

# VALUE FOCUS

## FinTech Industry



### First Quarter 2016

#### Are Market Conditions Driving More FinTech Partnerships and M&A?

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# Are Market Conditions Driving More FinTech Partnerships and M&A?

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

It has been an interesting few weeks for FinTech. Coming off recent years where both public and private FinTech markets were trending positively, the tail end of 2015 and the start to 2016 have been unique as performance has started to diverge. The performance of public FinTech companies has been relatively flat through the first quarter of 2016 (see [Public Market Indicators on page 3](#)), and signs of weakness have been observed in alternative/marketplace lending, as well as some of the more high profile FinTech companies that have gone public recently. The median return of the FinTech companies that IPO'd in 2015 was a decline of 16% since IPO (through 3/31/16). For perspective, Square, OnDeck, and Lending Club are each down significantly in 2016 (down 28%, 53%, and 64%, respectively from 1/1/2016 to 5/18/2016). Also, the broader technology [IPO slowdown](#) in late 2015 has continued into 2016 and no FinTech IPOs have occurred thus far in 2016.

However, optimism for FinTech still abounds, and the private markets continue to reflect that with robust investor interest and funding levels. In 2016, 334 FinTech companies raised a total of \$6.7 billion in funding in the first quarter (compared to 171 companies raising \$3.2 billion in the first quarter of 2015), and Ant Financial (Alibaba's finance affiliate) completed an eye-popping [\\$4.5 billion capital raise](#) in April.

While the factors driving this divergence in performance between public and private markets are debatable, the divergence is unlikely to continue indefinitely. A less

favorable public market and less attractive IPO market creates a more challenging exit environment for those "unicorns" and other private companies. Headwinds for the private markets could develop from more technology companies seeking IPOs and less cash flow from successful exits to fund the next round of private companies.

Consequently, other strategic and exit options beyond an IPO should be considered such as partnering with, acquiring, or selling to traditional incumbents (banks, insurers, and money managers). The potential for M&A and partnerships is even more likely in FinTech, particularly here in the US, due to the unique dynamics of the financial services industry including the resiliency of traditional incumbents and the regulatory landscape. For example, consider a few of the inherent advantages that traditional banks have over non-bank FinTech lenders:

- **Better Access to Funding.** Prior to 2016, the interest rate/funding environment was very favorable and limited the funding advantage that financial institutions have historically had relative to less regulated non-financial companies. However, the winds appear to be shifting somewhat as rates rose in late 2015, and funding availability for certain FinTech companies has tightened. For example, alternative lenders are dependent, to some extent, on institutional investors to provide funding and/or purchase loans generated on their platform, and a number have cited some decline in institutional investor interest.

- **Banks Still Have Strong Customer Relationships.** While certain niches of FinTech are enhanced by demand from consumers and businesses for new and innovative products and technology, presently, the traditional institutions still maintain the majority of customer relationships. As an example, [the 2015 Small Business Credit Survey from the Federal Reserve](#) noted that traditional banks are still the primary source for small business loans with only 20% of employer firms applying at an online lender. The satisfaction rate for online lenders was low (15% compared to 75% for small banks and 51% for large banks). The main reasons reported for dissatisfaction with online lenders was high interest rates and unfavorable repayment terms.
- **Regulatory Scrutiny and Uncertainty related to FinTech.** Both the Federal Reserve and the OCC have made recent announcements and comments about ways to regulate financial technology. In the online lending area specifically, regulatory scrutiny appears to be on the rise with the [Treasury releasing a white paper](#) discussing the potential oversight of marketplace lending and the [CFPB signaling the potential to increase scrutiny](#) in the area. The lack of a banking charter has also been cited as a potential weakness and has exposed certain alternative lenders to lawsuits in different states.

At the same time that FinTech companies are increasingly considering, or being forced to consider, strategic options beyond an IPO, traditional incumbents are starting to realize that they must develop a strategic plan that considers how to evolve, survive, and thrive as technology and financial services increasingly intersect. For example, a number of banks are looking to engage in discussions with FinTech companies. A [recent survey](#) from *BankDirector* noted that boards are focusing more on technology with 75% of respondents wanting to understand how technology can make the bank more efficient and 72% wanting to know how technology can improve the customer experience.

FinTech presents traditional financial institutions with a number of strategic options, but the most notable options include focusing on one or some combination of the following: building their own technology solutions, acquiring a FinTech company, or partnering with a FinTech company. One area where we have started to see more FinTech partnerships and M&A already start to play out is wealth management and the

industry's response to robo-advisory. Robo-advisers were noted by the CFA Institute as the FinTech innovation most likely to have the **greatest impact on the financial services industry** in the short-term (one year) and medium-term (five years). Consider the following announcements in this area over the last few years; on the acquisition front, [BlackRock's acquisition of FutureAdvisor](#) in August 2015, [Invesco's acquisition of Jemstep](#), and [Ally Financial's acquisition of TradeKing](#) in April 2016. On the partnering front, [Motif and J.P. Morgan](#) announced a partnership in October 2015, [UBS announced a major partnership with SigFig](#) in May 2016, and [Betterment and Fidelity](#) announced a partnership in October 2014.

While we do not yet know which strategy will be most successful, discussions of whether to build, partner, or buy will increasingly be on the agenda of boards and executives of both financial institutions and FinTech companies for the next few years. The right combination of technology and financial services through either partnerships or M&A has significant potential to create value for both FinTech companies and traditional financial institutions. Any partnership or merger should be examined thoroughly to ensure that the right metrics are utilized to examine value creation and returns on investment.

