

# VALUE FOCUS

# FinTech Industry



## Third Quarter 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 also got off to a relatively fast start as all three FinTech niches that we track outperformed the market in the first three quarters of 2017 with year-to-date returns for each in excess of 20%. Valuation multiples of publicly traded FinTech companies also expanded further in the three quarters of 2017 and remain elevated relative to broader markets and financials.

Contrasting the above-market returns of publicly traded FinTechs thus far in 2017, the private markets got off to a relatively modest start. M&A activity was on a bit slower pace in the first three quarters 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 driven by larger deals as early stage funding activity flattened after recent years and FinTech IPOs remained absent in the first three quarters 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>



## How to Value an Early-Stage FinTech Company Webinar Recording

Price: \$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.**

**Purchase Recording**



### 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*.

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### Special Offer

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

Webinar Recording Price: \$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 Recording



Regular Price: \$65

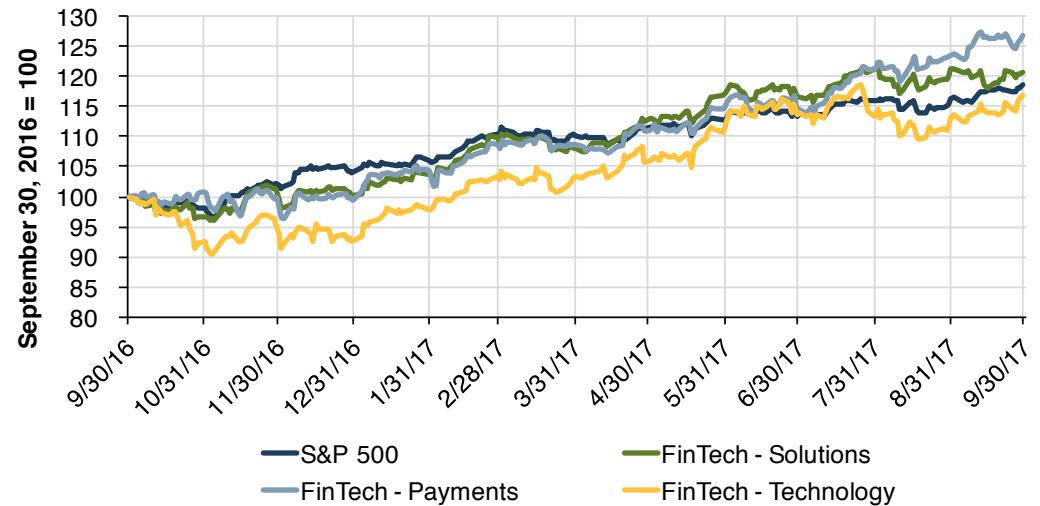
## Public Market Indicators

Since September 30, 2016, two of the three FinTech niches, Payments and Solutions, outperformed the market.

- Strong performance in 2Q and 3Q17 for the Payments and Solutions niches and both had comparable returns to the market in 4Q16 and 1Q17.
- The Technology FinTech niche lagged the market and the other FinTech niches despite posting a roughly 15% return in the trailing twelve month period.

The FinTech IPO drought seen in 2016 continues in 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 September 30, 2017

| Segment              | 3Q17        | YTD 17       | LTM 9/17     |
|----------------------|-------------|--------------|--------------|
| FinTech - Payments   | 2.7%        | 27.8%        | 26.9%        |
| FinTech - Solutions  | -0.5%       | 20.5%        | 20.6%        |
| FinTech - Technology | 3.3%        | 26.4%        | 16.9%        |
| <b>S&amp;P 500</b>   | <b>2.1%</b> | <b>14.2%</b> | <b>18.6%</b> |

Source: S&P Global Market Intelligence

## Valuation Multiples

as of September 30, 2017

| Segment              | Price /<br>LTM EPS | Price /<br>2017 (E) EPS | Price /<br>2018 (E) EPS | Ent'p Value /<br>LTM EBITDA | Ent'p Value /<br>FY17 (E) EBITDA | Ent'p Value /<br>FY18 (E) EBITDA | Ent'p Value /<br>LTM Revenue |
|----------------------|--------------------|-------------------------|-------------------------|-----------------------------|----------------------------------|----------------------------------|------------------------------|
| FinTech - Payments   | 30.6               | 21.2                    | 18.7                    | 15.7                        | 12.4                             | 11.5                             | 3.9                          |
| FinTech - Solutions  | 31.7               | 24.1                    | 20.8                    | 16.9                        | 13.0                             | 11.9                             | 3.8                          |
| FinTech - Technology | 37.9               | 31.6                    | 31.1                    | 20.0                        | 18.6                             | 16.2                             | 4.1                          |

Source: S&P Global Market Intelligence

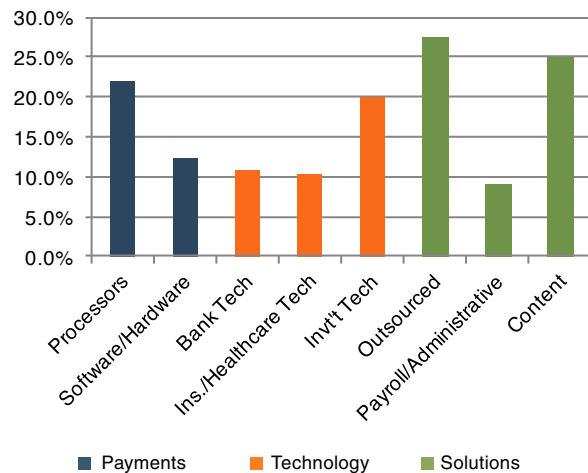
Consistent with recent historical growth patterns and near-term outlook, FinTech companies remain priced at a premium to the broader markets with the S&P 500 priced at ~18x estimated forward earnings at end of 3rd quarter (per [FactSet](#)).

Despite the heightened returns during 2Q17 and 3Q17, the Payments niche reported lower valuation multiples than the Solutions and Technology niches.

