

# VALUE FOCUS

## FinTech Industry



### Fourth Quarter 2015

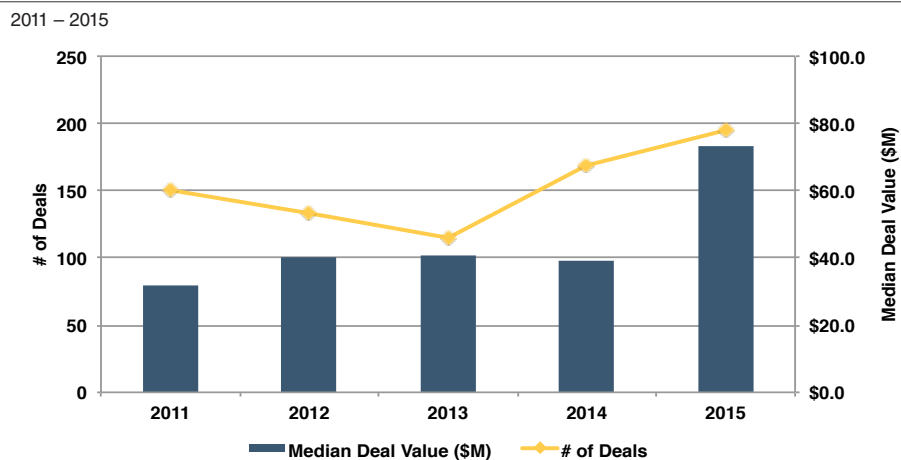
<b>Preferences and FinTech Valuations</b>	<b>1</b>	<b>FinTech IPO Watch</b>	<b>5</b>	<b>Venture Capital Case Study: Stripe</b>	<b>12</b>
<b>FinTech Industry Overview</b>	<b>3</b>	<b>FinTech M&amp;A</b>	<b>6</b>	<b>Publicly Traded FinTech Companies</b>	<b>15</b>
Public Market Indicators	3	2015 vs. 2014	6	Payments	15
Mercer Capital FinTech Indices vs. S&P 500	3	2015 Largest FinTech M&A Overview	7	Solutions	17
Median Total Return	3	<b>FinTech Venture Capital Activity Overview</b>	<b>9</b>	Technology	19
Valuation Multiples	4			<b>About Mercer Capital</b>	<b>21</b>
FinTech Margins	4				
FinTech Revenue Multiples	4				
FinTech EBITDA Multiples	4				

# Preferences and FinTech Valuations

2015 was a strong year for FinTech. For those still skeptical, consider the following:

- All three publicly traded FinTech niches that we track (Payments, Solutions, and Technology) beat the broader market, rising 11 to 14% compared to a 1% return for the S&P 500;
- FinTech M&A volume and pricing rose sharply over recent historical periods with 195 announced deals and a median deal value of \$74 million in 2015 (Figure 1);
- A number of notable fundings for private FinTech companies occurred with roughly \$9.0 billion raised among approximately 130 U.S. FinTech companies in larger funding rounds (only includes raises over \$10 million).

**Figure 1: FinTech M&A Overview**



Source: SNL Financial

One of the more notable FinTech events in 2015 was Square's IPO, which occurred in the fourth quarter. Square is a financial services and mobile payments company that is one of the more prominent FinTech companies with its high profile founder (Jack Dorsey, the Twitter co-founder and CEO) and early investors (Kleiner Perkins and Sequoia Capital). Its technology is recognizable with most of us having swiped a card through one of their readers attached to a phone after getting a haircut, sandwich, or cup of coffee. Not surprisingly, Square was among the first FinTech Unicorns, reaching that mark in June 2011. Its valuation based on private funding rounds **sat at the top** of U.S.-based FinTech companies in mid-2015.

So all eyes in the FinTech community were on Square as it went public in late 2015. Market conditions were challenging then (compared to even more challenging in early 2016 for an IPO), but Square had a well-deserved A-list designation among investors. Unfortunately, the results were mixed. Although the IPO was successful in that the shares priced, Square went public at a price of \$9 per share, which was **below the targeted range** of \$11 to \$13 per share. Also, the IPO valuation of about \$3 billion was sharply below the most recent fundraising round that valued the company in excess of \$5 billion.

In the category its great pay if you can get it, most Series E investors in the last funding round had a ratchet provision that **provided for a 20% return on their investment**, even if the offering price fell below the \$18.56 per share price required to produce that return. The ratchet locked in through the issuance of additional shares to the Series E investors. The resulting dilution was borne by other investors not protected by the ratchet.

On the flip side the IPO was not so bad for new investors. Square shares rose more than 45% over the course of the opening day of trading and then traded in the vicinity of

\$12 to \$13 per share through year-end. With the decline in equity markets in early 2016, the shares traded near the \$9 IPO price in mid-February.

IPO pricing is always tricky—especially in the tech space—given the competing demands between a company floating shares, the underwriter, and prospective shareholders. The challenge for the underwriter is to establish the right price to build a sizable order book that may produce a first day pop, but not one that is so large that existing investors are diluted. **According to MarketWatch**, less than 2% of 2,236 IPOs that priced below the low end of their filing range since 1980 saw a first day pop of more than 40%. By that measure, Square really is a unique company.

One notable takeaway from Square's experience is that the pricing of the IPO as much as any transaction may have marked the end of the era of astronomical private market valuations for Unicorn technology companies. The degree of astronomical depends on what is being measured, however. We have often noted that the headline valuation number in a private, fundraising round is **often not the real value for the company**. Rather, the price in the most recent private round reflects all of the rights and economic attributes of the share class, which usually are not the same for all shareholders, particularly investors in earlier fundraising rounds. As Travis Harms, my colleague at Mercer Capital **noted**: "It's like applying the pound price for filet mignon to the entire cow – you can't do that because the cow includes a lot of other stuff that is not in the filet."