Transactions and significant partnerships also have significant risks and potential issues will need to be discussed. For example, significant issues with M&A and potential partnerships can include: execution and cultural issues, shareholder dilution, whether the partnership is significant enough to create shareholder value and provide a return on investment, contingent liabilities, and regulatory pressures/issues. These issues must be balanced with the potential rewards, such as customer satisfaction/retention, shareholder value creation, and return on investment.

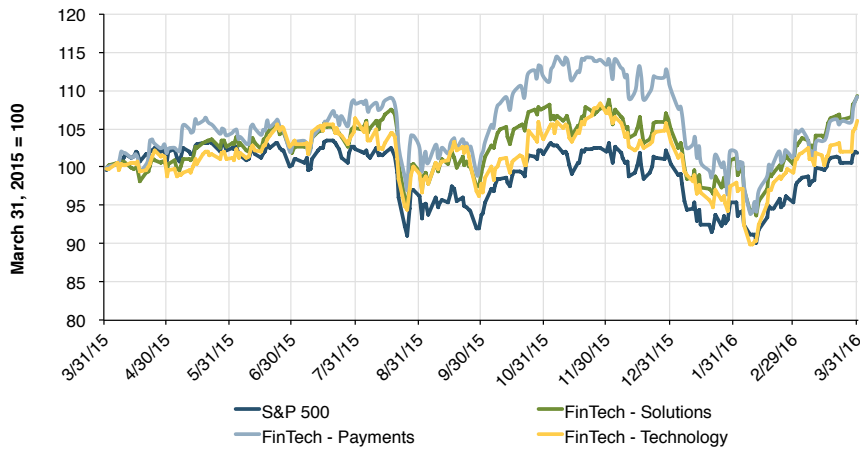
If you are interested in considering strategic options and potential partnerships for your financial institution or FinTech company, contact Mercer Capital. Financial institutions represent our largest industry focus for over thirty years. We have a deep bench with experience with both FinTech companies and traditional financial institutions (banks, asset managers, and insurance companies). This uniquely suits us to assist both as they explore partnerships and potential transactions.

## Public Market Indicators

FinTech outperformed the broader markets in the trailing twelve month period.

- In the first quarter of 2016, the market was again volatile with declines in January and February offset by sharp increases for all sectors in March.
- The Solutions and Technology niches outperformed the broader market in 1Q16 while Payments underperformed.
- The second half of 2015 was relatively volatile for both the broader market as well as FinTech; however, losses in 3Q15 were offset by gains in 4Q15.

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



Source: S&P Global Market Intelligence

### Median Total Return

as of March 31, 2016

Segment	Month-to-Date	1Q16	LTM 3/16
FinTech - Payments	7.0%	-1.1%	9.2%
FinTech - Solutions	8.0%	4.1%	9.2%
FinTech - Technology	6.3%	2.6%	6.0%
<b>S&amp;P 500</b>	<b>5.9%</b>	<b>1.3%</b>	<b>1.8%</b>

Source: S&P Global Market Intelligence

**Valuation Multiples**

as of March 31, 2016

Segment	Price / LTM EPS	Price / 2016 (E) EPS	Price / 2017 (E) EPS	Ent'p Value / LTM EBITDA	Ent'p Value / FY16 (E) EBITDA	Ent'p Value / FY17 (E) EBITDA	Ent'p Value / LTM Revenue
FinTech - Payments	29.4	18.2	16.6	14.0	11.4	10.3	2.7
FinTech - Solutions	33.3	22.5	20.0	16.3	12.6	10.7	3.2
FinTech - Technology	33.1	25.0	19.3	15.5	13.1	10.0	3.3

Source: S&P Global Market Intelligence

Consistent with recent historical growth patterns and outlook near-term, FinTech companies remain priced at a premium to the broader markets with the S&P 500 priced at 16.6x estimated forward earnings at 4/1/16 (per [FactSet](#)).

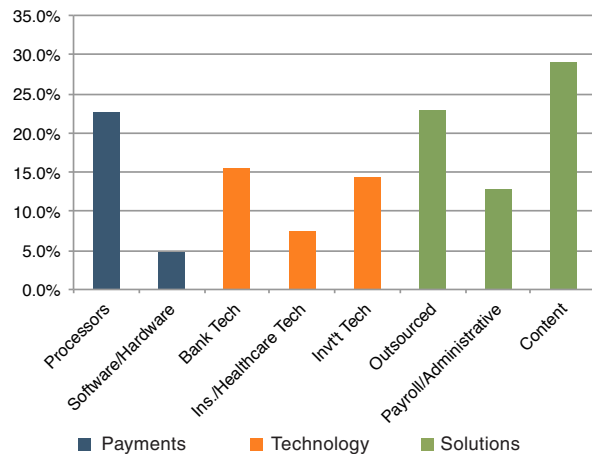
Investor interest in FinTech has remained relatively high.

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**

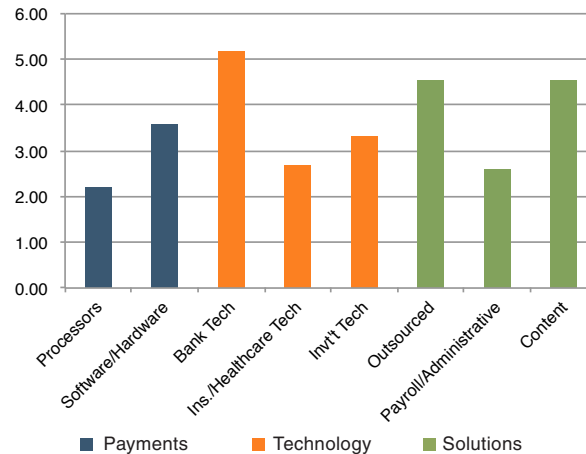
EBITDA Margin (LTM)



