

BERKERYNOYES

INVESTMENT BANKERS

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

White Paper

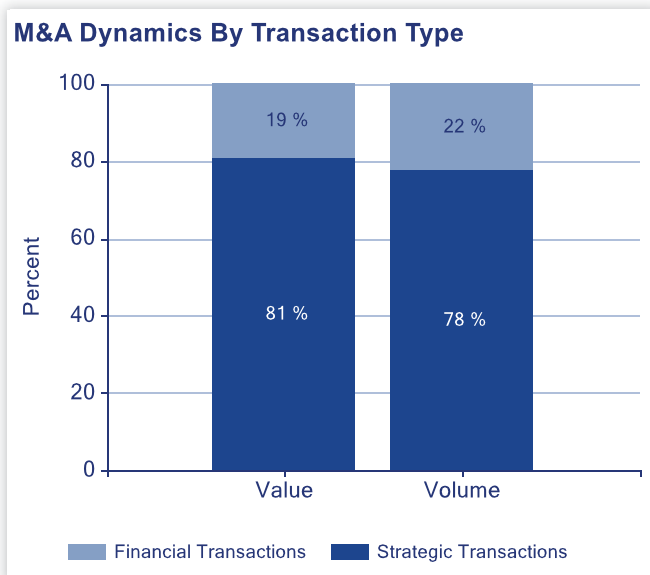
Introduction

In the Capital Markets segment, advances in automation are leading trading venues, institutional brokers, technology vendors and information providers to converge on this market and offer integrated, end-to-end solutions. Likewise, governmental and exchange level regulations are constantly changing and growing in complexity, increasing risk to financial services participants and sharpening their appetite for tools to manage risk.

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.

Many enterprises are also heavily investing in emerging security technology, which is especially pertinent with the rise of international e-payment transactions and mobile banking. In addition, companies that have cornered any technology related to mobile wallets or near field communication (NFC) are experiencing a seller’s market. As companies continue to pursue electronic bill payment (EBPP) and online payments to reduce paper bills, there will likely be more M&A activity here as well.

The Payments sector has strong proprietary technology vendors, and for those that lack the sales and distribution forces needed it can often make sense to align with larger players in the space.



Upon examination of the Banking segment, there are several areas where technology innovation is occurring in the mortgage sector and drawing the interest of acquirers. One example is customer relationship management (CRM) and lead generation, which applies to borrowers and their interactions with loan officers and lending institutions. These technologies are very much in demand, whether it’s for internal bills or customer acquisition.

2017 was also a significant year for cryptocurrencies. Despite the dramatic short-term fluctuations in various cryptocurrency prices, the gradual adoption of blockchain technology and its potential to revolutionize countless industries remains encouraging over the long run.

There were several notable deals in 2017 involving high profile cryptocurrency exchanges. This included Kraken’s acquisition of charting and trading platform Cryptowatch, which is used by thousands of traders to chart over 150 markets in real-time and trade digital assets; and Coinbase’s \$100 million Series D round of funding.

Current M&A Market Landscape

Transaction volume remained about constant over the past year. Aggregate value increased 26 percent, from \$34.01 billion to \$42.69 billion.

Strategic Buyers

- Strategic buyers represented 78 percent of volume in 2017, which was nearly constant over 2016.
- The overall industry’s most active acquirer in 2017, either directly or through an affiliated business, was Verisk Analytics with eight transactions. Three of these deals had disclosed values: Sequel Business Solutions for \$321 million in the Insurance segment; LCI for \$151 million in the Banking segment; and G2 Web Services for \$112 million in the Payments segment.

Financial Sponsors

- Financial sponsors accounted for 22 percent of volume in 2017, which was about the same compared to 2016.

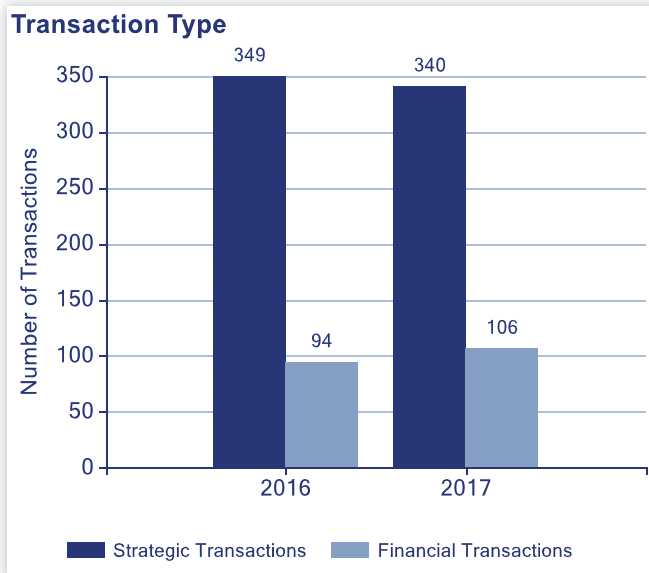
Industry Wide Valuations

Enterprise value multiples over the past 24 months have been strong. The median revenue multiple during this timeframe was 2.2x, while the median EBITDA multiple was 14.1x.

