

BERKERYNOYES

INVESTMENT BANKERS

**An Overview of
M&A in the Financial
Technology and
Information Industry**

White Paper

Introduction

The financial technology industry continues to evolve and innovation is occurring at an impressive pace. Whether it is taking advantage of big data, addressing holes in security, or adapting to new regulations, companies are seeking a technological advantage over their competitors.

In the Capital Markets segment, risk management and tracking tools delivered real-time dovetails with an environment ever more focused on analytics, regulatory constraints and pressures and investor driven transparency. Moreover, any type of technology or service that can help take out costs, drive alpha, or provide trading ideas is very attractive to acquirers. From a buyer’s perspective, one of the most important things is the size of the addressable market, since financial services breaks itself down into very discrete niches, the growth rate that the company is experiencing, and the barriers to entry.

Regarding the Payments segment, more companies are following the trend in which consumers are adopting other ways to pay at the point of sale. As a result, merchants are using point-of-sale tablets and mobile-based payment systems in the hopes of increasing efficiency, boosting sales, and improving the customer experience at retail locations. The payments sector has very strong proprietary technology vendors, but some of them lack the sales and distribution forces needed. When this is the case it can often make sense for them to align with larger payments companies.

At the same time, worldwide markets are rapidly developing modernized credit and transfer infrastructure. Ecosystem

players are also pushing hard on experimenting with beta technologies particularly associated with mobile telephony, social media and peer-to-peer, digital and crypto-currency. Key business problems to be solved include fraud detection and elimination, utilization of multiple payment methods, aggregation of as many customer streams as possible, and global growth of electronic payments.

As for the Banking segment, there is growing use of video advertising, as well as the desire to reach consumers via their mobile devices. There has also been a heightened emphasis in several areas such as marketing automation, predictive marketing analytics, CRM, and other solutions. With the proliferation of data over the past few years, software solutions focused on credit, loan, and deposit analysis have become more prominent too.

Current M&A Market Landscape

Transaction volume remained about constant over the past year. Aggregate value decreased 26 percent, from \$65.29 billion to \$48.41 billion. There were five transactions above the \$1 billion threshold in 2016, compared to 13 such deals in 2015. Relative to 2014, volume improved 15 percent and value gained 72 percent.

Strategic Buyers

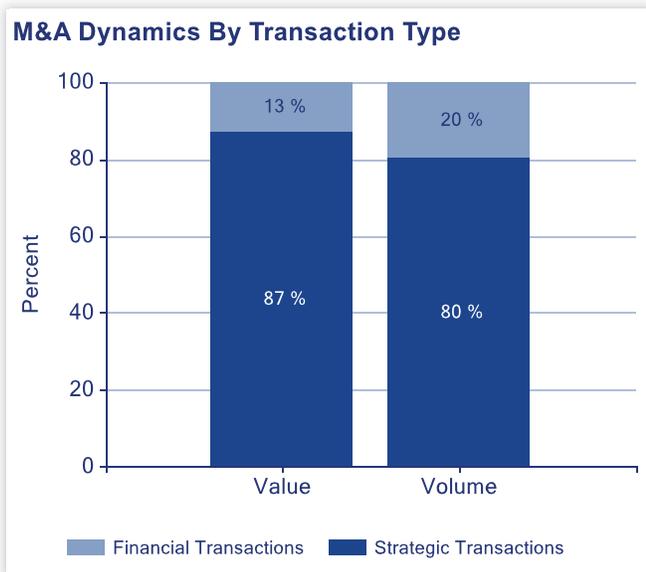
- Strategic buyers represented 80 percent of volume in 2016, which was nearly constant over 2015.
- The overall industry’s most active acquirer in 2016, either directly or through an affiliated business, was Broadridge Financial Solutions, a provider of investor communications and technology-driven solutions, with six transactions.
- Each of the industry’s top ten largest deals in 2016 were completed by strategic acquirers.

Financial Sponsors

- Financial sponsors accounted for 20 percent of volume in 2016, which was about the same compared to 2015.

Industry Wide Valuations

Enterprise value multiples over the past 24 months have been strong. The median revenue multiple during this timeframe was 2.4x, while the median EBITDA multiple was 11.8x.

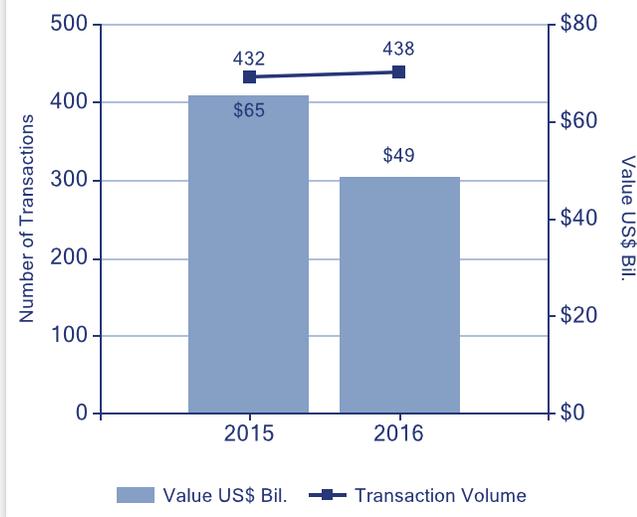


M&A Analysis of the Past Two Years

Berkery Noyes recorded 870 financial technology and information industry merger and acquisition (M&A) transactions from the beginning of 2015 through the end of 2016. The median revenue multiple decreased from 3.2x to 2.3x, while the median EBITDA improved from 11.4x to 13.1x.

Transactions in the \$10-\$20 million range received a median revenue multiple of 1.8x. Deals above \$160 million in enterprise value had a median revenue multiple of 4.7x. Of note, the median revenue multiple for deals in the Capital Markets segment over the past two years trended well above those of the entire industry at 3.3x.