Source: S&P Global Market Intelligence  
Contact: wilsonj@mercercapital.com

**FinTech Revenue Multiples**

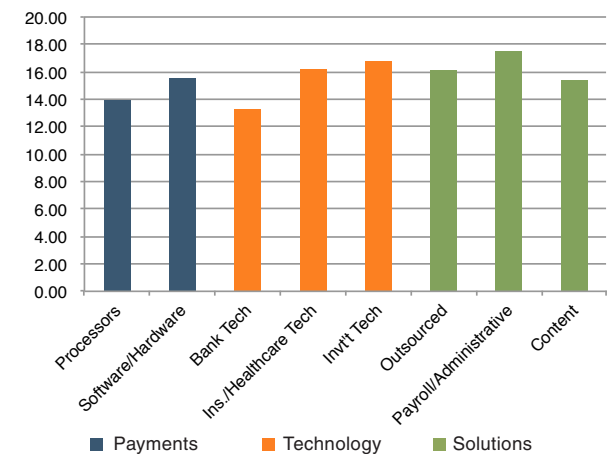
EV / Revenue (LTM)



Source: S&P Global Market Intelligence  
Contact: wilsonj@mercercapital.com

**FinTech EBITDA Multiples**

EV / EBITDA (LTM)



Source: S&P Global Market Intelligence  
Contact: wilsonj@mercercapital.com

# FinTech IPO Watch

- IPO activity slowed in late 2015 and early 2016 as market volatility, speculation about the future path of interest rates, and risks abroad and in the US, particularly in the energy sector, weighed on markets and IPO activity.
- Another factor weighing on recent activity is the performance of recent IPOs with five of the eight IPOs in 2015 reporting a decline in pricing since IPO and a median decline of 16.0%.
- There were no FinTech IPOs in the 1st quarter of 2016, compared to 8 FinTech IPOs in 2015 and 16 in 2014.
- 2 FinTech IPOs occurred in the fourth quarter of 2015, with payments companies Square and First Data going public.

## 2015 & 1Q16 FinTech IPOs

Ticker	Name	IPO Price	IPO Date	Gross Proceeds (\$M)	% Return Since IPO	3/31/16 Price	3/31/16 Mkt Cap (\$M)	3/31/16 Ent Val (\$M)	LTM		FinTech Niche	Description
									Rev (\$M)	EBITDA (\$M)		
INOV	Inovalon Holdings, Inc.	\$27.00	2/11/15	\$685	-31.4%	\$18.52	2,810	2,363	437	140	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	26.7%	\$31.03	2,144	4,646	931	319	Outsourcing	Provider of integrated technology, data and analytics solutions
EVH	Evolent Health, Inc.	\$17.00	6/4/15	\$225	-37.9%	\$10.56	634	765	97	(32)	Insurance/Healthcare Solutions	Partners with health systems to provide value-based care transformation
TRU	TransUnion	\$22.50	6/24/15	\$764	22.7%	\$27.61	5,038	7,236	1,507	475	Financial Media & Content	Risk and information solutions provider to businesses and consumers
XTLY	Xactly Corporation	\$8.00	6/25/15	\$65	-14.4%	\$6.85	202	170	76	(17)	Payroll & Administrative Solutions	Provider of cloud-based, incentive compensation solutions
PMTS	CPI Card Group, Inc.	\$10.00	10/8/15	\$173	-17.6%	\$8.24	466	761	374	86	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	-19.1%	\$12.94	11,636	33,869	7,764	2,374	Payment Processors	Global payment processor and commerce-enabling technology and solutions provider
SQ	Square, Inc.	\$9.00	11/18/15	\$279	69.8%	\$15.28	5,123	4,652	1,267	(95)	Payment Processors	Point-of sale payment service and solutions provider
<b>Median</b>				<b>\$393</b>	<b>-16.0%</b>		<b>2,477</b>	<b>3,505</b>	<b>684</b>	<b>113</b>		

Source: S&P Global Market Intelligence

## FinTech M&A

### 1Q16 vs. 1Q15

Consistent with the decline in IPO activity, M&A activity also slowed down in 1Q16 with declines both in the total number of deals as well as deal values and pricing multiples

- With only 1QTR for the year thus far, it will be interesting to see whether this is the beginning of a prolonged slowdown of M&A activity or rather a short-term phenomenon.
- Prior to 1Q16, M&A activity rose consistently for FinTech in recent years both in terms of total deals and deal volume.

#### Deal Activity

	# of Deals		% Change	FY 15	FY 14
	1Q16	1Q15	1Q16/1Q15		
# of Deals	42	47	-11%	195	169
Total Reported Deal Value (\$M)	\$3,612.7	\$6,169.5	-41%	\$49,057.9	\$16,675.2
Median Reported Deal Value (\$M)	\$87.5	\$35.0	150%	\$73.5	\$39.0

#### Target in Following FinTech Industry Niche

	# of Deals		%	FY 15	FY 14
	1Q16	1Q15	Change		
Payment Processors	30	38		30	38
Processing Software & Hardware	14	4		14	14
<b>Payments Total</b>	<b>44</b>	<b>52</b>	<b>-15%</b>	<b>44</b>	<b>52</b>
Bank	9	6		9	6
Investments	42	18		42	18
Insurance/Healthcare Solutions	51	45		51	45
<b>Technology Total</b>	<b>102</b>	<b>69</b>	<b>48%</b>	<b>102</b>	<b>69</b>
Outsourcing	23	28		23	28
Payroll & Administrative Solutions	4	14		4	4
Financial Media & Content	22	16		22	16
<b>Solutions Total</b>	<b>49</b>	<b>58</b>	<b>-16%</b>	<b>49</b>	<b>48</b>

