



2019 SO FAR: MEGA DEALS, MOUNTING MULTIPLES & MORE RECORDS



The fintech industry has already broken the records set in 2018. So far in 2019, we have witnessed the three largest fintech acquisitions ever which, combined, accounted for a deal value of almost \$87 billion: Fiserv's acquisition of First Data; Global Payments' purchase of Total System Services; and Fidelity's acquisition of Worldpay.

These mammoth M&A transactions are the sign of a revitalised M&A market, following a slump in 2H 2018. They are also testament to the readiness of large players – especially in North America – to adopt large-scale fintech solutions, particularly in transaction processing and enterprise financial software.

Venture capital raises the bar

Fundraising in 1H 2019 also beat previous records: according to Financial Technology Partners, in Q2 2019 funding rounds generated the most value to date (notwithstanding Ant Financial's \$14 billion mega-round in 2018).

Europe and North America will both reach record levels of fundraising again this year, as Europe has already exceeded the value from 2018, with \$5.8 billion raised in 1H 2019 so far alone.

Banking and lending firms have seen a high level of investment, with a total of 272 fundraising rounds

closed worldwide and funds pouring into challenger banks such as Chime, OakNorth and N26.

Regional disparities emerge

Interestingly, the Asian fintech market saw less M&A activity this past half-year, with deal volume falling 30 per cent year-on-year. Though a habitual hegemon in fintech fundraising and M&A, China spent only \$35 billion in overall outbound M&A in 1H 2019 – a 75 per cent decrease from the corresponding figure in 1H 2016, caused by rising trade tensions and debilitating tariffs. Asian results for fundraising have also been disappointing, stagnating around \$3.5 billion raised in 1H 2019, in stark contrast to North American and European successes.

Looking ahead

As challengers use their agility to attract new customers, legacy players will be forced to acquire the necessary technology to compete. Investors and acquirers will tend towards technology such as AI chatbots – expected to save banks \$7.3 billion annually by 2023 – and mobile banking, as in-person branch visits are set to fall 36 per cent between 2017 and 2021. Overall, high levels of innovation, competition and funding will yield large-scale fintech M&A transactions in the near future.