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 on in-house solutions, or acquire FinTech companies.

## FinTech Margins

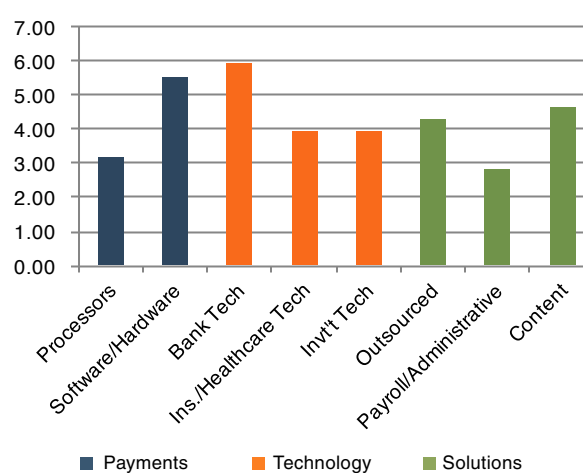
EBITDA Margin (LTM)



Source: S&P Global Market Intelligence

## FinTech Revenue Multiples

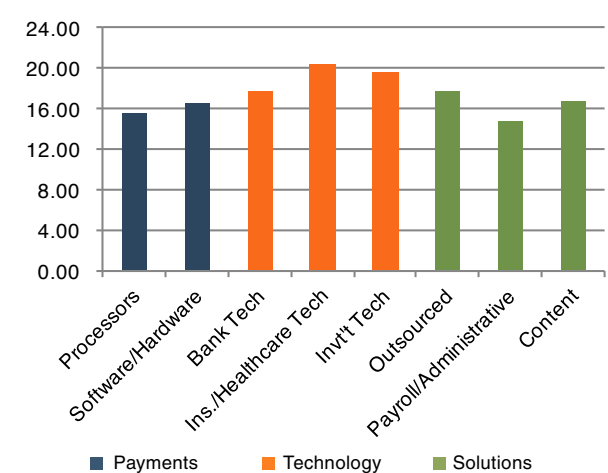
EV / Revenue (LTM)



Source: S&P Global Market Intelligence

## FinTech EBITDA Multiples

EV / EBITDA (LTM)



Source: S&P Global Market Intelligence

# FinTech M&A

## Third Quarter 2017

The number and total value of M&A deals for the first three quarters of 2017 is on a slightly slower pace than 2016 levels.

- Due to some larger deals, median FinTech deal value for those with reported deal values in the first three quarters of 2017 increased 181% compared to all of 2016.
- The first three quarters of 2017 saw eight deals valued at greater than \$500 million compared to four for the prior year-to-date period in 2016.
- The Payments and Solutions niches have exceeded deal activity levels in 2016.
- The Technology niche has experienced a decline in M&A activity compared to 2016, which is consistent with the weaker performance of this niche in the public markets.

### 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

|                                  | YTD 9/17   | YTD 9/16   | % Change<br>YTD 17 /<br>YTD 16 |
|----------------------------------|------------|------------|--------------------------------|
| # of Deals                       | 137        | 144        | -4.9%                          |
| Total Reported Deal Value (\$M)  | \$14,395.8 | \$15,308.7 | -6.0%                          |
| Median Reported Deal Value (\$M) | \$95.8     | \$34.0     | 181.7%                         |

### Deal Activity by FinTech Industry Niche

|                  | # of Deals |          | % Change |
|------------------|------------|----------|----------|
|                  | YTD 9/17   | YTD 9/16 |          |
| Payments Total   | 33         | 29       | 13.8%    |
| Technology Total | 35         | 83       | -57.8%   |
| Solutions Total  | 69         | 32       | 115.6%   |

### Median Pricing Metrics

|                                | YTD 9/17 | YTD 9/16 | % Change |
|--------------------------------|----------|----------|----------|
| Deal Value / Revenue           | 1.85     | 2.11     | -12.3%   |
| Deal Value Greater than \$1BN  | 4        | 2        |          |
| Deal Value Greater than \$500M | 8        | 4        |          |
| Deal Value Greater than \$50M  | 27       | 15       |          |

### Median Deal Value (\$M)

|            | YTD 9/17 | YTD 9/16 |
|------------|----------|----------|
| Payments   | 167.0    | 258.0    |
| Technology | 138.0    | 12.6     |
| Solutions  | 72.3     | 36.8     |

# FinTech Venture Capital Activity Overview

## Third Quarter 2017

U.S. venture capital funding in 2017 remained relatively robust with over \$5 billion invested in the U.S. alone in 3Q17 as flattening activity in early-stage funding was offset by larger dollars invested in later-stage megadeals.

- The increased venture capital activity in late-stage funding is reflective of investors focusing on expanding already proven companies and an increase in corporate participation from traditional financial institutions.
- FinTech niches seeing interest in recent quarters include payments, lending, AI, regtech, and insurtech.

### 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                |
|---------------------------|------------|---|---------------------|------------------------|
| <b>Kabbage</b>            | \$250      | Lending platform for small business and consumers                         | Alternative Lending | U.S. Atlanta, GA       |
| <b>Dianrong</b>           | \$220      | Marketplace lending platform for small businesses and consumers           | Alternative Lending | China                  |
| <b>Suishou Technology</b> | \$200      | Personal financial management software                                    | Alternative Lending | China                  |
| <b>FGI Worldwide</b>      | \$140      | Commercial financial Leader   | Alternative Lending | U.S. New York, NY      |
| <b>Neyber</b>             | \$132      | Lending platform for employers to offer loans to employees                | Alternative Lending | London, UK             |
| <b>Bread</b>              | \$126      | Platform allowing retailers to provide pay-over-time options to customers | Alternative Lending | U.S. New York, NY      |
| <b>Dashu Finance</b>      | \$117      | Online small personal and enterprise loans                                | Alternative Lending | China                  |
| <b>TNG</b>                | \$115      | Mobile payment service focused on unbanked in Pan-Asia                    | Payments            | Hong Kong              |
| <b>Toast POS</b>          | \$101      | POS app for restaurants   | Payments            | U.S. Boston, MA        |
| <b>Coinbase</b>           | \$100      | Digital currency wallet and platform                                      | Payments            | U.S. San Francisco, CA |
| <b>Blend Labs</b>         | \$100      | Digital platform for home buyers and lenders                              | Alternative Lending | U.S. San Francisco, CA |