#### Median Pricing Metrics

	1Q16	1Q15	% Chg	FY 15	FY 14
Deal Value / Revenue	2.11	3.58	-41%	3.56	2.72
Deal Value Greater than \$1BN	1	3		13	6
Deal Value Greater than \$500M	1	3		15	8
Deal Value Greater than \$50M	3	11		45	27

#### Median Deal Value

	1Q16	1Q15	FY 15	FY 14
Payments	275.0	na	67.5	40.8
Technology	41.9	52.5	35.0	48.1
Solutions	72.9	15.7	162.5	32.5

# FinTech M&A

## 1Q16 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		
Wipro Limited/ HealthPlan Services	2/11/16	460	460	2.06	NA	Insurance/ Healthcare Solutions	Provides sales, benefits administration, retention, and technology solutions to the insurance and managed care industries.
FinTech Acquisition Corp./ FTS Holding Corporation	3/7/16	350	412	3.42	NA	Payment Processors	Provides payment processing and technology solutions
Total System Services, Inc./ TransFirst Holdings Corp.	1/26/16	2,350	3,483	2.26	NA	Payment Processors	Provides merchant solutions to more than 235,000 small and medium-sized businesses in the U.S. through its proprietary technology, end-to-end customized and multi-channel products and superior customer service
Fiserv, Inc./ Community Financial Services Business	1/20/16	200	NA	2.11	NA	Processing Software & Hardware	Community financial services business from ACI Worldwide Inc. which provides financial institutions with a suite of digital banking and electronic payments solutions including Architect Banking, which supports online, mobile, and tablet banking for retail banks and small business customers on a single platform
<b>Median</b>		<b>405</b>	<b>460</b>	<b>2.19</b>	<b>NA</b>		

Source: SNL Financial



# FinTech Venture Capital Activity Overview

Larger Fundings  
During 1Q16

Company	Amount (\$M)	Company Description
<b>Wheels Financial (aka LoanMart)</b>	\$100	Alternative Lender – Automobiles
<b>Oscar</b>	\$400	Health Insurance Provider
<b>CommonBond</b>	\$275	Alternative Lender – Student Loans / Peer-to-Peer
<b>Nexera Holdings</b>	\$100	Alternative Lender – Mortgage Focus
<b>Pindrop Security</b>	\$75	Anti-Fraud Technology
<b>Renew Financial</b>	\$70	Renewable Energy and Conservation Projects
<b>Credibly</b>	\$70	Alternative Lender – Small Business
<b>App Annie</b>	\$63	Mobile Analytics
<b>Maestro Health</b>	\$53	Employee Benefits and Health Insurance Services
<b>Connecture</b>	\$52	Health Insurance Platform
<b>Cadre</b>	\$50	Real Estate Investing Platform

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

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

## FinTech Venture Capital Activity Overview

Larger Fundings  
During 1Q16 (cont.)

Company	Amount (\$M)	Company Description
<b>LoanNow</b>	\$50	Alternative Lender – Consumer
<b>Taulia</b>	\$46	Invoicing and Payments
<b>AlphaSense</b>	\$33	Financial Search Engine
<b>JustWorks</b>	\$33	Payroll, Benefits and Compliance Platform
<b>Cumulus Funding</b>	\$31	Consumer Lending
<b>Namely</b>	\$30	HR, Benefits and Payroll Platform
<b>Toast</b>	\$30	Alternative Lender – Peer-to-Peer
<b>Xignite</b>	\$21	APIs for Financial Services
<b>TradeShift</b>	\$20	Global Trade Platform
<b>Signifyd</b>	\$20	E-commerce – Fraud Protection
<b>AppCard</b>	\$20	Loyalty Card Platform

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# FinTech Venture Capital Activity Overview

Larger Fundings  
During 1Q16 (cont.)

Company	Amount (\$M)	Company Description
<b>RealtyShares</b>	\$20	Online Marketplace – Real Estate Investing
<b>College Ave</b>	\$20	Alternative Lender – Student Loans
<b>Realty Mogul</b>	\$18	Real Estate Investing – Online Market Place
<b>The Zebra</b>	\$17	Car Insurance Comparison Tool
<b>PolicyGenius</b>	\$15	Alternative Lender – Student Loans / Peer-to-Peer
<b>Centage</b>	\$14	Spending and Forecasting Software – Small Business Focus
<b>Next Insurance</b>	\$13	Insurance – Small Business Focus
<b>SwervePay</b>	\$10	Healthcare and Automobile Payment Solutions
<b>Digital Asset</b>	\$10	Distributed Ledger Technology – Financial Services
<b>PitchBook</b>	\$10	Financial / Investment Content / Data provider
<b>Sprinklebit</b>	\$10	Social Investing Platform

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

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# Venture Capital Case Study



“Banking and brokerage should be together so you can save and invest—and easily move money between the two.”

– Don Montanaro  
TradeKing, CEO

“We have a good composition of customers across all demographic segments, from affluent boomers to millennials... Our customers have been happy with our deposit products, but are asking for more from the online bank.”

– Diane Morais  
Ally Bank, CEO

# Venture Capital Case Study

## TradeKing

TradeKing is a discount online brokerage firm that provides trading tools to self-directed investors.

TradeKing initially offered some of the lowest cost stock trade commissions and was also one of the earlier online brokers to integrate social networking and an online community where customers could discuss trading analysis and strategies.

ARTICLE OF INTEREST

### Ally Financial may be Thinking Creatively with TradeKing

Jeff K. Davis, CFA, Managing Director of Mercer Capital's Financial Institutions Group, is an SNL content contributor. He recently published the article "[Ally Financial may be Thinking Creatively with TradeKing](#)" on SNL Financial on May 23, 2016.