While a full discussion of investor preferences and ratchets is beyond the scope of this article, they are fairly common in venture-backed companies. **Recent studies by Fenwick & West of Unicorn fundraisings** noted that the vast majority offered investors some kind of liquidation preference. The combination of investor preferences and a decline in pricing relative to prior funding rounds can result in asymmetrical price declines across the capital structure and result in a misalignment of incentives. John McFarlane, Sonos CEO, noted this when he stated: "If you're all aligned then no matter what happens, you're in the same boat... The really high valuation companies right now are giving out preferences – that's not alignment."

A **real-world example of this misalignment** was reported in a *New York Times* story in late 2015 regarding Good Technology, a Unicorn that ended up selling to BlackBerry

for approximately \$425 million in September 2015. While a \$425 million exit might be considered a success for a number of founders and investors, the transaction price was less than half of Good's purported \$1.1 billion valuation in a private round. The article noted that while a number of investors had preferences associated with their shares that softened the extent of the pricing decline, **many employees did not**. "For some employees, it meant that their shares were practically worthless. Even worse, they had paid taxes on the stock based on the higher value."

As the Good story illustrates, the valuation process can be challenging for venture-backed technology companies, particularly those with several different share classes and preferences across the capital structure, but these valuations can have very real consequence for stakeholders, particularly employees. Thus, it is important to have a valuation process with formalized procedures to demonstrate compliance with tax and financial reporting regulations when having valuations performed. Certainly, the prospects for scrutiny from auditors, SEC, and/or IRS are possible but very real tax issues can also result around equity compensation for employees.

Given the complexities in valuing venture-backed technology companies and the ability for market/investor sentiment to shift quickly, it is important to have a valuation professional that can assess the value of the company as well as the market trends prevalent in the industry. At Mercer Capital, we attempt to gain a thorough understanding of the economics of the most recent funding round to provide a market-based "anchor" for valuation at a subsequent date. Once the model is calibrated, we can then assess what changes have occurred (both in the market and at the subject company) since the last funding round to determine what impact if any that may have on valuation. Call us if you have any questions.



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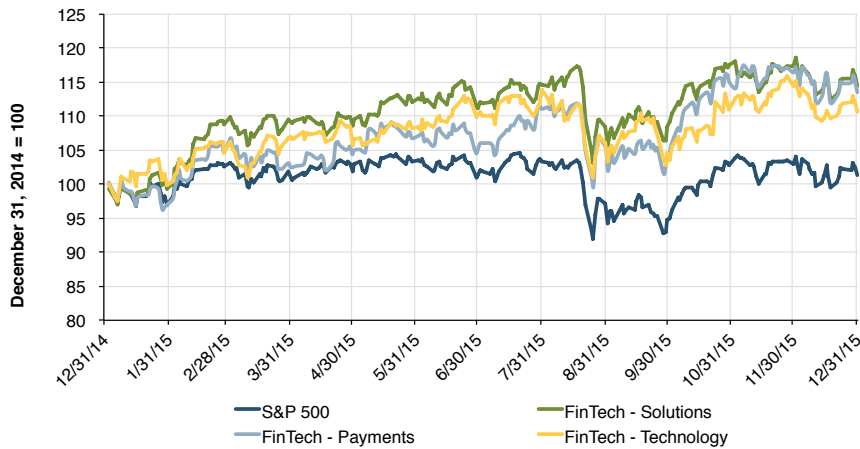
## Public Market Indicators

FinTech outperformed the broader markets in 2015.

- In the first half of the year, FinTech companies outperformed while broader markets were relatively flat.
- The second half of the year was relatively volatile for both broader markets as well as FinTech, however, losses in 3Q15 were offset by gains in 4Q15.

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

2015



Source: SNL Financial

### Median Total Return

as of December 31, 2015

Segment	Month-to-Date	4Q15	2015
FinTech - Payments	-2.5%	9.0%	13.5%
FinTech - Solutions	-2.5%	5.6%	14.4%
FinTech - Technology	-3.4%	5.7%	10.5%
<b>S&amp;P 500</b>	<b>-1.6%</b>	<b>7.0%</b>	<b>1.4%</b>

Source: SNL Financial

**Valuation Multiples**

as of December 31, 2015

Segment	Price / LTM EPS	Price / 2016 (E) EPS	Price / 2017 (E) EPS	Ent'p Value / LTM EBITDA	Ent'p Value / FY16 (E) EBITDA	Ent'p Value / FY17 (E) EBITDA	Ent'p Value / LTM Revenue
FinTech - Payments	29.9	19.6	16.8	14.0	13.0	11.3	2.8
FinTech - Solutions	31.4	23.7	21.1	15.4	12.4	11.5	3.2
FinTech - Technology	35.2	22.4	24.8	15.2	13.5	11.1	4.4

Source: SNL Financial

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 16.2x estimated forward earnings at 12/31/15 (per [FactSet](#)).

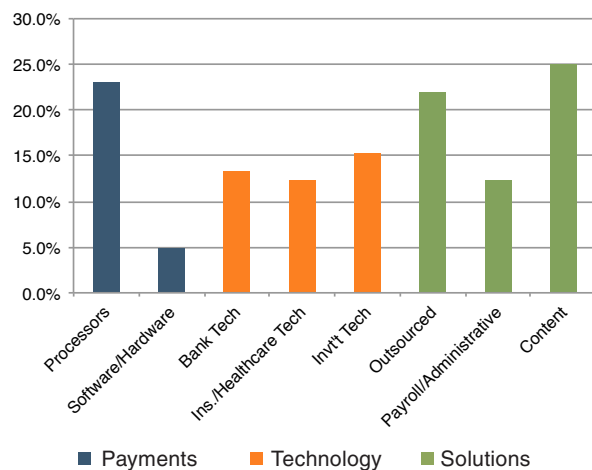
Investor interest in FinTech has remained relatively high.

FinTech has generally been viewed as a potentially higher growth segment.

However, investors continue to weigh competitive threats from incumbents as well as other startups, continuing technological change, and regulatory/business model risk.