*A summary of selected FinTech venture capital financing activity in the third quarter of 2017. Covers selected financing rounds larger than \$25 million.*

Sources: FT Partners, Crunchbase, & Company Websites

# FinTech Venture Capital Activity Overview

Larger Fundings  
During 3Q17 (cont.)

| Company               | Amount \$M | Company Description   | FinTech Niche           | Country                   |
|-----------------------|------------|---|-------------------------|---------------------------|
| <b>Options IT</b>     | \$100      | Provides managed services and IT infrastructure products                            | Wealth Tech             | London, UK                |
| <b>Betterment</b>     | \$70       | Online registered investment advisor and broker-dealer                              | Wealth Tech             | U.S.<br>New York, NY      |
| <b>Braavo Capital</b> | \$70       | Provides financing to app companies   | Alternative Lending     | U.S.<br>New York, NY      |
| <b>DataRobot</b>      | \$67       | Machine learning automation platform for data scientists to build predictive models | Tech Solutions Provider | U.S.<br>Boston, MA        |
| <b>Revolut</b>        | \$66       | App based banking alternative with multi-currency card                              | Alternative Lending     | London, UK                |
| <b>Raise</b>          | \$60       | Online gift card marketplace  | Payments                | U.S.<br>Chicago, IL       |
| <b>Patreon</b>        | \$60       | Subscription art crowdfunder  | Payments                | U.S.<br>San Francisco, CA |
| <b>Apttus</b>         | \$55       | Helps online retailers optimize and manage merchandising                            | Tech Solutions Provider | Sweden                    |
| <b>Receipt Bank</b>   | \$50       | Provide AI technology that automates bookkeeping                                    | Tech Solutions Provider | London, UK                |
| <b>Prosper</b>        | \$50       | Marketplace lending platform  | Alternative Lending     | U.S.<br>San Francisco, CA |

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# FinTech Venture Capital Activity Overview

Larger Fundings  
During 3Q17 (cont.)

| Company                    | Amount<br>\$M | Company Description   | FinTech Niche           | Country                |
|----------------------------|---------------|---|-------------------------|------------------------|
| <b>HighRadius</b>          | \$50          | Cloud-based integrated receivables software and platform            | Tech Solutions Provider | U.S.<br>Houston, Texas |
| <b>Stash Invest</b>        | \$40          | Online micro-investing investment company                           | Wealth Tech             | U.S.<br>New York, NY   |
| <b>Callsign</b>            | \$35          | Provides AI-based Intelligence Driven Authentication to enterprises | Tech Solutions Provider | London, UK             |
| <b>beqom</b>               | \$35          | Provides performance and compensation management software           | Tech Solutions Provider | Switzerland            |
| <b>HealthEdge Software</b> | \$34          | Develops business software solutions for healthcare payors          | Health Tech             | U.S.<br>Burlington, MA |
| <b>Marqeta</b>             | \$25          | Provides open API issuer processor platform                         | Payments                | U.S.<br>Oakland, CA    |
| <b>Tierion</b>             | \$25          | Allows companies to collect data and record to the blockchain       | Tech Solutions Provider | U.S.<br>Hartford, CT   |
| <b>Rimilia</b>             | \$25          | Cash management and allocation software                             | Tech Solutions Provider | Worcestershire, UK     |

*A summary of selected FinTech venture capital financing activity in the third quarter of 2017. Covers selected financing rounds larger than \$25 million.*

Sources: FT Partners, Crunchbase, & Company Websites

# Venture Capital Case Study



FACTOM

“We started Factom to build a more honest and transparent world using a pretty simple approach: create software that makes it impossible to change the past and point that software at places where it solves valuable business problems. This funding accelerates our progress down that road.”

– Peter Kirby  
CEO and Founder of Factom

“Securing data is mission critical for governments, banks, car companies, credit card companies, retailers, and any company concerned with hacking. Centralized data is prone to critical failure by any individual mistake, where by user or malicious hacking. By decentralizing data through blockchain, Factom avoids critical failures due to user error or hacker.”

– Tim Draper  
VC Backer

# Venture Capital Case Study

## Factom

Factom, based in Austin, Texas builds technology off of their blockchain network to decentralize and secure data for public and private companies. Factom uses blockchain technology to maintain a permanent and immutable digital copy of a company's data for purposes including cyber security, digital audit, and consumer protection. Currently, over 100 million records and over 9 million entries are using Factom technologies.

As a company, Factom's goal is to make business systems more honest and transparent through the use of blockchain's immutability. This allows companies to keep and organize all of their data in a digital vault for the purposes of easy due diligence, faster auditing, and cheaper quality control. In addition, consumers will get instant access to their data with the comfort that their data is secure.

The founders of Factom saw inefficiencies in the mortgage market where managing paper documents cost companies \$50 billion per year. While Factom started in streamlining the mortgage market, it has since expanded to serve government functions, healthcare companies, and other financial institution markets.