Excerpting from the discussion:

The pending acquisition reflects creative thinking on the part of Ally executives and/or its investment bankers. Bank M&A is primarily about cost savings and secondarily about expansion into new markets. Occasionally, revenue synergies are trumpeted, but investors tend to discount or dismiss revenue synergies. TradeKing is a bet on revenue synergies.

### Timeline

Year	Significant Corporate Events
2005-2008	Founded in 2005 and offered the lowest trading commissions on the internet at \$4.95 per trade
	Raised \$6M in a Series B with 3 primary investors including Battery Ventures, Milestone Merchant Partners, and OCA Ventures
	In 2007, introduced The Options Playbook, which gives investors research and content related to options strategies, and opened an office in Charlotte, NC In 2008, the Company hits 100 thousand accounts
2010-2013	In 2010, launched a Blackberry App
	In 2012 & 2013, acquired Zecco Holdings, an online broker, and the accounts and assets of GAIN Capital Securities, Inc., a boutique brokerage.
2014-2016	In 2014, formed TradeKing Advisors, which offers robo-advisory services for a minimum investment of \$500.
	Acquired MB Trading in 2015 which added a powerful active trader platform Sale to Ally Financial Inc. announced in April 2016 with a total purchase price of \$275 million

Sources for Case Study:

- Techcrunch.*
- S&P Global Market Intelligence
- Various articles
- "Ally, Fidelity to Launch Robo-Advisory Services by Theresa W. Carey on *Digital Investor*.
- TradeKing Website
- Bloomberg Business*

# Venture Capital Case Study

## TradeKing

### Key Takeaways

1. **Another sign of more interest in traditional incumbents like banks in acquisitions/partnerships with FinTech companies.**

As we noted in a recent article, this transaction represents a creative approach for a bank in that the potential for performance improvement from the transaction relies upon acquiring a FinTech company to enhance revenue through new/expanded service offerings as opposed to the typical focus when acquiring a bank on expense savings and synergies.

2. **Continues the trend of banks attempting to create value through wealth management.**

We have previously written extensively on the potential for trust/wealth management services to improve bank revenues. Interestingly, Ally noted

that it wasn't interested in traditional advisor led investment services but it was interested in digital offerings such as robo-advisors and robo-advisory was cited as a primary consideration for Ally's interest in TradeKing.

3. **Another sign of interest in FinTech companies with acquisitions/partnerships with traditional incumbents like bank.**

While a number of FinTech companies are focused solely on disrupting traditional financial institutions like banks and insurance companies, others are looking to enhance partnerships and combine the strengths of FinTech with those traditional incumbents. This transaction is an example of a FinTech company taking the partnership route. TradeKing's CEO Dan Montanaro said in a recent article "Banking and brokerage should be together so you can save and invest—and easily move money between the two."

## Industry Articles of Note

### Sheila Bair goes the FinTech Route

CNBC: *Jon Marino*

### Are Fintech and Community Banks a Perfect Match?

American Banker: *Robert Barba*

### Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective

OCC

### San Francisco Fed Head Sees Banks Coexisting with FinTech Startups

SNL: *Edward Lane*

(subscription required)

## Publicly Traded Payments Companies

Ticker	Name	3/31/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Payment Processors</b>															
ADS	Alliance Data Systems Corporation	220.00	13,049	29,226	24.9	13.0	11.5	19.4	14.2	12.8	4.5	6,440	1,509	23%	9%
HAWK	Blackhawk Network Holdings, Inc.	34.30	1,914	1,370	42.5	13.6	12.2	8.5	6.1	5.2	0.8	1,801	161	9%	3%
CATM	Cardtronics Inc.	35.99	1,626	2,176	24.4	11.7	11.9	7.9	6.8	6.9	1.8	1,200	277	23%	6%
PMTS	CPI Card Group, Inc.	8.24	466	761	NM	8.8	6.9	8.9	6.7	5.7	2.0	374	86	23%	8%
DLX	Deluxe Corp.	62.49	3,058	3,630	14.3	12.9	12.1	9.0	7.7	7.3	2.0	1,773	402	23%	12%
EEFT	Euronet Worldwide, Inc.	74.11	3,933	3,900	40.5	19.4	17.0	14.2	11.3	9.9	2.2	1,772	275	16%	6%
EVRI	Everi Holdings Inc.	2.29	151	1,204	NM	3.4	3.0	6.3	6.1	5.9	1.5	827	192	23%	-13%
EVTC	EVERTEC, Inc.	13.98	1,064	1,700	14.4	8.6	8.1	10.1	9.3	9.0	4.6	373	168	45%	20%
FDC	First Data Corporation	12.94	11,636	33,869	NM	9.9	8.5	13.0	11.7	10.9	4.4	7,764	2,374	31%	-19%
FLT	FleetCor Technologies, Inc.	148.75	13,777	16,267	38.6	22.7	19.7	20.6	16.7	14.9	9.6	1,703	846	50%	21%
GPN	Global Payments Inc.	65.30	8,446	10,186	29.3	21.0	18.4	16.6	14.6	11.9	3.6	2,843	615	22%	10%
GDOT	Green Dot Corporation	22.97	1,151	453	31.9	16.5	13.6	4.7	2.9	2.6	0.6	697	96	14%	6%
HPY	Heartland Payment Systems, Inc.	96.57	3,573	3,998	42.4	28.5	25.2	22.5	15.2	13.5	1.5	2,682	178	7%	3%
ONE	Higher One Holdings, Inc.	3.91	188	197	NM	19.6	43.4	NM	6.5	7.9	1.2	158	(9)	-6%	7%
MA	MasterCard Incorporated	94.50	104,965	101,558	28.2	26.7	22.8	18.2	16.9	15.0	10.5	9,667	5,584	58%	39%
MGI	Moneygram International Inc.	6.12	331	1,293	NM	6.8	5.9	7.8	4.9	4.6	0.9	1,435	165	12%	-5%
PLPM	Planet Payment, Inc.	3.53	183	169	20.8	23.5	19.3	23.0	11.4	9.5	3.2	53	7	14%	20%
SQ	Square, Inc.	15.28	5,123	4,652	NM	NM	NM	NM	NM	57.2	3.7	1,267	(95)	-8%	-14%
TSS	Total System Services, Inc.	47.58	8,715	9,792	24.3	18.2	16.6	14.2	10.7	9.9	3.5	2,780	667	24%	13%
JTPY	JetPay Corporation	2.36	34	80	NM	NM	NM	20.9	18.7	17.8	1.8	43	4	9%	-3%
VNTV	Vantiv, Inc.	53.88	8,423	11,607	56.9	20.6	18.5	16.3	13.1	12.0	3.7	3,160	711	23%	5%
PAY	VeriFone Systems, Inc.	28.24	3,112	3,894	36.7	12.3	10.9	13.5	9.3	-	1.9	2,028	289	14%	4%
V	Visa Inc.	76.48	183,663	178,195	27.5	26.7	22.7	18.8	16.5	14.6	12.7	14,063	9,479	67%	48%
WU	The Western Union Company	19.29	9,560	11,462	11.9	11.8	11.1	8.2	8.4	8.2	2.1	5,484	1,391	25%	15%
WEX	WEX Inc.	83.36	3,221	4,150	31.8	21.0	17.9	13.9	13.3	11.3	4.9	855	298	35%	12%
<b>Median</b>			<b>3,221</b>	<b>3,900</b>	<b>28.8</b>	<b>16.5</b>	<b>13.6</b>	<b>13.9</b>	<b>11.0</b>	<b>9.9</b>	<b>2.2</b>	<b>1,772</b>	<b>277</b>	<b>23%</b>	<b>7%</b>