**FinTech Margins**

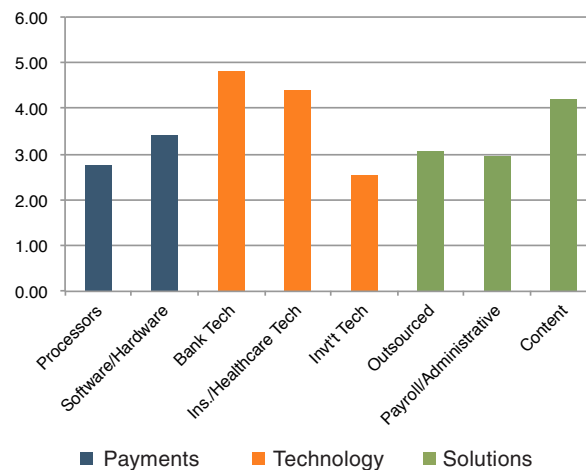
EBITDA Margin (2015)



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

**FinTech Revenue Multiples**

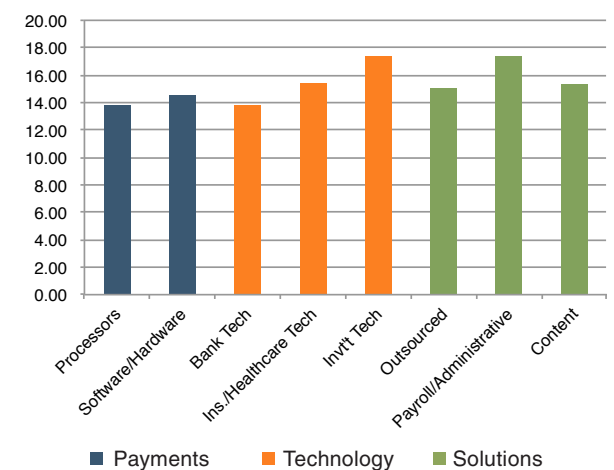
EV / Revenue (2015)



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

**FinTech EBITDA Multiples**

EV / EBITDA (2015)



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

# FinTech IPO Watch

- 8 FinTech IPOs occurred in 2015, which was down from 16 in 2014.
- 2 FinTech IPOs occurred in the fourth quarter of 2015, with payments companies Square and First Data going public.
- The stock performance since IPO for FinTech companies has varied with 2 of the 8 FinTech companies declining since IPO while the median return for 2015 FinTech companies since IPO was 7%.

## 2015 FinTech IPOs

Ticker	Name	IPO Price	IPO Date	Gross Proceeds (\$M)	% Return Since IPO	12/31/15 Price	12/31/15 Mkt Cap (\$M)	12/31/15 Ent Val (\$M)	LTM		FinTech Niche	Description
									Rev (\$M)	EBITDA (\$M)		
INOV	Inovalon Holdings, Inc.	\$27.00	2/11/15	\$685	-37.0%	\$17.00	2,565	2,136	407	137	Insurance/Healthcare Solutions	Provides cloud-based data analytics systems to the healthcare industry
BKFS	Black Knight Financial Services, Inc.	\$24.50	5/19/15	\$507	34.9%	\$33.06	2,248	4,796	913	320	Outsourcing	Provider of integrated technology, data and analytics solutions
EVH	Evolent Health, Inc.	\$17.00	6/4/15	\$225	-28.8%	\$12.11	714	794	152	(73)	Insurance/Healthcare Solutions	Partners with health systems to provide value-based care transformation
TRU	TransUnion	\$22.50	6/24/15	\$764	22.5%	\$27.57	5,025	7,266	1,456	454	Financial Media & Content	Risk and information solutions provider to businesses and consumers
XTLY	Xactly Corporation	\$8.00	6/25/15	\$65	6.6%	\$8.53	249	213	71	(14)	Payroll & Administrative Solutions	Provider of cloud-based, incentive compensation solutions
PMTS	CPI Card Group, Inc.	\$10.00	10/8/15	\$173	6.6%	\$10.66	602	1,015	368	88	Payment Processors	Provider of payment card production and related services, offering a single source for financial and prepaid debit cards
FDC	First Data Corporation	\$16.00	10/14/15	\$2,817	0.1%	\$16.02	14,405	38,311	7,722	2,612	Payment Processors	Global payment processor and commerce-enabling technology and solutions provider
SQ	Square, Inc.	\$9.00	11/18/15	\$279	45.4%	\$13.09	4,346	4,687	1,144	(95)	Payment Processors	Point-of sale payment service and solutions provider
<b>Median</b>				<b>\$393</b>	<b>6.6%</b>		<b>2,406</b>	<b>3,411</b>	<b>660</b>	<b>113</b>		

Source: SNL Financial and Capital IQ

## FinTech M&A

### 2015 vs. 2014

Deal values (both in total and the median of those deals reported) were up significantly as 2015 included several larger deals.

Deal Activity	FY 15	FY 14	% Change
# of Deals	195	169	15%
Total Reported Deal Value (\$M)	\$49,057.9	\$16,675.2	194%
Median Reported Deal Value (\$M)	\$73.5	\$39.0	88%

Target in Following FinTech Industry Niche	# of Deals		% Change
	FY 15	FY 14	
Payment Processors	30	38	
Processing Software & Hardware	14	14	
<b>Payments Total</b>	<b>44</b>	<b>52</b>	<b>-15%</b>
Bank	9	6	
Investments	42	18	
Insurance/Healthcare Solutions	51	45	
<b>Technology Total</b>	<b>102</b>	<b>69</b>	<b>48%</b>
Outsourcing	23	28	
Payroll & Administrative Solutions	4	4	
Financial Media & Content	22	16	
<b>Solutions Total</b>	<b>49</b>	<b>48</b>	<b>2%</b>

Median Pricing Metrics	FY 15	FY 14	% Change
Deal Value / Revenue	3.56	2.72	31%
Deal Value Greater than \$1BN	13	6	
Deal Value Greater than \$500M	15	8	
Deal Value Greater than \$50M	45	27	

Median Reported Deal Value	FY 15	FY 14
Payments Total	67.5	40.8
Technology Total	35.0	48.1
Solutions Total	162.5	32.5