M&A SUMMARY

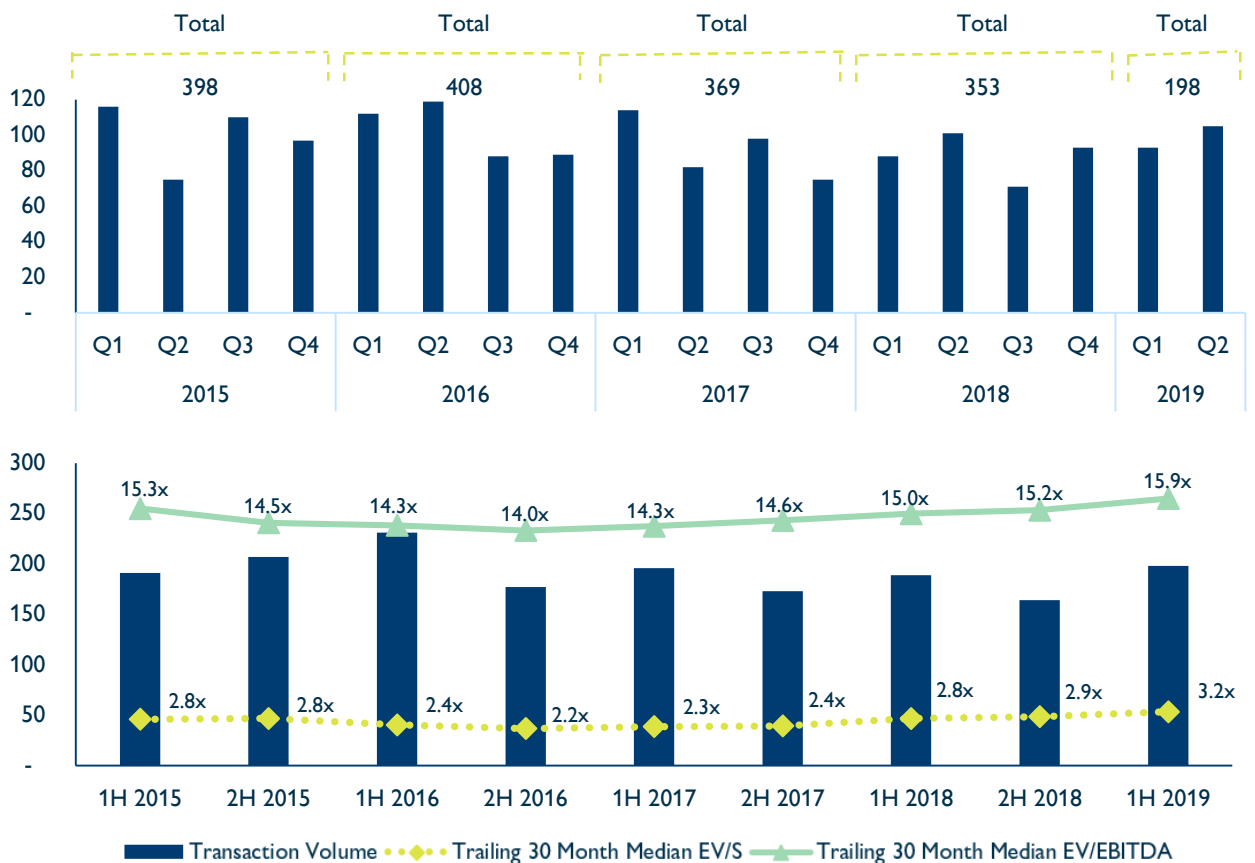
M&A activity in the fintech sector has rebounded since the slight low of 2H 2018, reaching a three-year high of 198 transactions, up from 164 in 2H 2018. It also set a record for disclosed transaction value of over \$120 billion – more than twice the largest amount recorded thus far (\$49 billion in 1H 2018). This is a record-breaking amount, even though it is largely the result of three mega deals.

Trailing multiples on a 30-month median basis continued to show constant growth: revenue multiples reached 3.2x, up from 2.9x in 2H 2018; and EBITDA multiples reached 15.9x, up from 15.2x in 2H 2018.

Notwithstanding the three mega deals in the payment processing subsector, M&A activity in the Enterprise

Financial Software subsector accounted for 50 per cent of all fintech deals and for 75 per cent of remaining deal value. A diverse group of buyers is driving this level of acquisition, and they are buying fintech software to save time, provide convenience, reduce costs or enable regulation compliance.

Meanwhile, 1H 2019 saw a shift towards larger deal sizes, despite deal count remaining within recent historic levels: 65 per cent of deals had a disclosed transaction value above \$100 million, compared to only 54 per cent in 2018. Median deal size also increased to \$193 million in 1H 2019 from \$137 million in 2018, representing growth of just over 40 per cent.



All totals and median values refer to the entire period unless otherwise stated. Median multiples plotted in the graphs refer to the 30-month period prior to and including the half year.



TOP ACQUIRERS

Acquirers	Acquisitions in 30 months	Three most recent acquisitions
	9	Orbium Holding financial services IT consulting Zafin Labs Americas (talent assets) financial management SaaS SEC Servizi financial systems integration services
	7	Rockall Technologies lending & collateral management software RPM Technologies investment management portfolio software PivotData (assets) investment reporting software assets
	7	eFXto Forex Spanish FX news and analysis Vantage Point Trading stock trading information platform BitcoinMag German cryptocurrency analysis content
	6	Miles Software asset & wealth management SaaS Transcorp online exchange & payment processing services Paul Merchants money transfer services
	5	CHX Holdings stock & securities trading exchange Virtu Financial financial trading software asset KCG BondPoint trade execution for fixed income markets
	5	Acuris Group online financial reference content Allegro Development energy trading management system Fidessa Group software for investment & capital markets
	5	Way2pay payment software Federated Payment Systems payment processing SaaS Nodus Technologies payment processing SaaS
	5	Big Brain Works wealth management & CRM SaaS AGEman Solutions software solutions for managing customers Kronos Technologies investment & insurance SaaS