### Timeline

| Year | Significant Corporate Events   |
|------|--|
| 2014 | January: Paul Snow & David Johnston create the idea behind Factom  |
|      | June: Factom is created by Paul Snow, David Johnston, Peter Kirby, and Tiana Laurence                      |
| 2015 | January 25: Factom 0.1, the first version, is released   |
|      | July 21: Factom raises \$1.1 million in seed funding from crowdfunding                                     |
|      | October 14: Factom raises \$400,000 in seed funding at \$11 million valuation from FastForward Innovations |
| 2016 | June 17: Factom awarded \$199,000 from Department of Homeland Security Science and Technology Directorate  |
|      | July: Factom partners with SmartContract   |
|      | August: Factom partners with DataYes, HealthNautica, and Intrinio  |
|      | October 5: Factom raises \$4.2 million in Series A funding led by Draper Associates                        |
| 2017 | April 18: Factom secures \$8 million in Series A funding at unknown valuation led by Draper Associates     |

Sources for Case Study:

[VPN Mentor: "Factom – Using Blockchain to Help the Mortgage Industry"](#)  
[Factom's Website](#)  
[Crunchbase](#)

# Venture Capital Case Study

## Factom

### 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. There is a growing need for greater cyber security measures.**  
Factom's growth in the public and private sectors is reflective of data vulnerability. Companies and government agencies are turning to the immutability attribute of Factom's technology to protect data and their consumers against hacking.
- 2. Many markets are looking for new ways to organize and streamline data for auditing and due diligence.**  
Factom's potential to save \$50 billion on auditing costs in the mortgage market alone gave rise to its popularity in venture capital funding. Factom's technology services allow financial institution services to save money while protecting consumers' confidential information.
- 3. Consumers are demanding more transparency from financial institutions.**  
As distrust in financial institutions rose significantly after the 2008 financial crisis in the U.S., consumers have demanded greater transparency, security, and trust out of large financial institutions. With consumers also worrying about the growing frequency of cyber attacks, Factom is able to leverage the immutability and security of blockchain technology to provide consumers with what they demand.
- 4. Blockchain continues to expand functions outside of cryptocurrency.**  
While Factom does have its own cryptocurrency called Factoids, it primarily sells Factom tokens for the purposes of establishing a blockchain network and building cybersecurity.

## What We're Reading

### FinTech's Ultimate Value: Making Sense of the Data Explosion

*American Banker* reviews the growth of FinTech and the value it has for financial institutions.

### Small Banks Deemed Ill-Prepared for Coming Payments Revolution

The rise of payments FinTech companies could pose significant threat to small banks.

### Coming Technology: Fintech Developers Tell You What to Look for and Why the Fintech Revolution Arose

FinTech executives summarize the major future developments of the FinTech industry.

### Insurers Will Still Be Relevant in the Future, Even More than Yesterday

*LetsTalkPayments* takes a closer look at emerging FinTech trends in insurance and details how emerging FinTech trends should enlarge the roles and business models for insurance companies.

## Publicly Traded Payments Companies

|                    |                                   | 9/30/17<br>Price | Market<br>Cap<br>(\$M) | Ent'p Val<br>(\$M) | Price / Earnings |       |       | Ent'p Value / EBITDA |       |       | EV / LTM | LTM Total        |                 | LTM Margins |          |  |
|--------------------|-----------------------------------|------------------|------------------------|--------------------|------------------|-------|-------|----------------------|-------|-------|----------|------------------|-----------------|-------------|----------|--|
|                    |                                   |                  |                        |                    | LTM              | FY17E | FY18E | LTM                  | FY17E | FY18E | Revenue  | Revenue<br>(\$M) | EBITDA<br>(\$M) | EBITDA      | Net Inc. |  |
| Payment Processors |                                   |                  |                        |                    |                  |       |       |                      |       |       |          |                  |                 |             |          |  |
| ADS                | Alliance Data Systems Corporation | 221.55           | 12,292                 | 32,449             | 25.3             | 12.3  | 10.3  | 21.9                 | 16.2  | 14.1  | 4.3      | 7,441            | 1,503           | 20%         | 7%       |  |
| HAWK               | Blackhawk Network Holdings, Inc.  | 43.80            | 2,481                  | 2,926              | NM               | 26.0  | 21.0  | 19.5                 | 11.9  | 9.8   | 1.4      | 2,070            | 151             | 7%          | 0%       |  |
| CATM               | Cardtronics plc                   | 23.01            | 1,050                  | 1,938              | 15.9             | 8.2   | 9.2   | 6.5                  | 6.1   | 6.7   | 1.4      | 1,454            | 319             | 22%         | -9%      |  |
| PMTS               | CPI Card Group Inc.               | 1.18             | 66                     | 354                | NM               | NM    | 5.0   | 10.8                 | 10.4  | 6.4   | 1.3      | 257              | 24              | 9%          | -4%      |  |
| DLX                | Deluxe Corporation                | 72.96            | 3,528                  | 4,231              | 15.6             | 13.9  | 13.2  | 9.3                  | 8.3   | 7.9   | 2.2      | 1,951            | 460             | 24%         | 10%      |  |
| EEFT               | Euronet Worldwide, Inc.           | 94.79            | 4,980                  | 4,662              | 30.6             | 20.8  | 18.1  | 13.9                 | 11.7  | 10.1  | 2.3      | 2,168            | 376             | 17%         | 10%      |  |
| EVRI               | Everi Holdings Inc.               | 7.59             | 507                    | 1,527              | NM               | 8.9   | 101.2 | 7.4                  | 7.0   | 6.6   | 1.6      | 945              | 201             | 21%         | -26%     |  |
| EVTC               | EVERTEC, Inc.                     | 15.85            | 1,147                  | 1,745              | 14.8             | 9.4   | 9.3   | 10.9                 | 9.2   | 8.9   | 4.3      | 409              | 148             | 36%         | 16%      |  |
| FDC                | First Data Corporation            | 18.04            | 16,651                 | 37,736             | 30.2             | 11.8  | 10.8  | 12.4                 | 12.3  | 11.5  | 4.7      | 7,991            | 2,820           | 35%         | 9%       |  |
| FLT                | FleetCor Technologies, Inc.       | 154.77           | 14,220                 | 17,922             | 30.6             | 18.5  | 16.2  | 17.6                 | 15.0  | 13.2  | 8.5      | 2,155            | 1,096           | 51%         | 26%      |  |
| GPN                | Global Payments Inc.              | 95.03            | 14,491                 | 18,729             | 73.7             | 30.3  | 24.0  | 15.8                 | 20.9  | 15.8  | 4.3      | 4,277            | 1,191           | 28%         | 6%       |  |
| GDOT               | Green Dot Corporation             | 49.58            | 2,502                  | 1,857              | 42.1             | 24.2  | 20.8  | 17.5                 | 9.9   | 8.5   | 2.5      | 840              | 127             | 15%         | 9%       |  |
| MA                 | Mastercard Incorporated           | 141.20           | 150,363                | 148,429            | 35.0             | 31.7  | 26.9  | 22.5                 | 20.8  | 18.1  | 13.0     | 11,941           | 6,901           | 58%         | 39%      |  |
| MGI                | MoneyGram International, Inc.     | 16.11            | 873                    | 1,613              | 33.1             | 15.2  | 13.4  | 7.2                  | 6.0   | 5.6   | 1.0      | 1,610            | 228             | 14%         | 2%       |  |
| PLPM               | Planet Payment, Inc.              | 4.29             | 214                    | 204                | 9.5              | 24.7  | 19.9  | 17.1                 | 12.1  | 10.2  | 3.9      | 53               | 13              | 25%         | 51%      |  |
| SQ                 | Square, Inc.                      | 28.81            | 11,054                 | 10,540             | NM               | 122.0 | 67.6  | NM                   | 79.1  | 44.5  | 5.5      | 2,050            | (25)            | -1%         | -3%      |  |
| TSS                | Total System Services, Inc.       | 65.50            | 12,068                 | 14,627             | 31.8             | 20.0  | 18.2  | 15.1                 | 12.6  | 11.8  | 3.2      | 4,787            | 986             | 21%         | 9%       |  |
| JTPY               | JetPay Corporation                | 1.85             | 29                     | 94                 | NM               | NM    | NM    | 21.9                 | 18.8  | 11.5  | 1.3      | 73               | 4               | 6%          | -3%      |  |
| VNTV               | Vantiv, Inc.                      | 70.47            | 11,458                 | 16,171             | 59.6             | 21.0  | 18.7  | 17.3                 | 15.0  | 13.6  | 4.0      | 3,916            | 914             | 23%         | 6%       |  |
| PAY                | VeriFone Systems, Inc.            | 20.28            | 2,275                  | 3,023              | NM               | 14.2  | 13.0  | 14.0                 | 9.7   | 9.1   | 1.6      | 1,859            | 218             | 12%         | -10%     |  |
| V                  | Visa Inc.                         | 105.24           | 240,659                | 251,114            | 39.1             | 29.6  | 25.6  | 20.7                 | 19.4  | 17.5  | 14.2     | 18,358           | 12,911          | 70%         | 36%      |  |
| WU                 | The Western Union Company         | 19.20            | 8,909                  | 11,250             | 49.4             | 10.9  | 10.7  | 8.5                  | 8.5   | 8.6   | 2.1      | 5,458            | 1,348           | 25%         | 4%       |  |
| WEX                | WEX Inc.                          | 112.22           | 4,815                  | 7,001              | 67.7             | 21.3  | 18.2  | 18.5                 | 14.6  | 12.8  | 5.9      | 1,210            | 394             | 33%         | 7%       |  |
| Median             |                                   |                  | 4,815                  | 4,662              | 31.8             | 20.0  | 18.1  | 15.5                 | 12.1  | 10.2  | 3.2      | 2,050            | 376             | 22%         | 7%       |  |