# FinTech M&A

## 2015 Largest FinTech M&A Overview

Buyer Name/ Target Name	Announce Date	Deal Value (Reported) \$M	Deal Value, Including Debt Assumption (Reported) \$M	Valuation Multiples		Target Niche	Target Description
				Total Ent. Value (i.e., DV, Including Debt) / Revenue	Total Ent. Value (i.e., DV, Including Debt) / EBITDA		
Lexmark International Inc./ Kofax Limited	3/24/15	1,014	1,014	3.40	NM	Processing Software & Hardware	Provider of capture and business process management software and related maintenance and professional services
eBay Inc./ Xoom Corporation	7/1/15	1,226	1,226	7.31	NM	Payment Processors	A digital transfer money provider that targets US consumers needing to transfer money abroad
DH Corporation/ Fundtech Ltd.	3/30/15	1,250	1,250	4.76	NA	Banking Technology	A provider of transaction banking software and services to financial institutions and corporations
McGraw Hill Financial, Inc./ SNL Financial LC	7/27/15	2,225	2,491	11.12	NA	Financial Media & Content	Business intelligence company that collects and disseminates data and focuses its research on the banking, financial services, media and communications, insurance, real estate, energy and metals & mining sectors
SS&C Technologies Holdings, Inc./ Advent Software, Inc.	2/2/15	2,456	2,661	6.76	NM	Investments Technology	Provider of software and services for the global investment management industry
WEX Inc./ WP Mustang Topco LLC/ Warburg Pincus Private Equity XI (Lexington) LLC	10/19/15	1,470	1,470	NA	NA	Payment Processors	Electronic Funds Source provides customized payments solutions to mid- and large-sized over-the-road fleet segments
Intercontinental Exchange, Inc./ Interactive Data Holdings Corporation	10/26/15	5,265	5,265	5.60	NA	Financial Media & Content	Provider of financial market data, analytics and related trading solutions

Source: SNL Financial



# FinTech M&A

## 2015 Largest FinTech M&A Overview (continued)

Buyer Name/ Target Name	Announce Date	Deal Value (Reported) \$M	Deal Value, Including Debt Assumption (Reported) \$M	Valuation Multiples		Target Niche	Target Description
				Total Ent. Value (i.e., DV, Including Debt) / Revenue	Total Ent. Value (i.e., DV, Including Debt) / EBITDA		
Pamplona Capital Management LLP/ MedAssets, Inc.	11/2/15	1,971	2,768	3.62	19.51	Insurance/ Healthcare Solutions	Healthcare performance improvement company that combines market insight with rapid operational execution
Global Payments Inc./ Heartland Payment Systems, Inc.	12/15/15	3,857	4,356	1.68	19.75	Payment Processors	Payment processor, providing card-based payment processing services to small and medium-sized merchants in the US
Cox Enterprises, Inc./ Dealertrack Technologies, Inc.	6/15/15	4,001	4,709	4.97	NM	Banking Technology	Provider of web based software solutions to the retail automotive industry
Vista Equity Partners Management, LLC/ Solera Holdings, Inc.	9/13/15	3,766	6,248	5.48	15.40	Insurance/ Healthcare Solutions	Provider of risk and asset management software and services to the automotive and property marketplace
Willis Group Holdings Public Limited Company/ Towers Watson & Co.	6/30/15	8,647	8,829	2.43	11.63	Outsourcing	Merger of Equals; Towers Watson is a global professional services company that helps organizations improve performance through effective people, risk and financial management
Fidelity National Information Services, Inc./ SunGard	8/12/15	5,195	9,864	3.47	13.55	Investments Technology	Provider of solutions for financial services, public sector and education
<b>Median</b>		<b>2,456</b>	<b>2,768</b>	<b>4.87</b>	<b>15.40</b>		

Source: SNL Financial

# FinTech Venture Capital Activity Overview

Larger Fundings  
During 4Q15

Company	Amount (\$M)	Company Description
<b>Pave</b>	\$300	Alternative (Marketplace) Lender – Peer-to-Peer
<b>Earnest</b>	\$275	Alternative (Marketplace) Lender – Personal and Student Loans
<b>ZestFinance</b>	\$150	Consumer – Credit Underwriting
<b>Kabbage</b>	\$135	Alternative Lender – Small Business
<b>Symphony</b>	\$100	Secure Messaging for Financial Services
<b>Balance Credit</b>	\$100	Alternative Lender – Consumer Focus
<b>Collective Health</b>	\$81	Health Insurance Platform for Businesses
<b>InvestCloud</b>	\$45	Investment Management Platform
<b>FactorTrust</b>	\$42	Alternative Credit Bureau
<b>CloverHealth</b>	\$35	Health Insurance
<b>PokitDok</b>	\$35	Alternative (Marketplace) Lender – Peer-to-Peer

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

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

# FinTech Venture Capital Activity Overview

Larger Fundings  
During 4Q15 (cont.)

Company	Amount (\$M)	Company Description
<b>Insureon</b>	\$32	Insurance for Small Businesses
<b>LQD Business Finance</b>	\$30	Online Small Business Financing
<b>CircleUp</b>	\$30	Equity Crowdfunding Platform
<b>Poynt</b>	\$28	Smart Payment Terminal
<b>Expansion Capital Group</b>	\$25	Alternative Lender – Small Business
<b>Marqeta</b>	\$25	Open API Issuer/Payment Processor Platform
<b>TruMid</b>	\$25	Electronic Trading Marketplace for Corporate Bonds
<b>iControl</b>	\$20	Payment Management
<b>NextCapital</b>	\$16	Investing and Portfolio Management
<b>Invoice2Go</b>	\$15	Invoicing Solution
<b>Stockpile</b>	\$15	Gift Cards Backed with Public Company Equity

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# FinTech Venture Capital Activity Overview

Larger Fundings  
During 4Q15 (cont.)