Broadridge leads the way in 2019

Financial solutions company Broadridge made three acquisitions in 1H2019 alone, almost doubling its 30-month total. This buying spree focused solely on software acquisitions and added to its portfolio of solutions for the investment and lending sectors. Other highly ranked acquirers that still feature on the

scoreboard, such as Ebix, ICE or Investoo, did not make a single acquisition between them in 1H2019. Much like Accenture, they maintain their positions based on previous acquisition sprees. Accenture, for instance, made six acquisitions in 2018, but only one in January 2019, purchasing Orbium Holding AG for an undisclosed amount.



TOP TRENDS IN FINTECH

Payment processing takes the lead

The three largest acquisitions in 1H 2019 all passed the \$20 billion mark and are the largest disclosed fintech transactions ever recorded. First Data, a provider of electronic payment processing including check verification, fraud protection and money transfer services, was acquired by Fiserv in a stock deal worth \$22 billion at 4.0x EV/S.

In May, Total System Services was acquired by Global Payments for \$21 billion at 6.1x EV/S. Total System Services provides transaction processing services and software, outsourced customer care and BPO services for businesses globally.

These deals underline the maturing nature of the sector, driven by the demand for real-time payments and shorter payment value chains.

fiserv.

16 January
ACQUIRED

\$22 billion
4.0x EV/S

First Data.

globalpayments

28 May
ACQUIRED

\$21.2 billion
6.1x EV/S

TSYS

Financial buyers count on enterprise financial software solutions

The enterprise financial software subsector saw two further transactions surpass the \$1 billion mark: the acquisition of Ellie Mae, a provider of loan origination SaaS, by Thoma Bravo, and the acquisition of eFront and its investment portfolio management software by Blackrock. Financial buyers are visibly enticed by targets with a focus on automation via disruptive technology such as AI and machine learning. Meanwhile, strategic acquirers are seeking automated solutions to optimise current operations and allow for

- Demand for **real-time payment capabilities** and shorter payment value chains have led to record-setting acquisition rates in a maturing payment and transaction processing vertical
- AI and machine learning acquisitions have been rife, with PE acquirers using **operational expertise to drive synergy benefits** across large integrated platforms
- Banking & lending is driving record levels of fundraising, especially into **challenger banks**
- **Regtech** is on the rise, allowing firms to stay compliant through cloud-based platforms and machine learning
- **Blockchain utilisation continues to spread** through collaborative platforms such as Bitpay with Visa, although consumer adoption is only making gradual progress

the wider usage of cloud-based applications, big data and customer-focused predictive insights.





LARGEST TRANSACTIONS

In the largest fintech transaction ever recorded, financial services behemoth Fidelity National Information Services acquired Worldpay, the payment processing provider, in a deal worth \$43.6 billion at 11.1x EV/S. This acquisition will allow Fidelity to bulk up in an industry where scale is vital, creating a global giant in payments and back-office financial services. The combined entity expects to generate an additional \$500 million revenue, whilst also cutting around \$400 million in costs by combining online and in-store transactions across multiple currencies. Prior to this deal, Fidelity facilitated banks processing transactions

and offered a range of wider services for money managers, involving more than \$9 trillion annually. It was however, a very minor player in the payments market – a market in which Worldpay is the global leader. The deal therefore will give Fidelity access to around 40 billion annual payments through Worldpay, also increasing countries served from 130 to 146.

