%	4%	
EPAY	Bottomline Technologies (de), Inc.	25.69	1,040	1,080	NM	26.0	21.8	36.9	13.6	12.3	3.1	344	29	9%	-10%	
BR	Broadridge Financial Solutions, Inc.	75.56	8,884	9,881	29.6	22.6	21.0	15.1	12.9	12.2	2.6	3,771	660	18%	8%	
CDK	CDK Global, Inc.	62.06	9,011	10,235	31.8	24.1	18.8	18.2	13.5	11.6	4.7	2,197	564	26%	13%	
DBD	Diebold Nixdorf, Incorporated	28.00	2,113	3,804	NM	17.7	12.2	15.5	8.4	7.1	1.0	3,910	246	6%	-7%	
NCR	NCR Corporation	40.84	4,950	8,672	26.7	12.1	11.2	9.9	7.4	7.1	1.3	6,577	872	13%	4%	
NTWK	NetSol Technologies, Inc.	3.95	44	57	181.3	-	-	4.8	-	-	0.8	70	12	17%	0%	
PEGA	Pegasystems, Inc.	58.35	4,501	4,353	107.0	55.0	46.5	53.5	31.3	25.2	5.5	795	81	10%	5%	
XTLY	Xactly Corporation	15.65	504	473	NM	NM	NM	NM	NM	221.3	4.9	97	(12)	-13%	-17%	
WK	Workiva Inc.	19.05	788	744	NM	NM	NM	NM	NM	NM	4.0	186	(34)	-18%	-20%	
Median			2,377	3,524	49.6	23.4	19.9	16.9	12.9	11.9	3.2	903	109	12%	2%	
Content																
RATE	Bankrate, Inc.	12.85	1,150	1,263	NM	18.4	15.7	13.2	10.0	8.8	2.8	459	96	21%	-9%	
CLGX	CoreLogic, Inc.	43.38	3,672	5,156	40.4	19.0	16.8	12.9	11.0	10.2	2.7	1,939	401	21%	5%	
CSGP	CoStar Group, Inc.	263.60	8,633	8,364	94.8	60.3	40.7	37.6	31.2	22.5	9.7	864	222	26%	10%	
DNB	The Dun & Bradstreet Corporation	108.15	3,990	5,338	45.4	15.5	14.7	12.2	10.7	10.1	3.1	1,710	436	25%	5%	
FDS	FactSet Research Systems Inc.	166.18	6,557	6,938	19.4	22.2	20.4	16.9	16.1	14.9	5.9	1,182	411	35%	29%	
TRU	TransUnion	43.31	7,837	10,182	47.5	24.3	21.8	16.7	13.9	12.7	5.8	1,754	600	34%	10%	
FORR	Forrester Research, Inc.	39.15	694	560	37.1	33.0	23.0	14.2	14.9	12.0	1.7	326	40	12%	6%	
IT	Gartner, Inc.	123.51	11,169	11,576	56.2	35.5	29.4	29.2	16.4	13.3	4.6	2,512	396	16%	7%	
MORN	Morningstar, Inc.	78.34	3,363	3,281	22.6	-	-	14.8	-	-	4.0	816	223	27%	18%	
VRSK	Verisk Analytics, Inc.	84.37	13,950	16,079	32.0	26.6	24.0	17.2	15.6	14.5	8.0	2,005	934	47%	30%	
Median			5,274	6,138	40.4	23.2	21.1	15.8	14.4	12.4	4.3	1,446	399	26%	9%	
Overall Solutions Median			3,990	5,156	37.6	23.9	21.0	16.7	12.9	12.0	4.0	1,042	246	21%	7%	