## Publicly Traded Payments Companies

|                           |                                 | 9/30/17<br>Price | Market<br>Cap<br>(\$M) | Ent'p Val<br>(\$M) | Price / Earnings |       |       | Ent'p Value / EBITDA |       |       | EV / LTM | LTM Total        |                 | LTM Margins |          |
|---------------------------|---------------------------------|------------------|------------------------|--------------------|------------------|-------|-------|----------------------|-------|-------|----------|------------------|-----------------|-------------|----------|
|                           |                                 |                  |                        |                    | LTM              | FY17E | FY18E | LTM                  | FY17E | FY18E | Revenue  | Revenue<br>(\$M) | EBITDA<br>(\$M) | EBITDA      | Net Inc. |
| Payment Software/Hardware |                                 |                  |                        |                    |                  |       |       |                      |       |       |          |                  |                 |             |          |
| ADP                       | Automatic Data Processing, Inc. | 109.32           | 48,584                 | 48,239             | 28.4             | 29.5  | 27.3  | 17.6                 | 18.4  | 16.5  | 3.9      | 12,542           | 2,714           | 22%         | 14%      |
| CVG                       | Convergys Corporation           | 25.89            | 2,415                  | 2,514              | 19.7             | 13.8  | 13.4  | 7.0                  | 7.0   | 6.9   | 0.9      | 2,861            | 357             | 12%         | 5%       |
| NSP                       | Insperty, Inc.                  | 88.00            | 1,834                  | 1,651              | 25.5             | 19.4  | 17.0  | 13.3                 | 10.0  | 8.7   | 0.5      | 3,203            | 135             | 4%          | 2%       |
| PAYX                      | Paychex, Inc.                   | 59.96            | 21,503                 | 21,192             | 26.6             | 26.2  | 24.4  | 15.5                 | 15.0  | 14.0  | 6.7      | 3,183            | 1,391           | 44%         | 26%      |
| WDAY                      | Workday, Inc.                   | 105.39           | 21,921                 | 20,372             | NM               | 127.8 | 96.8  | NM                   | 63.8  | 45.3  | 11.0     | 1,853            | (230)           | -12%        | -20%     |
| PAYC                      | Paycom Software, Inc.           | 74.96            | 4,466                  | 4,434              | 81.3             | 65.2  | 52.2  | 60.0                 | 35.7  | 28.1  | 11.6     | 407              | 86              | 21%         | 15%      |
| PCTY                      | Paylocity Holding Corporation   | 48.82            | 2,526                  | 2,429              | NM               | 67.4  | 55.4  | 128.4                | 37.7  | 30.3  | 8.1      | 316              | 23              | 7%          | 3%       |
| TNET                      | TriNet Group, Inc.              | 33.62            | 2,333                  | 2,501              | 22.6             | 22.6  | 20.9  | 12.4                 | 11.6  | 11.0  | 0.8      | 3,239            | 239             | 7%          | 4%       |
| UPLD                      | Upland Software, Inc.           | 21.16            | 440                    | 479                | NM               | 22.6  | 19.4  | 49.3                 | 15.4  | 12.6  | 5.5      | 89               | 12              | 14%         | -19%     |
| Median                    |                                 |                  | 2,526                  | 2,514              | 26.1             | 26.2  | 24.4  | 16.5                 | 15.4  | 14.0  | 5.5      | 2,861            | 135             | 12%         | 4%       |
| Overall Payments Median   |                                 |                  | 3,997                  | 4,332              | 30.6             | 21.2  | 18.7  | 15.7                 | 12.4  | 11.5  | 3.9      | 2,060            | 279             | 21%         | 6%       |