Publicly Traded Payments Companies

Ticker	Name	3/31/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Payment Software/Hardware</b>															
ADP	Automatic Data Processing, Inc.	89.71	41,038	40,211	29.4	26.0	22.6	17.2	15.5	14.1	3.6	11,240	2,332	21%	13%
CVG	Convergys Corporation	27.77	2,682	2,806	17.4	14.7	13.7	7.4	7.2	6.8	1.0	2,951	381	13%	6%
NSP	Insperty, Inc.	51.73	1,100	820	32.7	15.9	13.8	8.9	5.8	5.2	0.3	2,604	92	4%	2%
PAYX	Paychex, Inc.	54.01	19,450	19,123	26.5	25.4	23.6	15.5	14.7	13.3	6.6	2,890	1,235	43%	26%
WDAY	Workday, Inc.	76.84	14,984	13,522	NM	NM	NM	NM	100.4	58.9	11.6	1,162	(182)	-16%	-25%
PAYC	Paycom Software, Inc.	35.60	2,103	2,079	99.7	66.7	48.7	49.4	32.1	24.0	9.3	225	42	19%	9%
PCTY	Paylocity Holding Corporation	32.74	1,668	1,589	NM	198.1	97.8	NM	69.8	42.2	8.5	188	(0)	0%	-4%
TNET	TriNet Group, Inc.	14.35	1,010	1,343	32.6	12.4	10.5	10.2	8.1	7.2	0.5	2,659	126	5%	1%
UPLD	Upland Software, Inc.	6.87	115	125	NM	34.8	21.7	182.6	12.8	10.7	1.8	70	1	1%	-20%
<b>Median</b>			<b>2,103</b>	<b>2,079</b>	<b>31.0</b>	<b>25.7</b>	<b>22.1</b>	<b>15.5</b>	<b>14.7</b>	<b>13.3</b>	<b>3.6</b>	<b>2,604</b>	<b>92</b>	<b>5%</b>	<b>2%</b>
<b>Overall Payments Median</b>			<b>3,085</b>	<b>3,762</b>	<b>29.4</b>	<b>18.2</b>	<b>16.6</b>	<b>14.0</b>	<b>11.4</b>	<b>10.3</b>	<b>2.7</b>	<b>1,773</b>	<b>234</b>	<b>20%</b>	<b>6%</b>



Publicly Traded Solutions Companies

Ticker	Name	3/31/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Outsourced</b>															
ACXM	Acxiom Corporation	21.44	1,666	1,681	NM	37.1	24.2	9.9	10.5	8.9	1.6	1,046	170	16%	0%
CSC	Computer Sciences Corporation	34.39	4,748	5,594	18.2	13.2	11.0	4.7	4.3	4.0	0.5	11,265	1,203	11%	3%
CSGS	CSG Systems International Inc.	45.16	1,460	1,504	24.1	17.0	15.8	10.3	8.3	8.0	2.0	753	146	19%	8%
EFX	Equifax Inc.	114.29	13,567	14,708	32.2	22.8	20.2	16.1	13.6	12.2	5.5	2,664	915	34%	16%
EXLS	Exlservice Holdings, Inc.	51.80	1,717	1,569	34.3	22.2	19.6	15.8	12.2	10.7	2.5	628	99	16%	8%
FICO	Fair Isaac Corporation	106.09	3,329	3,857	37.7	21.8	19.4	19.8	18.5	16.8	4.5	849	195	23%	11%
FIS	Fidelity National Information Services, Inc.	63.31	20,564	31,477	28.6	16.9	14.6	18.7	10.9	10.1	4.8	6,595	1,685	26%	10%
FISV	Fiserv, Inc.	102.58	22,869	26,887	34.3	23.4	20.8	16.4	13.9	13.1	5.1	5,254	1,603	31%	14%
IL	IntraLinks Holdings, Inc.	7.88	456	479	NM	56.3	30.3	57.4	10.0	8.1	1.7	276	8	3%	-11%
INTU	Intuit Inc.	104.01	26,712	27,623	52.0	28.2	23.3	21.2	15.3	13.2	6.2	4,467	1,302	29%	11%
PRGX	PRGX Global, Inc.	4.72	105	90	79.3	42.9	33.7	7.0	4.8	4.4	0.6	138	13	9%	-2%
BKFS	Black Knight Financial Services, Inc.	31.03	2,144	4,646	107.0	28.1	24.7	14.6	10.3	9.4	5.0	931	319	34%	2%
SSNC	SS&C Technologies Holdings, Inc.	63.42	6,263	8,580	140.9	19.7	16.5	26.0	13.1	11.6	8.6	1,000	330	33%	4%
<b>Median</b>			<b>3,329</b>	<b>4,646</b>	<b>34.3</b>	<b>22.8</b>	<b>20.2</b>	<b>16.1</b>	<b>10.9</b>	<b>10.1</b>	<b>4.5</b>	<b>1,000</b>	<b>319</b>	<b>23%</b>	<b>8%</b>