Company	Amount (\$M)	Company Description
<b>Bread Finance</b>	\$14	Unsecured Consumer Financing for Purchases
<b>Openhouse</b>	\$14	Real Estate Discovery App
<b>Lemonade</b>	\$13	Peer-to-Peer Insurance
<b>Align Commerce</b>	\$13	Payment Service Provider for Global Commerce
<b>Moven</b>	\$12	Mobile-Optimized Neo-Bank
<b>Skills Fund</b>	\$12	Lending to Bootcamp Students
<b>Oration</b>	\$11	Tools for Self-Insured Businesses
<b>Hixme</b>	\$11	Health Insurance for Employees
<b>Hanweck Associates</b>	\$10	Real-Time Risk Analytics for Financial Institutions
<b>Zebit</b>	\$10	Payment and Credit Platform for the Underbanked
<b>Censio</b>	\$10	Usage-Backed Insurance Tools for Vehicles

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

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# Venture Capital Case Study

## stripe

**“First, it’s really simple for a business to get started using Stripe, and second, it’s easy for developers to customize Stripe’s technology for their own needs – which is super important because not all online businesses have the same needs.”**

**– John Heggestuen**  
*Business Insider, Research Analyst*

# Venture Capital Case Study

## Stripe

Stripe attempts to improve internet commerce by making it easier to process transactions and manage an online business.

It provides the technical, fraud prevention, and banking infrastructure required to operate online payment systems accounts.

### Timeline

Year	Significant Corporate Events
2010 – 2011	Two seed rounds: one undisclosed and another raise of \$2M (Y Combinator Alum) Stripe launched in 2011 Software allows companies to take online payments securely and is noted for being relatively easy to use and customizable
2012	Raised \$18M in a Series A in February (Reported \$100M valuation) and \$20M in a Series B in July (Reported \$500M valuation) Acquired chat and task-management application Kickoff
2014	Raised \$80M in January (reported \$1.75BN valuation) and \$70M in December (reported \$3.5BN valuation) Announced support of bitcoin transactions
2015	Raised \$90M in a Series C in July (reported \$5BN valuation) Announced Visa partnership to help expand internationally Unveiled Stripe Relay <ul style="list-style-type: none"> <li>• Tools for retailers to help them build native buying experiences within other apps like Twitter</li> <li>• Intended to improve the buying experience by not requiring users to jump through multiple websites</li> </ul>

Sources for Case Study:

*Techcrunch.*

"Payments Startup Stripe Joins the Billion Dollar Club" – *Wall Street Journal.*

"Stripe Unveils a New Tool to Help Retailers Build Native Buying Experience in Apps" – *TechCrunch.*

"Stripes New Funding Makes it a \$5BN Company" – *Fortune.*

"Stripe Said to Get Funding Valuing Startup at \$100 Million" – *Bloomberg Business.*

# Venture Capital Case Study

## Stripe

### Key Takeaways

**1. Despite larger and mature incumbents in the Payments space, niches still exist to exploit**

Payments is an industry that has existed in some form for thousands of years but evolving customer expectations and preferences, such as transitioning to more mobile and online commerce, continue to create opportunities for savvy companies and entrepreneurs.

**2. Focus on the “headaches”**

Stripe’s Relay product clearly targets the elimination of certain “headaches” that customers and retailers have with trying to sell items online.

- For example, Stripe’s “buy” buttons reduce headaches that both retailers, who advertise products on social media, and consumers, who have to click through to multiple sites to buy, experience.

**3. Ease of Use and Customizability May Require Flexibility and Fading into the Background**

Building “buy” buttons that work in other apps/sites and allowing companies to customize their payment options are examples of ways Stripe competes by allowing the user (i.e., retailer) to have tremendous flexibility and customizability.

**4. Partnerships are Key**

Stripe has partnered with a number of companies including traditional financial services companies (such as AmEx, Visa) as well as non-financials (such as developing “buy” buttons for Pinterest, Facebook, and Twitter).

## Industry Articles of Note

**Bankers and Start-ups Clash over the Future of Finance**

*Financial Times*  
*Izabella Kaminska and Gillian Tett*  
 (subscription required)