## Publicly Traded Solutions 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   | 9/30/17 Price | Market Cap (\$M) | Ent'p Val (\$M) |                  |       |       |                      |       |       |          |               |              |             |          |  |
| Outsourced |  |               |                  |                 |                  |       |       |                      |       |       |          |               |              |             |          |  |
| ACXM       | Acxiom Corporation                           | 24.64         | 1,967            | 2,027           | NM               | 34.9  | 24.9  | 26.1                 | 12.1  | 9.9   | 2.3      | 886           | 80           | 9%          | -1%      |  |
| CSGS       | CSG Systems International, Inc.              | 40.10         | 1,347            | 1,422           | 21.1             | 15.9  | 14.7  | 9.9                  | 8.2   | 7.6   | 1.9      | 780           | 139          | 18%         | 8%       |  |
| EFX        | Equifax Inc.                                 | 105.99        | 12,758           | 15,215          | 22.5             | 17.7  | 16.8  | 12.5                 | 12.2  | 11.7  | 4.6      | 3,325         | 1,164        | 35%         | 16%      |  |
| EXLS       | ExlService Holdings, Inc.                    | 58.32         | 1,968            | 1,764           | 29.6             | 22.4  | 20.3  | 17.6                 | 13.6  | 11.7  | 2.5      | 742           | 104          | 14%         | 10%      |  |
| FICO       | Fair Isaac Corporation                       | 140.50        | 4,304            | 4,803           | 37.7             | 27.7  | 23.5  | 23.7                 | 19.8  | 17.5  | 5.2      | 932           | 211          | 23%         | 14%      |  |
| FIS        | Fidelity National Information Services, Inc. | 93.39         | 31,044           | 39,537          | 46.8             | 21.8  | 19.2  | 16.0                 | 13.0  | 12.5  | 4.3      | 9,240         | 2,529        | 27%         | 6%       |  |
| FISV       | Fiserv, Inc.                                 | 128.96        | 27,142           | 31,928          | 31.6             | 25.3  | 22.3  | 17.8                 | 15.4  | 14.5  | 5.6      | 5,611         | 1,763        | 31%         | 16%      |  |
| INTU       | Intuit Inc.                                  | 142.14        | 36,242           | 35,953          | 38.2             | 31.8  | 28.1  | 22.1                 | 18.0  | 16.3  | 6.9      | 5,177         | 1,626        | 31%         | 19%      |  |
| PRGX       | PRGX Global, Inc.                            | 7.00          | 157              | 159             | NM               | 73.7  | 77.8  | 18.8                 | 7.6   | 7.0   | 1.1      | 154           | 9            | 6%          | -2%      |  |
| SSNC       | SS&C Technologies Holdings, Inc.             | 40.15         | 8,248            | 10,362          | 42.8             | 20.7  | 18.4  | 18.0                 | 15.1  | 13.6  | 6.5      | 1,638         | 610          | 37%         | 13%      |  |
| Median     |  |               | 6,276            | 7,582           | 34.6             | 23.8  | 21.3  | 17.9                 | 13.3  | 12.1  | 4.5      | 1,285         | 411          | 25%         | 12%      |  |