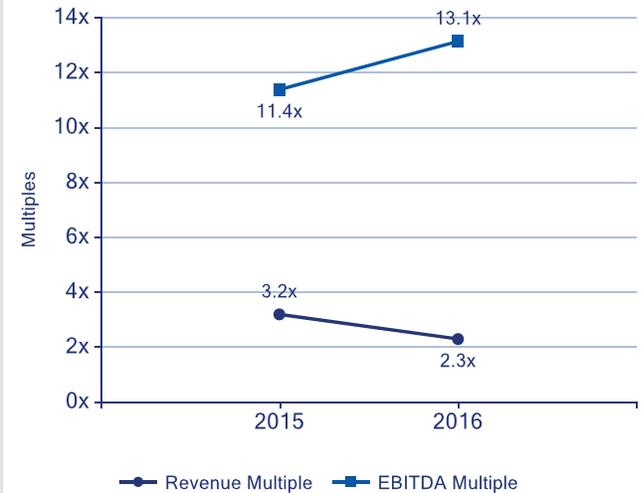
M&A Market Dynamics



M&A Activity Per Industry Segment

- **Payments.** The Payments segment experienced an 18 percent rise in volume in 2016. This followed a 22 percent decline in 2015. In terms of value, three of the industry's top ten largest deals during 2016 occurred in the segment. Along these lines were TSYS' acquisition of TransFirst, a provider of secure transaction processing services and payment enabling technologies, which was acquired from Vista Equity Partners for \$2.33 billion; MasterCard's announced acquisition of VocaLink, a payments infrastructure solutions company, for \$924 million; and Haili Metal One's acquisition of Union Mobile Pay, a provider of e-commerce products and services in China, for \$462 million.

Median Enterprise Value Multiples



- **Capital Markets.** M&A volume in the Capital Markets segment, after rising 43 percent in 2015, declined seven percent in 2016. Four of the industry's top five deals by value during the year involved major exchange operators in the Capital Markets segment.

Meanwhile, notable segment deals in 2016 below the \$1 billion threshold included Synchronoss Technologies' announced acquisition of Intralinks Holdings, a provider of enterprise collaboration software for secure document sharing and virtual data rooms, for \$821 million; E*TRADE Financial Corporation's acquisition of OptionsHouse, an online brokerage company that provides trading platforms for retail and institutional options traders and investors, for \$725 million; Ally's acquisition of TradeKing, an online brokerage and digital wealth management company, for \$275 million; Morningstar's acquisition of Pitchbook Data, a research firm that focuses on private equity, venture capital, and mergers and acquisitions, for \$180 million; and Broadridge Financial Solutions' acquisition of the technology assets of INVeSHARE, a provider of regulated shareholder communications, for \$135 million.

- **Banking.** Acquisition activity in the Banking segment decreased 13 percent on an annual basis, from 90 to 78 deals. This followed a 45 percent increase in 2014. Notable Banking deals over the past year included GTCR's acquisition of Optimal Blue, a cloud-based technology provider that offers enterprise lending services to mortgage originators and investors, for \$350 million; Becker

Professional Education’s acquisition of the Association of Certified Anti-Money Laundering Specialists (ACAMS), an international membership organization dedicated to enhancing the knowledge and skills of anti-money laundering and financial crime prevention professionals, for \$330 million; and Black Knight Financial Services’ acquisition of eLynx, a provider of data-centric document collaboration, distribution, and connectivity services for the financial services and real estate sectors, for \$115 million.

- **Insurance.** Transaction volume in the Insurance segment increased 21 percent, from 62 to 75 transactions. The largest Insurance related deal in 2016 was CSC Corporation’s acquisition of Xchanging, which provides technology-enabled business solutions to the global commercial insurance industry, for \$767 million. This was the only deal in the segment to reach the overall industry’s list of top ten highest value transactions during the year.

Conclusion

There are significant changes occurring in the financial technology industry, which is drawing heightened attention from both strategic and financial acquirers. For instance, payments companies are looking to build consumer

profiles based on search histories, social media insight, location based technologies, and other seemingly disparate statistics found in both structured and unstructured data. The changing nature of payments has also led some banks to alter their business models, which involves confronting information silos and the lack of streamlining between departments. Regardless of the sector, many industry participants are seeking economies of scale and looking towards M&A for additional product offerings to enhance their competitive advantage.

About Berkery Noyes

Founded in 1980, Berkery Noyes is an independent investment bank that provides M&A advisory and financial consulting services to middle market companies in the information and technology industries. The firm offers skilled transaction management to publicly traded and privately held businesses and private equity groups in both sell-side and buy-side transactions.

Berkery Noyes has managed over 500 transactions, ranging from several million to more than four billion dollars in value.

SELECTED FINANCIAL TECHNOLOGY & INFORMATION TRANSACTIONS COMPLETED BY BERKERY NOYES

Securities Training Corporation 

HAS BEEN ACQUIRED BY

 Colibri

A PORTFOLIO COMPANY OF

 QUAD-C

 **HW**

HOUSINGWIRE

HAS BEEN ACQUIRED BY

 RIOMAR CAPITAL

EPIC 

HAS BEEN ACQUIRED BY

 MCS

MORTGAGE CONTRACTING SERVICES

A PORTFOLIO COMPANY OF

 TDR Capital

true potential  **LLP**

simple, effective, unique.

HAS SOLD A SIGNIFICANT MINORITY SHARE TO

 FTV CAPITAL

COGENT ROAD

HAS BEEN ACQUIRED BY

 CHRONOS SOLUTIONS

 ALLREGS

HAS BEEN ACQUIRED BY

 EllieMae