Publicly Traded Solutions Companies

Ticker	Name	3/31/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Payroll/Administration</b>															
ACIW	ACI Worldwide, Inc.	20.79	2,476	3,348	28.9	40.4	33.9	19.2	12.9	12.0	3.2	1,046	175	17%	8%
EPAY	Bottomline Technologies (de), Inc.	30.49	1,156	1,191	NM	18.8	15.7	27.8	15.5	12.7	3.5	336	43	13%	-12%
BR	Broadridge Financial Solutions, Inc.	59.31	7,048	7,497	24.7	20.7	18.5	12.8	11.6	10.7	2.7	2,798	594	21%	10%
CDK	CDK Global, Inc.	46.55	7,228	8,127	33.3	24.5	19.2	17.7	13.3	-	3.9	2,064	459	22%	11%
DBD	Diebold, Incorporated	28.91	1,883	2,198	32.9	17.5	13.4	11.9	10.6	9.2	0.9	2,419	184	8%	3%
NCR	NCR Corporation	29.93	3,984	7,731	NM	10.4	9.4	17.3	7.6	7.3	1.2	6,373	448	7%	-3%
NTWK	NetSol Technologies, Inc.	6.98	73	77	NM	13.2	-	8.4	-	-	1.3	58	9	16%	-3%
PEGA	Pegasystems Inc.	25.38	1,936	1,717	55.2	26.6	23.7	19.5	13.1	10.7	2.5	683	88	13%	5%
XTLY	Xactly Corporation	6.85	202	170	NM	NM	NM	NM	NM	NM	2.2	76	(17)	-23%	-33%
WK	Workiva Inc.	11.65	477	424	NM	NM	NM	NM	NM	NM	2.9	145	(39)	-27%	-30%
<b>Median</b>			<b>1,909</b>	<b>1,957</b>	<b>32.9</b>	<b>19.7</b>	<b>17.1</b>	<b>17.5</b>	<b>12.3</b>	<b>9.9</b>	<b>2.6</b>	<b>864</b>	<b>131</b>	<b>13%</b>	<b>0%</b>
<b>Content</b>															
RATE	Bankrate, Inc.	9.17	893	954	50.9	20.4	18.5	8.9	9.6	8.8	2.6	371	108	29%	-4%
CLGX	CoreLogic, Inc.	34.70	3,065	4,311	24.4	16.4	14.6	12.8	9.0	8.3	2.8	1,528	324	21%	8%
CSGP	CoStar Group Inc.	188.17	6,118	6,051	NM	50.9	34.6	66.2	26.7	19.2	8.5	712	91	13%	0%
DNB	The Dun & Bradstreet Corporation	103.08	3,734	5,203	18.4	14.2	13.3	12.1	10.3	9.8	3.2	1,637	428	26%	10%
FDS	FactSet Research Systems Inc.	151.53	6,213	6,315	25.3	22.0	20.7	16.7	15.1	14.0	5.9	1,069	377	35%	24%
TRU	TransUnion	27.61	5,038	7,236	NM	22.0	19.8	14.9	12.3	11.3	4.8	1,507	475	32%	0%
MRKT	Markit Ltd.	35.35	6,126	6,841	44.2	23.4	21.7	17.9	12.9	12.2	6.1	1,113	394	35%	14%
FORR	Forrester Research Inc.	33.61	598	497	50.9	28.1	24.3	15.4	13.1	11.4	1.6	314	32	10%	4%
IT	Gartner Inc.	89.35	7,357	7,814	43.4	33.8	28.6	22.1	17.1	14.9	3.6	2,163	353	16%	8%
MORN	Morningstar Inc.	88.27	3,788	3,574	29.4	28.0	25.4	13.9	13.7	12.7	4.5	789	255	32%	17%
VRSK	Verisk Analytics, Inc.	79.92	13,429	16,455	26.6	24.4	22.1	17.4	15.1	13.9	8.0	2,068	945	46%	25%
<b>Median</b>			<b>5,038</b>	<b>6,051</b>	<b>29.4</b>	<b>23.4</b>	<b>21.7</b>	<b>15.4</b>	<b>13.1</b>	<b>12.2</b>	<b>4.5</b>	<b>1,113</b>	<b>353</b>	<b>29%</b>	<b>8%</b>
<b>Overall Solutions Median</b>			<b>3,531</b>	<b>4,479</b>	<b>33.3</b>	<b>22.5</b>	<b>20.0</b>	<b>16.3</b>	<b>12.6</b>	<b>10.7</b>	<b>3.2</b>	<b>1,046</b>	<b>287</b>	<b>20%</b>	<b>7%</b>