## Publicly Traded Solutions Companies

| Ticker                   | Name                                 | 9/30/17<br>Price | Market<br>Cap<br>(\$M) | Ent'p Val<br>(\$M) | Price / Earnings |       |       | Ent'p Value / EBITDA |       |       | EV / LTM | LTM Total        |                 | LTM Margins |          |  |
|--------------------------|--------------------------------------|------------------|------------------------|--------------------|------------------|-------|-------|----------------------|-------|-------|----------|------------------|-----------------|-------------|----------|--|
|                          |                                      |                  |                        |                    | LTM              | FY17E | FY18E | LTM                  | FY17E | FY18E | Revenue  | Revenue<br>(\$M) | EBITDA<br>(\$M) | EBITDA      | Net Inc. |  |
| Payroll/Administration   |                                      |                  |                        |                    |                  |       |       |                      |       |       |          |                  |                 |             |          |  |
| ACIW                     | ACI Worldwide, Inc.                  | 22.78            | 2,693                  | 3,319              | 105.7            | 47.5  | 39.5  | 19.0                 | 13.0  | 12.0  | 3.2      | 1,041            | 194             | 19%         | 4%       |  |
| EPAY                     | Bottomline Technologies (de), Inc.   | 31.83            | 1,286                  | 1,345              | NM               | 31.2  | 27.7  | 44.6                 | 16.6  | 15.0  | 3.8      | 358              | 36              | 10%         | -8%      |  |
| BR                       | Broadridge Financial Solutions, Inc. | 80.82            | 9,414                  | 10,417             | 29.9             | 24.3  | 21.2  | 14.6                 | 12.8  | 12.2  | 2.5      | 4,172            | 733             | 18%         | 8%       |  |
| CDK                      | CDK Global, Inc.                     | 63.09            | 8,840                  | 10,231             | 31.7             | 24.4  | 19.2  | 17.7                 | 13.6  | 11.8  | 4.6      | 2,235            | 609             | 27%         | 13%      |  |
| DBD                      | Diebold Nixdorf, Incorporated        | 22.85            | 1,725                  | 3,719              | NM               | 23.6  | 13.4  | 14.8                 | 9.8   | 7.8   | 0.8      | 4,603            | 375             | 8%          | -4%      |  |
| NCR                      | NCR Corporation                      | 37.52            | 4,559                  | 8,224              | 22.3             | 11.1  | 10.3  | 9.4                  | 7.1   | 6.8   | 1.3      | 6,536            | 894             | 14%         | 5%       |  |
| NTWK                     | NetSol Technologies, Inc.            | 3.50             | 39                     | 55                 | NM               | -     | -     | 9.0                  | -     | -     | 0.8      | 61               | 3               | 6%          | -8%      |  |
| PEGA                     | Pegasystems, Inc.                    | 57.65            | 4,475                  | 4,281              | 92.3             | 59.4  | 49.0  | 57.1                 | 32.7  | 25.5  | 5.3      | 801              | 55              | 7%          | 6%       |  |
| WK                       | Workiva Inc.                         | 20.85            | 872                    | 814                | NM               | NM    | NM    | NM                   | NM    | NM    | 4.3      | 200              | (34)            | -17%        | -19%     |  |
| Median                   |                                      |                  | 2,693                  | 3,719              | 31.7             | 24.4  | 20.2  | 16.2                 | 12.9  | 11.9  | 3.2      | 1,041            | 194             | 10%         | 4%       |  |
| Content                  |                                      |                  |                        |                    |                  |       |       |                      |       |       |          |                  |                 |             |          |  |
| CLGX                     | CoreLogic, Inc.                      | 46.22            | 3,897                  | 5,545              | 42.2             | 19.9  | 17.9  | 13.5                 | 11.7  | 10.9  | 2.8      | 1,872            | 396             | 21%         | 5%       |  |
| CSGP                     | CoStar Group, Inc.                   | 268.25           | 9,580                  | 9,263              | 90.1             | 60.3  | 43.6  | 42.3                 | 34.0  | 25.7  | 10.4     | 930              | 235             | 25%         | 12%      |  |
| DNB                      | The Dun & Bradstreet Corporation     | 116.41           | 4,302                  | 5,569              | 37.9             | 16.5  | 15.7  | 13.0                 | 11.3  | 10.7  | 3.3      | 1,733            | 424             | 24%         | 11%      |  |
| FDS                      | FactSet Research Systems Inc.        | 180.11           | 7,065                  | 7,413              | 27.7             | 23.9  | 21.5  | 18.5                 | 17.0  | 15.7  | 6.1      | 1,221            | 419             | 34%         | 21%      |  |
| TRU                      | TransUnion                           | 47.26            | 8,597                  | 10,815             | 40.7             | 25.8  | 23.0  | 17.0                 | 14.8  | 13.4  | 6.1      | 1,864            | 664             | 36%         | 13%      |  |
| FORR                     | Forrester Research, Inc.             | 41.85            | 742                    | 608                | 42.7             | 35.2  | 26.5  | 16.4                 | 16.8  | 13.6  | 1.9      | 331              | 37              | 11%         | 6%       |  |
| IT                       | Gartner, Inc.                        | 124.41           | 11,271                 | 13,991             | 255.3            | 36.5  | 29.8  | 37.8                 | 20.2  | 16.6  | 5.1      | 3,000            | 367             | 12%         | -1%      |  |
| MORN                     | Morningstar, Inc.                    | 84.99            | 3,615                  | 3,496              | 22.3             | -     | -     | 15.5                 | -     | -     | 4.1      | 881              | 241             | 27%         | 19%      |  |
| VRSK                     | Verisk Analytics, Inc.               | 83.19            | 13,689                 | 16,425             | 30.4             | 26.5  | 24.3  | 16.9                 | 15.6  | 14.5  | 7.9      | 2,081            | 963             | 46%         | 22%      |  |
| Median                   |                                      |                  | 5,684                  | 6,491              | 39.3             | 24.9  | 22.2  | 16.7                 | 15.2  | 13.5  | 4.6      | 1,477            | 381             | 25%         | 11%      |  |
| Overall Solutions Median |                                      |                  | 4,304                  | 5,545              | 37.7             | 24.4  | 21.3  | 17.3                 | 13.3  | 12.1  | 4.1      | 1,221            | 367             | 21%         | 8%       |  |