**When a Unicorn Start-Up Stumbles, Its Employees Get Hurt**

*New York Times*  
*Katie Benner*

**Community Banks Embrace FinTech to Meet Technology Demands**

*Worcester Business Journal Online*  
*Laura Finaldi*

**Asset Managers Cast a Wary Eye on PE Valuations in the Aftermath of the Square IPO**

*Mercer Capital: RIA Valuation Insights Blog*  
*Madeleine Harrigan*

**Fintech Startups Face Difficult Market Ahead**

*Forbes*  
*Falguni Desai*

Publicly Traded Payments Companies

Ticker	Name	12/31/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Payment Processors</b>															
ADS	Alliance Data Systems Corporation	276.57	16,909	33,086	37.4	18.4	16.1	21.3	16.6	14.7	5.1	6,440	1,600	25%	9%
HAWK	Blackhawk Network Holdings, Inc.	44.21	2,416	2,681	53.0	19.1	16.8	17.0	13.8	11.9	1.6	1,704	158	9%	3%
CATM	Cardtronics Inc.	33.65	1,511	2,060	26.4	11.6	10.4	7.9	7.1	6.4	1.8	1,200	277	23%	6%
PMTS	CPI Card Group, Inc.	10.66	602	1,015	NM	12.9	11.1	11.5	10.6	8.9	2.8	368	88	24%	10%
DLX	Deluxe Corp.	54.54	2,684	3,253	12.6	12.0	11.3	7.9	7.1	6.6	1.8	1,773	435	25%	12%
EEFT	Euronet Worldwide, Inc.	72.43	3,825	3,765	40.9	21.8	18.6	14.2	12.8	10.6	2.1	1,764	265	15%	5%
EVRI	Everi Holdings Inc.	4.39	290	1,334	NM	5.1	4.4	7.9	6.6	6.5	1.7	775	169	22%	-3%
EVTC	EVERTEC, Inc.	16.74	1,274	1,904	20.0	9.9	9.5	12.2	10.3	9.9	5.1	371	156	42%	18%
FDC	First Data Corporation	16.02	14,405	38,311	-	23.1	11.6	13.5	14.1	13.1	5.0	7,722	2,612	34%	-3%
FLT	FleetCor Technologies, Inc.	142.93	13,173	15,663	31.8	23.0	20.0	18.7	17.3	15.2	9.6	1,703	858	50%	21%
GPN	Global Payments Inc.	64.51	8,340	10,080	29.8	20.4	18.5	16.3	14.7	13.8	3.5	2,843	615	22%	10%
GDOT	Green Dot Corporation	16.42	858	305	19.4	12.5	12.2	2.6	2.0	2.0	0.4	699	115	17%	6%
HPY	Heartland Payment Systems, Inc.	94.82	3,494	3,919	83.2	32.8	28.3	19.6	17.8	15.7	1.5	2,682	209	8%	3%
ONE	Higher One Holdings, Inc.	3.24	155	195	NM	7.8	13.8	8.5	3.9	6.7	1.0	203	23	11%	-1%
MA	MasterCard Incorporated	97.36	110,155	106,738	29.9	29.0	25.0	19.4	19.1	16.6	11.1	9,667	5,505	57%	39%
MGI	Moneygram International Inc.	6.27	334	1,322	NM	7.9	6.3	7.9	5.5	4.9	0.9	1,408	168	12%	-5%
PLPM	Planet Payment, Inc.	3.05	159	147	33.6	30.5	19.7	19.9	13.0	10.1	2.9	50	7	15%	11%
SQ	Square, Inc.	13.09	4,346	4,687	NM	NM	NM	NM	NM	NM	4.1	1,144	(95)	-8%	-15%
TSS	Total System Services, Inc.	49.80	9,163	10,240	25.3	20.0	18.9	15.1	12.1	11.3	3.8	2,780	792	29%	13%
JTPY	JetPay Corporation	2.72	38	82	NM	NM	NM	20.7	20.7	16.3	2.0	42	4	10%	-5%
VNTV	Vantiv, Inc.	47.42	7,407	10,300	48.2	21.3	18.2	15.6	13.2	12.0	3.5	3,160	774	24%	5%
PAY	VeriFone Systems, Inc.	28.02	3,130	3,755	41.2	15.0	12.4	13.4	10.3	9.3	1.9	2,000	281	14%	4%
V	Visa Inc.	77.55	188,406	182,938	29.9	30.3	26.0	19.6	18.8	16.6	13.1	14,063	9,479	67%	48%
WU	The Western Union Company	17.91	9,050	11,000	11.1	10.7	10.3	7.8	7.8	7.8	2.0	5,514	1,405	25%	15%
WEX	WEX Inc.	88.40	3,416	4,133	26.8	18.6	17.1	12.3	12.4	10.4	4.8	854	336	39%	15%
<b>Median</b>			<b>3,416</b>	<b>3,765</b>	<b>29.9</b>	<b>18.6</b>	<b>16.1</b>	<b>13.8</b>	<b>12.6</b>	<b>10.5</b>	<b>2.8</b>	<b>1,704</b>	<b>277</b>	<b>23%</b>	<b>6%</b>



## Publicly Traded Payments Companies

Ticker	Name	12/31/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Payment Software/Hardware</b>															
ADP	Automatic Data Processing, Inc.	84.72	39,073	38,246	28.3	28.4	24.4	16.4	16.6	14.5	3.4	11,240	2,332	21%	13%
CVG	Convergys Corporation	24.89	2,428	2,572	15.1	14.5	13.2	6.9	6.9	6.4	0.9	2,963	370	12%	6%
NSP	Insperty, Inc.	48.15	1,169	958	30.3	21.3	18.6	9.9	8.4	7.4	0.4	2,549	97	4%	2%
PAYX	Paychex, Inc.	52.89	19,090	18,614	26.3	24.9	23.1	15.3	14.3	12.9	6.5	2,842	1,215	43%	26%
WDAY	Workday, Inc.	79.68	15,458	14,070	NM	NM	NM	NM	184.5	120.9	13.2	1,065	(164)	-15%	-25%
PAYC	Paycom Software, Inc.	37.63	2,224	2,202	117.3	99.0	73.5	53.9	46.2	35.9	10.8	204	41	20%	9%
PCTY	Paylocity Holding Corporation	40.55	2,061	1,982	NM	NM	NM	NM	153.0	99.2	11.9	188	1	0%	-4%
TNET	TriNet Group, Inc.	19.35	1,355	1,713	58.9	19.6	15.9	13.8	11.5	9.8	0.7	2,537	124	5%	1%
UPLD	Upland Software, Inc.	7.05	110	107	NM	NM	NM	NM	29.3	17.4	1.6	69	(0)	0%	-18%
<b>Median</b>			<b>2,224</b>	<b>2,202</b>	<b>29.3</b>	<b>23.1</b>	<b>20.9</b>	<b>14.6</b>	<b>16.6</b>	<b>14.5</b>	<b>3.4</b>	<b>2,537</b>	<b>97</b>	<b>5%</b>	<b>2%</b>
<b>Overall Payments Median</b>			<b>2,907</b>	<b>3,504</b>	<b>29.9</b>	<b>19.6</b>	<b>16.8</b>	<b>14.0</b>	<b>13.0</b>	<b>11.3</b>	<b>2.8</b>	<b>1,734</b>	<b>237</b>	<b>20%</b>	<b>6%</b>