## Publicly Traded Technology Companies

Ticker	Name	3/31/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Banking Technology</b>															
ELLI	Ellie Mae, Inc.	90.64	2,689	2,610	125.9	48.4	35.9	54.3	28.0	19.8	10.3	254	48	19%	9%
EPIQ	Epiq Systems, Inc.	15.02	566	926	NM	17.1	15.2	11.8	8.1	7.6	1.8	506	78	15%	-2%
QTWO	Q2 Holdings, Inc.	24.04	937	826	NM	NM	NM	NM	NM	115.8	7.6	109	(16)	-15%	-23%
JKHY	Jack Henry & Associates Inc.	84.57	6,669	6,715	30.7	28.6	26.0	14.8	13.9	13.0	5.2	1,298	455	35%	17%
PFMT	Performant Financial Corporation	1.70	84	108	NM	NM	14.8	5.7	7.1	4.6	0.7	159	19	12%	-1%
<b>Median</b>			<b>937</b>	<b>926</b>	<b>78.3</b>	<b>28.6</b>	<b>20.6</b>	<b>13.3</b>	<b>11.0</b>	<b>13.0</b>	<b>5.2</b>	<b>254</b>	<b>48</b>	<b>15%</b>	<b>-1%</b>
<b>Insurance/Healthcare Technology</b>															
ATHN	athenahealth, Inc.	138.78	5,406	5,563	NM	79.6	62.6	91.4	23.9	19.4	6.0	925	61	7%	2%
CRVL	CorVel Corporation	39.42	772	745	29.1	-	-	11.6	-	-	1.5	497	64	13%	6%
CRD.B	Crawford & Company	6.48	358	540	NM	10.3	8.4	6.0	4.7	4.3	0.4	1,170	88	7%	-4%
EBIX	Ebix Inc.	40.79	1,372	1,521	17.9	17.4	15.4	15.5	13.9	-	5.7	265	98	37%	30%
GWRE	Guidewire Software, Inc.	54.48	3,926	3,335	NM	79.8	53.7	154.8	39.9	26.0	8.4	396	22	5%	2%
HMSY	HMS Holdings Corp.	14.35	1,205	1,258	51.4	23.1	19.7	13.9	10.6	9.2	2.7	474	90	19%	5%
MGLN	Magellan Health, Inc.	67.93	1,679	1,782	56.1	25.0	19.3	8.5	6.5	5.7	0.4	4,597	209	5%	1%
SLH	A. Schulman, Inc.	27.00	-	1,070	-	-	-	9.6	-	-	0.8	2,426	195	8%	1%
CSLT	Castlight Health, Inc.	3.33	322	201	NM	NM	NM	NM	NM	NM	2.7	75	(78)	-104%	-106%
CNXR	Connecture, Inc.	2.56	57	100	NM	NM	16.6	17.3	8.1	5.1	1.0	96	6	6%	-8%
HQY	HealthEquity, Inc.	24.67	1,425	1,301	88.1	54.0	41.2	37.5	22.7	17.6	10.3	127	35	27%	13%
IMPR	Imprivata, Inc.	12.63	317	266	NM	NM	NM	NM	NM	NM	2.2	119	(17)	-14%	-19%
IMS	IMS Health Holdings, Inc.	26.55	8,754	12,563	21.6	16.9	15.1	17.3	13.3	12.2	4.3	2,921	727	25%	14%
INOV	Inovalon Holdings, Inc.	18.52	2,810	2,363	41.2	31.5	25.9	16.8	13.1	11.0	5.4	437	140	32%	15%
EVH	Evolent Health, Inc.	10.56	634	765	1.5	NM	NM	NM	NM	NM	7.9	97	(32)	-33%	343%
<b>Median</b>			<b>1,205</b>	<b>1,258</b>	<b>29.1</b>	<b>23.1</b>	<b>18.0</b>	<b>16.2</b>	<b>11.9</b>	<b>7.4</b>	<b>2.7</b>	<b>437</b>	<b>64</b>	<b>7%</b>	<b>2%</b>

Publicly Traded Technology Companies

Ticker	Name	3/31/16 Price	Market Cap (\$M)	Ent'p Val (\$M)	Price / Earnings			Ent'p Value / EBITDA			EV / LTM	LTM Total		LTM Margins	
					LTM	FY16E	FY17E	LTM	FY16E	FY17E	Revenue	Revenue (\$M)	EBITDA (\$M)	EBITDA	Net Inc.
<b>Investment Technology</b>															
DST	DST Systems Inc.	112.77	3,815	4,303	11.5	17.4	15.3	9.5	9.2	8.8	1.5	2,825	405	14%	13%
ENV	Envestnet, Inc.	27.20	1,143	1,391	226.7	27.7	19.9	27.5	14.4	10.8	3.3	421	51	12%	1%
MSCI	MSCI Inc.	74.08	7,286	8,088	35.4	26.7	22.1	16.8	15.3	13.8	7.5	1,075	482	45%	21%
<b>Median</b>			<b>3,815</b>	<b>4,303</b>	<b>35.4</b>	<b>26.7</b>	<b>19.9</b>	<b>16.8</b>	<b>14.4</b>	<b>10.8</b>	<b>3.3</b>	<b>1,075</b>	<b>405</b>	<b>14%</b>	<b>13%</b>
<b>Overall Technology Median</b>			<b>1,205</b>	<b>1,301</b>	<b>33.1</b>	<b>25.0</b>	<b>19.3</b>	<b>15.5</b>	<b>13.1</b>	<b>10.0</b>	<b>3.3</b>	<b>437</b>	<b>64</b>	<b>12%</b>	<b>2%</b>

# Mercer Capital

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