## Publicly Traded Technology Companies

|                                 |                                  | 9/30/17<br>Price | Market<br>Cap<br>(\$M) | Ent'p Val<br>(\$M) | Price / Earnings |       |       | Ent'p Value / EBITDA |       |       | EV / LTM | LTM Total        |                 | LTM Margins |          |  |
|---------------------------------|----------------------------------|------------------|------------------------|--------------------|------------------|-------|-------|----------------------|-------|-------|----------|------------------|-----------------|-------------|----------|--|
|                                 |                                  |                  |                        |                    | LTM              | FY17E | FY18E | LTM                  | FY17E | FY18E | Revenue  | Revenue<br>(\$M) | EBITDA<br>(\$M) | EBITDA      | Net Inc. |  |
| Banking Technology              |                                  |                  |                        |                    |                  |       |       |                      |       |       |          |                  |                 |             |          |  |
| ELLI                            | Ellie Mae, Inc.                  | 82.13            | 2,824                  | 2,457              | 54.5             | 55.3  | 45.1  | 30.5                 | 21.1  | 16.4  | 6.3      | 400              | 82              | 20%         | 13%      |  |
| QTWO                            | Q2 Holdings, Inc.                | 41.65            | 1,720                  | 1,631              | NM               | NM    | 266.6 | NM                   | 185.8 | 81.5  | 9.5      | 184              | (15)            | -8%         | -15%     |  |
| JKHY                            | Jack Henry & Associates, Inc.    | 102.79           | 7,960                  | 7,856              | 32.7             | 32.4  | 30.1  | 17.7                 | 15.3  | 14.5  | 5.5      | 1,446            | 448             | 31%         | 17%      |  |
| PFMT                            | Performant Financial Corporation | 1.82             | 92                     | 110                | NM               | NM    | 52.0  | 17.5                 | 9.3   | 6.3   | 0.9      | 133              | 2               | 1%          | -19%     |  |
| Median                          |                                  |                  | 2,272                  | 2,044              | 43.6             | 43.9  | 48.5  | 17.7                 | 18.2  | 15.4  | 5.9      | 292              | 42              | 11%         | -1%      |  |
| Insurance/Healthcare Technology |                                  |                  |                        |                    |                  |       |       |                      |       |       |          |                  |                 |             |          |  |
| ATHN                            | athenahealth, Inc.               | 124.36           | 4,966                  | 5,119              | 157.8            | 65.0  | 50.6  | 40.5                 | 19.3  | 16.7  | 4.5      | 1,179            | 130             | 11%         | 3%       |  |
| CRVL                            | CorVel Corporation               | 54.40            | 1,020                  | 982                | 34.2             | -     | -     | 13.9                 | -     | -     | 1.9      | 536              | 72              | 13%         | 6%       |  |
| CRD.B                           | Crawford & Company               | 11.96            | 668                    | 856                | 18.6             | 15.6  | 13.7  | 7.5                  | 5.9   | 5.3   | 0.7      | 1,079            | 103             | 10%         | 3%       |  |
| EBIX                            | Ebix, Inc.                       | 65.25            | 2,052                  | 2,334              | 21.3             | 21.4  | 19.0  | 20.4                 | 19.4  | 16.3  | 7.3      | 339              | 119             | 35%         | 29%      |  |
| GWRE                            | Guidewire Software, Inc.         | 77.86            | 5,840                  | 5,267              | 278.1            | 89.7  | 68.0  | 111.3                | 46.7  | 35.5  | 10.2     | 514              | 47              | 9%          | 4%       |  |
| HMSY                            | HMS Holdings Corp.               | 19.86            | 1,669                  | 1,830              | 56.5             | 24.6  | 21.4  | 20.0                 | 13.7  | 12.0  | 3.7      | 498              | 95              | 19%         | 5%       |  |
| MGLN                            | Magellan Health, Inc.            | 86.30            | 2,043                  | 2,332              | 24.6             | 23.0  | 18.2  | 9.9                  | 7.4   | 5.8   | 0.5      | 5,408            | 247             | 5%          | 2%       |  |
| CSLT                            | Castlight Health, Inc.           | 4.30             | 566                    | 485                | NM               | NM    | NM    | NM                   | NM    | NM    | 4.1      | 124              | (52)            | -42%        | -45%     |  |
| CNXR                            | Connecture, Inc.                 | 0.67             | 15                     | 110                | NM               | NM    | NM    | NM                   | NM    | 79.2  | 1.3      | 78               | (5)             | -6%         | -19%     |  |
| HQY                             | HealthEquity, Inc.               | 50.58            | 3,060                  | 2,849              | 75.0             | 74.7  | 59.0  | 46.1                 | 34.4  | 27.0  | 14.1     | 202              | 62              | 31%         | 20%      |  |
| INOV                            | Inovalon Holdings, Inc.          | 17.05            | 2,486                  | 2,204              | 143.9            | 54.0  | 45.7  | 32.8                 | 20.1  | 17.6  | 5.3      | 431              | 73              | 17%         | 4%       |  |
| EVH                             | Evolent Health, Inc.             | 17.80            | 1,329                  | 1,199              | NM               | NM    | NM    | NM                   | NM    | 57.4  | 3.8      | 409              | (48)            | -12%        | -16%     |  |
| Median                          |                                  |                  | 1,856                  | 2,017              | 56.5             | 24.6  | 21.4  | 20.4                 | 19.3  | 16.7  | 3.9      | 465              | 72              | 10%         | 4%       |  |

## Publicly Traded Technology Companies

|                           |                   | 9/30/17<br>Price | Market<br>Cap<br>(\$M) | Ent'p Val<br>(\$M) | Price / Earnings |       |       | Ent'p Value / EBITDA |       |       | EV / LTM | LTM Total        |                 | LTM Margins |          |
|---------------------------|-------------------|------------------|------------------------|--------------------|------------------|-------|-------|----------------------|-------|-------|----------|------------------|-----------------|-------------|----------|
|                           |                   |                  |                        |                    | LTM              | FY17E | FY18E | LTM                  | FY17E | FY18E | Revenue  | Revenue<br>(\$M) | EBITDA<br>(\$M) | EBITDA      | Net Inc. |
| Investment Technology     |                   |                  |                        |                    |                  |       |       |                      |       |       |          |                  |                 |             |          |
| DST                       | DST Systems, Inc. | 54.88            | 3,321                  | 3,825              | 8.4              | 18.0  | 15.3  | 8.7                  | 8.9   | 8.0   | 2.1      | 2,023            | 402             | 20%         | 20%      |
| ENV                       | Envestnet, Inc.   | 51.00            | 2,245                  | 2,455              | NM               | 39.8  | 32.1  | 44.7                 | 19.4  | 15.7  | 3.9      | 656              | 58              | 9%          | -8%      |
| MSCI                      | MSCI Inc.         | 116.90           | 10,528                 | 11,806             | 37.9             | 30.8  | 26.4  | 19.5                 | 18.0  | 16.1  | 9.9      | 1,232            | 632             | 51%         | 25%      |
| Median                    |                   |                  | 3,321                  | 3,825              | 23.1             | 30.8  | 26.4  | 19.5                 | 18.0  | 15.7  | 3.9      | 1,232            | 402             | 20%         | 20%      |
| Overall Technology Median |                   |                  | 2,052                  | 2,332              | 37.9             | 31.6  | 31.1  | 20.0                 | 18.6  | 16.2  | 4.1      | 498              | 73              | 11%         | 4%       |



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