

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

**White Paper**

**Introduction**

The financial technology and information industry is quickly changing, due in part to the disruption from COVID-19. Whether it's the rapid adoption of e-commerce, mobile payments, or digital wallets, many trends that have been underway for quite a while are being accelerated.

In the banking sector, fraud, verification, security, and compliance solutions are in high demand by financial institutions. Moreover, "challenger banks" or digital banks have become increasingly competitive with traditional banks and begun to capture some market share. Several alternative lenders and robo-advisers are also starting to offer their customers banking products.

As for the real estate and mortgage sector, the ability to offer a universal product to lenders and servicers as well as to the secondary markets is a trend that is gaining momentum. Because a primary goal for many large vendors is to create end-to-end solutions, mortgage technology platforms that add to existing overall systems and help the acquirer create critical mass are some of the most valuable investments.

Financial management solutions (FMS) and business process outsourcing (BPO) companies are evolving as well. The FMS sector includes companies that provide solutions to the finance and human resources departments of organizations. FMS business models are increasingly moving toward SaaS/ cloud-based delivery. Products and services provided by FMS companies include accounting and financial planning, payroll processing, accounts receivable, and compliance and risk solutions. Meanwhile, BPO consists of outsourcing to a third-

party provider for customer service, collections, specialized IT development and management, research and analysis, accounting and financial reporting, and regulatory and tax compliance. Financial BPO firms are more frequently utilizing technology or tech-enabled processes to provide their services.

Private equity investment in the financial technology and information market is expected to continue given various factors that make the space attractive such as high-growth and recurring revenue streams. Financial sponsors are also seeking ways to deploy pent-up capital. At the same time, strategic acquirers are seeking to invest and partner with innovating companies to diversify their product offerings, stay up to date on the latest technology, and cross-sell opportunities to add to their existing customer bases.

**Current M&A Market Landscape**

Transaction volume decreased 11 percent over the past year, from 563 to 500. On a half year basis, M&A activity remained constant in 2nd Half 2020 over 1st Half 2020 at 250 deals.

Aggregate value year-to-year fell 55 percent, from \$180.08 billion in 2019 to \$87.30 billion in 2020. However, this was still 84 percent higher than its 2018 level. On a half year basis, M&A value increased 15 percent in 2nd Half 2020 over 1st Half 2020, from \$40.63 billion to \$46.67 billion.

Strategic Buyers

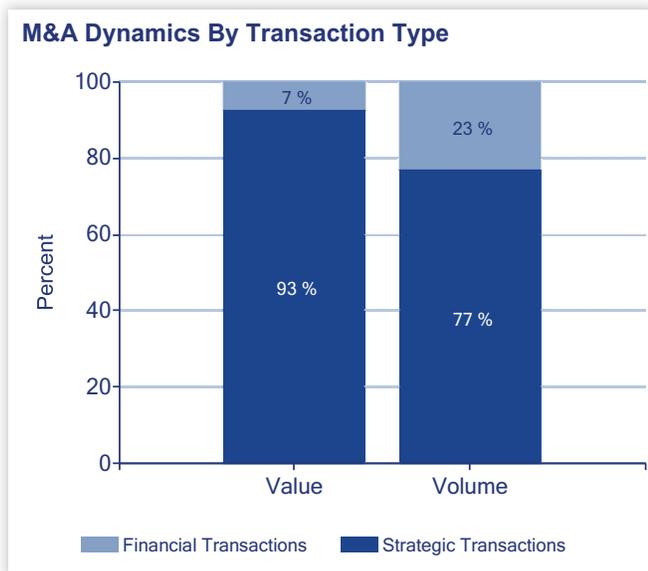
- Strategic volume declined 13 percent on an annual basis, from 439 to 380 deals. Strategic acquirers accounted for 77 percent of volume and 93 percent of value from 2019 to 2020.
- Nine of the industry's top ten highest value deals in 2020 were completed by strategic acquirers.

Financial Sponsors

- Private equity backed volume stayed relatively consistent year-over-year, from 124 to 120 deals. Financial sponsors represented 23 percent of volume and seven percent of value from 2019 to 2020.

Industry Wide Valuations

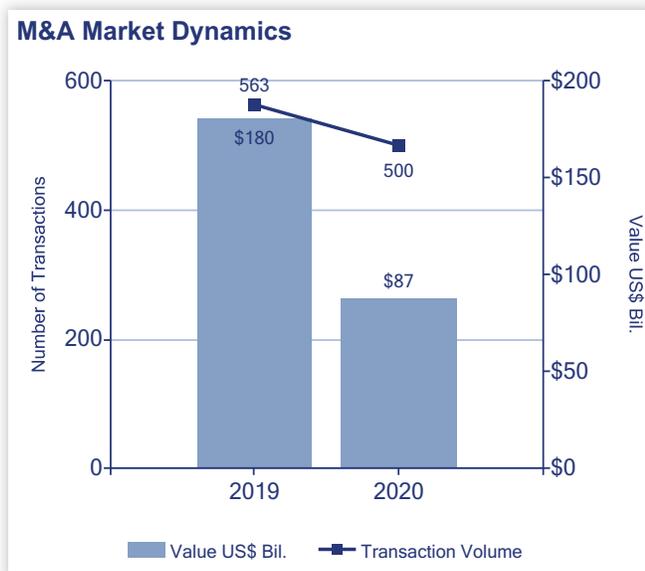
Enterprise value multiples over the past 24 months have been strong. The median revenue multiple during this timeframe was 3.1x, while the median EBITDA multiple was 17.4x.