M&A Analysis of the Past Two Years

Berkery Noyes recorded 889 financial technology and information industry merger and acquisition (M&A) transactions from the beginning of 2016 through the end of 2017. The median revenue multiple rose from 1.8x to 2.8x, while the median EBITDA improved from 11.4x to 15.8x.

Transactions in the \$10-\$20 million range received a median revenue multiple of 1.2x. Deals above \$160 million in enterprise value garnered a median revenue multiple of 4.7x.



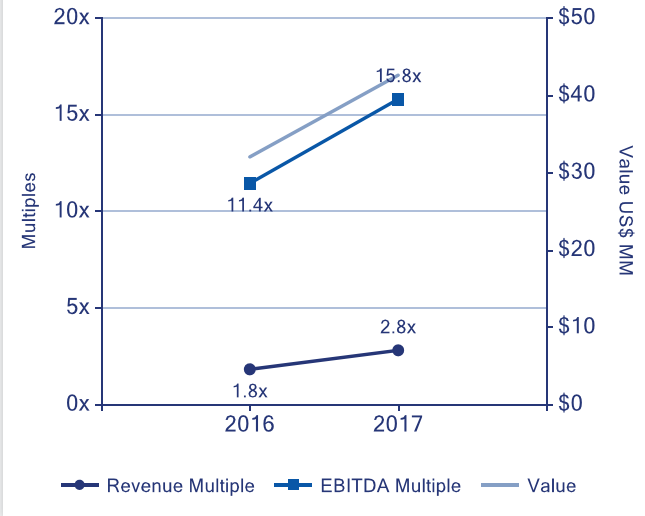
M&A Activity Per Industry Segment

- **Payments.** The Payments segment experienced a 14 percent decline in volume, returning to its 2015 level.

Five of the industry's top ten highest value deals during the year were Payments related. These five transactions, with a combined value of \$14.14 billion, were responsible for about one-third of aggregate value in 2017.

Notable Payments transactions over the past 12 months included U.S. based Vantiv's announced merger with U.K. based Worldpay Group for \$11.58 billion; Vista Equity Partners' acquisition of DH Corporation, a provider of technology solutions to financial institutions, for \$3.49 billion, which Vista plans to combine with its portfolio company Misys; TSYS' acquisition of Cayan, a payment technology and merchant services company, for \$1.05

Median Enterprise Value Multiples



billion; and FleetCor Technologies' acquisition of Cambridge Global Payments, which offers integrated B2B cross-border payment services, for \$675 million.

- **Capital Markets.** M&A volume in the Capital Markets segment declined seven percent in 2017.

High profile segment deals during the year included London Stock Exchange Group's announced acquisition of The Yield Book and Citi Fixed Income Indices from Citigroup for \$685 million; and Factset Research Systems' acquisition of BISAM, which offers analytics software, client reporting, data management, and other solutions to the investment management sector, for \$205 million. As for other major Capital Markets acquirers, Moody's Corporation completed two transactions with the acquisition of Bureau van Dijk Electronic Publishing, a provider of business intelligence and company information, for \$3.27 billion; and SCDM, which offers analytical tools for participants in securitization markets and primarily serves European-based clients.

- **Banking.** Acquisition activity in the Banking segment increased 27 percent on an annual basis, from 81 to 103 deals. Notable Banking transactions over the past year included Red Venture's acquisition of Bankrate, an online publisher, aggregator, and distributor of personal finance content, for \$1.44 billion; Flagship Community Bank's announced acquisition of BankMobile, which offers

deposit products to retail customers utilizing smart phone technology and other electronic digital media, for \$175 million; and Zoopla Property Group's acquisition of Hometrack, a provider of residential property market insights and analytics used by mortgage lenders, for \$152 million.

- **Insurance.** Transaction volume in the Insurance segment, following a 25 percent rise in 2016, decreased eight percent. The largest Insurance related deal during the past year was Advent International's announced acquisition of CCC Information Services, a provider of advanced software, workflow tools, and enabling technologies to automotive collision repairers, property/casualty insurance carriers, and original equipment manufacturers, for \$3 billion.

Conclusion

Acquirers are seeking innovative solutions in the financial technology market to fill certain voids, expand their product offerings, and maintain their competitive advantage.

Compliance remains one of the key areas that is ripe for consolidation. For instance, there is more back-office technology innovation related to compliance, especially

with the Dodd-Frank Act and Consumer Financial Protection Bureau (CFPB) guidelines.

Many times, middle-sized and smaller banks in particular don't have the actual budget to create their own compliance technology so they rely on third-party companies to provide compliance solutions. The use of third-party technology to ensure the whole lending lifecycle is working in a compliant manner has become a significant driver of innovation by the larger banks.

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**

NARROW GAUGE CAPITAL
HAS ACQUIRED
CLASS APPRAISAL

Business Ink, Co.
HAS BEEN ACQUIRED BY
CSG INTERNATIONAL

loyaltyexpress™
HAS BEEN ACQUIRED BY
New Capital Partners

Service1st
Valuation and Settlement Services, Inc.
HAS BEEN ACQUIRED BY
[r] require HOLDINGS
A PORTFOLIO COMPANY OF
L2 CAPITAL

Securities Training Corporation, SIC
HAS BEEN ACQUIRED BY
Colibri
A PORTFOLIO COMPANY OF
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RIOMAR CAPITAL