Publicly Traded Technology Companies

		6/30/17 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins		
					LTM	FY17E	FY18E	LTM	FY17E	FY18E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.	
Banking Technology																
ELLI	Ellie Mae, Inc.	109.91	3,745	3,351	83.2	59.0	45.2	43.4	23.1	17.4	8.8	380	77	20%	12%	
QTWO	Q2 Holdings, Inc.	36.95	1,513	1,431	NM	NM	NM	NM	195.7	69.4	8.9	161	(19)	-12%	-21%	
JKHY	Jack Henry & Associates, Inc.	103.87	8,066	8,073	30.8	32.0	29.1	16.0	15.6	14.5	5.7	1,414	505	36%	19%	
PFMT	Performant Financial Corporation	2.09	106	129	NM	NM	38.0	11.9	11.5	7.0	0.9	136	11	8%	-11%	
Median			2,629	2,391	57.0	45.5	38.0	16.0	19.4	16.0	7.3	270	44	14%	1%	
Insurance/Healthcare Technology																
ATHN	athenahealth, Inc.	140.55	5,599	5,784	276.7	75.5	58.5	51.5	22.0	18.2	5.2	1,112	112	10%	2%	
CRVL	CorVel Corporation	47.45	890	861	31.4	-	-	12.6	-	-	1.7	519	68	13%	6%	
CRD.B	Crawford & Company	9.30	523	709	15.0	12.6	10.6	6.5	4.9	4.3	0.6	1,099	101	9%	3%	
EBIX	Ebix, Inc.	53.90	1,700	1,898	17.9	18.3	16.8	17.1	16.2	14.3	6.2	306	111	36%	32%	
GWRE	Guidewire Software, Inc.	68.71	5,111	4,633	NM	80.5	58.5	182.8	40.9	28.5	9.8	474	25	5%	2%	
HMSY	HMS Holdings Corp.	18.50	1,552	1,582	46.3	22.7	19.6	17.4	11.8	10.1	3.3	484	91	19%	7%	
MGLN	Magellan Health, Inc.	72.90	1,729	2,083	21.3	17.7	16.9	8.5	6.3	5.8	0.4	5,025	246	5%	2%	
CSLT	Castlight Health, Inc.	4.15	542	438	NM	NM	NM	NM	NM	NM	4.1	107	(50)	-47%	-49%	
CNXR	Connecture, Inc.	0.62	14	103	NM	NM	NM	NM	NM	37.5	1.2	83	(11)	-14%	-28%	
HQY	HealthEquity, Inc.	49.83	2,988	2,793	93.6	75.8	58.5	48.5	34.4	26.7	14.7	190	58	30%	17%	
INOV	Inovalon Holdings, Inc.	13.15	1,920	1,645	72.6	43.6	37.4	20.2	15.3	13.8	3.8	433	81	19%	7%	
EVH	Evolent Health, Inc.	25.35	1,463	1,592	NM	NM	NM	NM	NM	59.7	5.1	311	(51)	-16%	-18%	
Median			1,626	1,619	38.8	22.7	19.6	17.4	15.3	14.3	4.0	454	75	10%	3%	

Publicly Traded Technology Companies

					Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins		
					LTM	FY17E	FY18E	LTM	FY17E	FY18E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.	
Ticker	Name	6/30/17 Price	Market Cap (\$M)	Ent'p Val (\$M)												
Investment Technology																
DST	DST Systems, Inc.	61.70	3,811	4,281	10.5	18.8	16.4	11.4	9.8	9.0	2.7	1,582	336	21%	39%	
ENV	Envestnet, Inc.	39.60	1,736	1,981	NM	31.5	25.2	40.0	15.8	12.7	3.3	604	51	8%	-10%	
MSCI	MSCI Inc.	102.99	9,316	10,695	35.5	28.5	24.5	18.2	16.9	15.2	9.1	1,173	587	50%	23%	
Median			3,811	4,281	23.0	28.5	24.5	18.2	15.8	12.7	3.3	1,173	336	21%	23%	
Overall Technology Median			1,729	1,898	33.5	30.0	25.2	17.4	15.7	14.4	4.1	474	77	10%	3%	