### M&A Analysis of the Past Two Years

Berkery Noyes recorded 1,063 financial technology and information industry merger and acquisition (M&A) transactions from the beginning of 2019 through the end of 2020. The median revenue multiple improved from 2.9x to 3.2x during this time period.

Transactions in the \$10-\$20 million range received a median revenue multiple of 1.3x, compared to 2.9x for those in the \$20-\$80 million range and 4.9x for those in the \$80 million and above range.

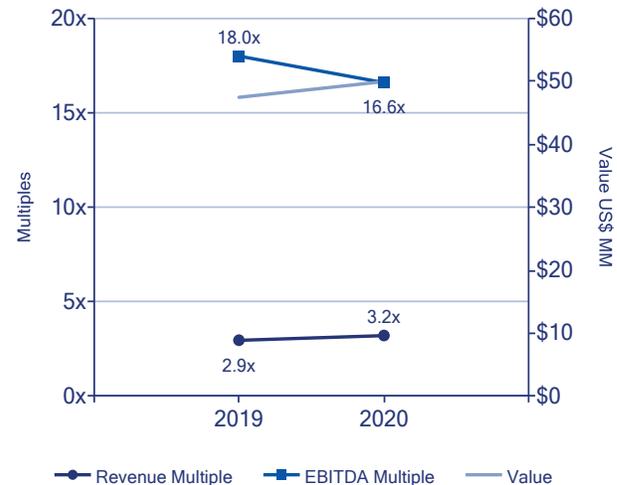


### M&A Activity Per Industry Segment

- **Payments.** Deal activity in the Payments segment rose three percent from 2019 to 2020. Notable segment transactions in 2020 included Wordline’s announced acquisition of Ingenico Group for \$10.87 billion, which will form one of the largest payment services providers; SoFi’s announced acquisition of Galileo Financial Technologies, a financial services API and payments platform, for \$1.2 billion; FinTech Acquisition Corp. III’s acquisition of Paya, an integrated payments and commerce solution provider, for \$1.3 billion; and Corsair Capital LLC’s announced acquisition of MSTs, a global B2B payment and credit solutions provider, for \$300 million.

- **Banking.** The Banking segment decreased 15 percent rise in volume. As for value, six of the top ten largest deals in 2020 occurred in the Banking segment. These six transactions, with a combined value of \$36.22 billion, accounted for 41 percent of the industry’s total value during the past year. Notable segment

### Median Enterprise Value Multiples



deals included NEC Corporation’s acquisition of Avaloq, a Swiss-based provider of digital banking solutions, core banking software and wealth management technology, for \$2.24 billion; Intercontinental Exchange’s acquisition of Ellie Mae for \$11 billion; and Black Knight’s announced acquisition of Optimal Blue, a digital mortgage marketplace that connects lenders, investors, and providers with secondary marketing solutions, for \$1.8 billion (which it plans to merge with its Compass Analytics business in a newly formed entity).

- **Capital Markets.** M&A volume in the Capital Markets segment fell 32 percent over the past year. The most active acquirer in the Capital Markets segment during 2020 was Cboe Global Markets with five transactions: BIDS Trading, the operator of the BIDS Alternative Trading System (ATS); Trade Alert, a real-time alerts and order flow analysis company; MatchNow, broker-neutral dark pool that facilitates liquidity for buyers and sellers seeking anonymity for their transactions; Hanweck Associates, which offers real-time risk analytics on global derivatives markets; and FT Options, a portfolio management platform provider.

Other notable Capital Markets transactions included Binance’s acquisition of CoinMarketCap, a price-tracking website for cryptoassets, for \$400 million; and SS&C Technologies’ acquisition of Innovest Systems, which offers solutions to support the accounting and reporting needs of trust companies, banks, private banks, retirement plan administrators and others, for \$120 million.

- **GRC.** Regarding the industry’s broad-based GRC sector, volume declined ten percent. Notable GRC deals over the past year included Nasdaq’s acquisition of Verafin, a cloud-based platform to help detect, investigate, and report money laundering and financial fraud, for \$2.75 billion; and MasterCard’s acquisition of Fincity, a real-time financial data aggregation and insight platform that helps with credit decisioning, for \$825 million.

As for other high profile acquirers, Wolters Kluwer’s GRC division acquired eOriginal, which offers digital lending solutions that maintain compliance certainty and span workflows from loan approval to document preparation and closing, for \$280 million; Refinitiv announced its acquisition of GIACT, a digital identity, payments verification, and fraud prevention company; and Moody’s Analytics acquired ZM Financial Systems, a provider of risk and financial management software for the U.S. banking sector.

**Conclusion**

The M&A outlook in the financial technology and information industry remains strong as acquirers seek innovative solutions to fill certain voids, expand their product offerings, and maintain their competitive advantage. Technological growth in specific niches is often followed by investments in products and companies that offer these innovative solutions, which bodes well for future M&A activity.

**About Berkery Noyes**

Founded in 1980, Berkery Noyes is an independent investment bank that provides M&A advisory to middle market companies in the information, software, services, 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

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