Publicly Traded Solutions Companies

Ticker	Name	12/31/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Outsourced</b>															
ACXM	Acxiom Corporation	20.92	1,629	1,644	NM	35.7	36.1	10.5	11.2	12.0	1.6	1,046	173	17%	0%
CSC	Computer Sciences Corporation	32.68	4,535	5,356	215.6	7.6	11.5	5.6	3.0	3.8	0.5	11,329	964	9%	0%
CSGS	CSG Systems International Inc.	35.98	1,176	1,220	23.2	14.1	13.4	9.6	7.2	6.8	1.7	753	158	21%	8%
EFX	Equifax Inc.	111.37	13,195	14,458	32.6	24.9	22.5	15.9	15.7	14.2	5.5	2,622	912	35%	16%
EXLS	Exlservice Holdings, Inc.	44.93	1,481	1,368	34.5	22.5	19.6	15.5	12.6	10.9	2.3	598	88	15%	7%
FICO	Fair Isaac Corporation	94.18	2,927	3,455	35.5	21.9	19.8	18.2	17.5	14.5	4.1	849	195	23%	11%
FIS	Fidelity National Information Services, Inc.	60.60	19,779	24,384	23.6	18.8	15.7	14.7	12.1	8.7	3.8	6,410	1,660	26%	11%
FISV	Fiserv, Inc.	91.46	20,902	24,920	31.4	23.7	21.1	15.1	13.9	13.0	4.8	5,254	1,728	33%	14%
IL	IntraLinks Holdings, Inc.	9.07	529	550	NM	136.0	69.8	51.4	13.9	12.4	2.0	272	11	4%	-13%
INTU	Intuit Inc.	96.50	25,476	25,852	58.6	31.3	26.1	22.1	17.2	14.5	6.0	4,293	1,169	27%	10%
PRGX	PRGX Global, Inc.	3.72	85	69	NM	NM	46.5	7.9	4.1	3.7	0.5	146	9	6%	-5%
BKFS	Black Knight Financial Services, Inc.	33.06	2,248	4,796	NM	34.8	30.7	15.0	11.6	10.7	5.3	913	320	35%	-11%
SSNC	SS&C Technologies Holdings, Inc.	68.27	6,955	9,280	92.7	26.0	21.2	31.5	20.6	14.6	10.3	900	294	33%	7%
<b>Median</b>			<b>2,927</b>	<b>4,796</b>	<b>34.5</b>	<b>24.3</b>	<b>21.2</b>	<b>15.1</b>	<b>12.6</b>	<b>12.0</b>	<b>3.8</b>	<b>913</b>	<b>294</b>	<b>23%</b>	<b>7%</b>

Publicly Traded Solutions Companies

Ticker	Name	12/31/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Payroll/Administration</b>															
ACIW	ACI Worldwide, Inc.	21.40	2,531	3,261	28.7	23.7	26.4	16.4	12.4	11.5	3.2	1,028	199	19%	9%
EPAY	Bottomline Technologies (de), Inc.	29.73	1,109	1,145	NM	21.2	17.4	26.4	14.1	13.7	3.4	336	42	12%	-12%
BR	Broadridge Financial Solutions, Inc.	53.73	6,372	6,821	22.9	21.2	18.7	11.9	11.5	10.6	2.5	2,798	593	21%	10%
CDK	CDK Global, Inc.	47.47	7,568	8,467	38.6	34.4	25.2	18.3	16.7	13.4	4.0	2,064	459	22%	11%
DBD	Diebold, Incorporated	30.09	1,956	2,382	27.6	16.8	16.4	10.7	10.9	8.9	0.8	2,931	223	8%	2%
NCR	NCR Corporation	24.46	4,165	7,132	NM	8.9	8.3	20.8	7.2	6.8	1.1	6,461	343	5%	-3%
NTWK	NetSol Technologies, Inc.	7.76	80	88	NM	NM	NM	13.3	-	-	1.6	54	7	12%	-8%
PEGA	Pegasystems Inc.	27.50	2,102	1,878	62.6	34.9	31.1	23.1	16.8	14.4	2.9	647	81	13%	5%
XTLY	Xactly Corporation	8.53	249	213	NM	NM	NM	NM	NM	NM	3.0	71	(14)	-20%	-33%
WK	Workiva Inc.	17.57	717	658	NM	NM	NM	NM	NM	NM	4.9	136	(39)	-29%	-34%
<b>Median</b>			<b>2,029</b>	<b>2,130</b>	<b>28.7</b>	<b>21.2</b>	<b>18.7</b>	<b>17.3</b>	<b>12.0</b>	<b>11.1</b>	<b>2.9</b>	<b>837</b>	<b>140</b>	<b>12%</b>	<b>0%</b>
<b>Content</b>															
RATE	Bankrate, Inc.	13.30	1,322	1,475	NM	19.8	18.2	13.1	10.3	9.6	2.7	552	113	20%	-1%
CLGX	CoreLogic, Inc.	33.86	2,985	4,229	28.7	18.2	16.3	12.0	10.0	9.4	2.9	1,483	336	23%	7%
CSGP	CoStar Group Inc.	206.69	6,715	6,710	NM	117.3	57.5	84.7	55.0	30.0	9.9	675	79	12%	-2%
DNB	Dun & Bradstreet Corp.	103.93	3,755	5,232	16.6	14.4	13.6	12.2	10.8	9.9	3.1	1,701	426	25%	11%
FDS	FactSet Research Systems Inc.	162.57	6,730	6,827	27.9	23.2	20.9	18.4	16.4	14.9	6.6	1,035	371	36%	24%
TRU	TransUnion	27.57	5,025	7,266	NM	28.4	23.1	15.7	14.1	12.7	5.0	1,456	454	31%	-2%
MRKT	Markit Ltd.	30.17	5,419	5,818	46.2	20.7	19.8	15.4	11.8	11.0	5.3	1,093	393	36%	11%
FORR	Forrester Research Inc.	28.48	505	401	38.4	26.4	22.6	11.5	12.3	10.1	1.3	313	35	11%	4%
IT	Gartner Inc.	90.70	7,515	7,984	46.2	38.8	32.3	23.7	19.3	16.5	3.8	2,163	357	16%	8%
MORN	Morningstar Inc.	80.41	3,555	3,293	28.2	27.3	23.5	13.3	12.9	11.6	4.2	784	248	32%	16%
VRSK	Verisk Analytics, Inc.	76.88	13,026	16,052	26.0	25.6	23.9	17.4	16.3	14.5	8.1	1,972	922	47%	25%
<b>Median</b>			<b>5,025</b>	<b>5,818</b>	<b>28.5</b>	<b>25.6</b>	<b>22.6</b>	<b>15.4</b>	<b>12.9</b>	<b>11.6</b>	<b>4.2</b>	<b>1,093</b>	<b>357</b>	<b>25%</b>	<b>8%</b>
<b>Overall Solutions Median</b>			<b>3,270</b>	<b>4,513</b>	<b>32.0</b>	<b>23.7</b>	<b>21.2</b>	<b>15.4</b>	<b>12.5</b>	<b>11.6</b>	<b>3.3</b>	<b>1,031</b>	<b>271</b>	<b>21%</b>	<b>7%</b>

Publicly Traded Technology Companies

Ticker	Name	12/31/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Banking Technology</b>															
ELLI	Ellie Mae, Inc.	60.23	1,796	1,691	84.8	41.1	34.1	34.7	25.7	20.3	7.2	236	49	21%	9%
EPIQ	Epiq Systems, Inc.	13.07	490	877	NM	15.8	14.2	13.8	8.3	7.5	1.8	478	64	13%	-4%
QTWO	Q2 Holdings, Inc.	26.37	1,021	901	NM	NM	NM	NM	NM	NM	9.0	101	(15)	-15%	-21%
JKHY	Jack Henry & Associates Inc.	78.06	6,239	6,156	29.2	29.1	26.5	13.8	13.6	12.6	4.8	1,298	454	35%	17%
PFMT	Performant Financial Corporation	1.79	89	107	NM	22.6	25.0	9.9	4.2	4.8	0.7	158	11	7%	-4%
<b>Median</b>			<b>1,021</b>	<b>901</b>	<b>57.0</b>	<b>25.8</b>	<b>25.7</b>	<b>13.8</b>	<b>11.0</b>	<b>10.0</b>	<b>4.8</b>	<b>236</b>	<b>49</b>	<b>13%</b>	<b>-4%</b>
<b>Insurance/Healthcare Technology</b>															
ATHN	athenahealth, Inc.	160.97	6,250	6,407	NM	121.6	93.0	94.2	35.8	27.9	7.3	925	114	12%	2%
CRVL	CorVel Corporation	43.92	865	838	32.6	-	-	13.3	-	-	1.7	497	64	13%	6%
CRD.B	Crawford & Company	5.31	292	505	31.2	14.2	7.5	6.0	5.0	4.0	0.4	1,171	83	7%	1%
EBIX	Ebix Inc.	32.79	1,107	1,260	15.8	15.0	14.5	14.0	13.0	12.1	4.9	256	90	35%	29%
GWRE	Guidewire Software, Inc.	60.16	4,301	3,764	NM	99.0	88.8	218.0	52.3	47.9	9.8	383	17	5%	3%
HMSY	HMS Holdings Corp.	12.34	1,061	1,114	82.1	22.3	19.9	13.1	10.1	9.3	2.4	458	85	19%	3%
MGLN	Magellan Health, Inc.	61.66	1,518	1,590	63.3	19.1	18.4	7.6	6.5	5.9	0.4	4,311	208	5%	1%
SLH	Solera Holdings Inc.	54.83	3,687	6,434	NM	18.9	18.0	15.2	13.8	12.7	5.5	1,199	428	36%	-11%
CSLT	Castlight Health, Inc.	4.27	404	257	NM	NM	NM	NM	NM	NM	3.8	68	(79)	-115%	-118%
CNXR	Connecture, Inc.	3.61	79	121	NM	NM	60.5	25.1	12.4	6.9	1.3	95	5	5%	-7%
HQY	HealthEquity, Inc.	25.07	1,445	1,320	98.4	79.0	53.9	42.2	34.1	23.6	11.4	116	31	27%	13%
IMPR	Imprivata, Inc.	11.30	283	231	NM	NM	NM	NM	NM	NM	2.0	114	(15)	-13%	-18%
IMS	IMS Health Holdings, Inc.	25.47	8,369	12,168	21.7	17.4	15.8	17.0	13.9	12.5	4.4	2,921	793	27%	14%
INOV	Inovalon Holdings, Inc.	17.00	2,565	2,136	37.8	33.6	26.5	15.6	13.9	11.1	5.3	407	137	34%	16%
EVH	Evolent Health, Inc.	12.11	714	794	2.4	NM	NM	NM	NM	NM	5.2	152	(73)	-48%	197%
<b>Median</b>			<b>1,107</b>	<b>1,260</b>	<b>32.6</b>	<b>19.1</b>	<b>19.2</b>	<b>15.4</b>	<b>13.4</b>	<b>11.6</b>	<b>4.4</b>	<b>407</b>	<b>83</b>	<b>12%</b>	<b>3%</b>

Publicly Traded Technology Companies

Ticker	Name	12/31/15 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Investment Technology</b>															
DST	DST Systems Inc.	114.06	3,947	4,435	7.8	19.3	17.2	9.9	10.4	9.9	1.6	2,825	431	15%	13%
ENV	Envestnet, Inc.	29.85	1,071	1,012	93.4	32.1	24.8	20.8	13.5	9.2	2.5	399	49	12%	3%
MSCI	MSCI Inc.	72.13	7,406	7,991	38.0	32.0	26.5	17.4	16.7	15.0	7.6	1,075	482	45%	21%
<b>Median</b>			<b>3,947</b>	<b>4,435</b>	<b>38.0</b>	<b>32.0</b>	<b>24.8</b>	<b>17.4</b>	<b>13.5</b>	<b>9.9</b>	<b>2.5</b>	<b>1,075</b>	<b>431</b>	<b>15%</b>	<b>13%</b>
<b>Overall Technology Median</b>			<b>1,107</b>	<b>1,260</b>	<b>35.2</b>	<b>22.4</b>	<b>24.8</b>	<b>15.2</b>	<b>13.5</b>	<b>11.1</b>	<b>4.4</b>	<b>407</b>	<b>64</b>	<b>13%</b>	<b>3%</b>

# Mercer Capital

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