Fundraising continues to break records

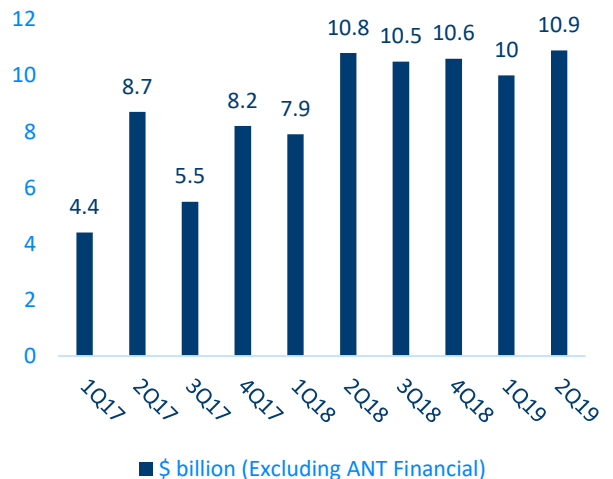
Fundraising in fintech looks on course to set new records. With 818 fundraises so far in 2019, the anticipated annualised figure of 1,636 would set a new annual record, narrowly beating those figures recorded in 2016 (1,633) and in 2017 (1,632). Excluding the Ant Financial deal, Q2 2019 recorded the most fintech fundraising ever with \$10.9 billion raised. This confirms that, while they seem to be gradually multiplying in number, funding rounds for North American and European fintech are becoming larger.

Despite fundraising count and value increasing across the board in Europe and North America, currently Asia is not sharing the same level of success, with fundraising count and value stagnating.

LARGEST DISCLOSED DEALS OF 1H2019

\$43.6 billion 18 Mar	Fidelity National Information Services acquires Worldpay at 11.1x EV/S
\$22. billion 16 Jan	Fiserv acquires First Data at 4.0x EV/S
\$21.2 billion 28 May	Global Payments acquires Total System Services at 6.1x EV/S
\$3.7 billion 12 Feb	Thomas Bravo acquires Ellie Mae at 7.5x EV/S
\$1.3 billion 22 Mar	Blackrock acquires eFront at 9.3x EV/S
\$889 million 22 May	Nuvei acquires SafeCharge International at 5.7x EV/S
\$850 million 10 Apr	Deutsche Börse acquires Axioma at 8.5x EV/S
\$750 million 28 Feb	ACI Worldwide acquires SpeedPay at 2.1x EV/S

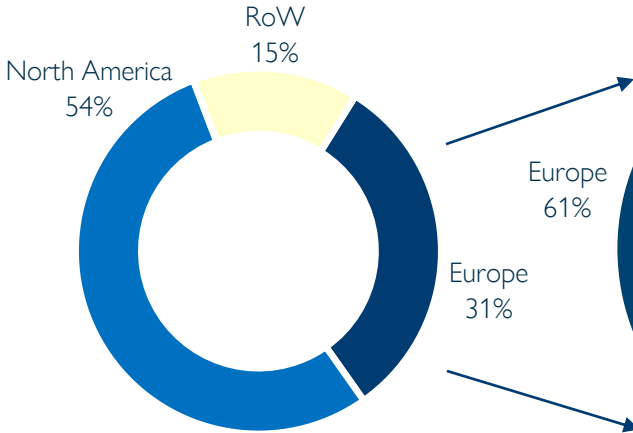
Global Fintech fundraising



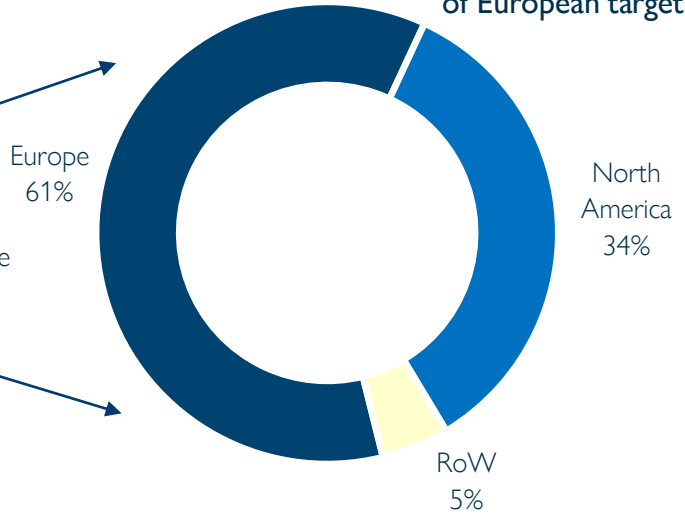


SUB-SECTOR BREAKDOWN

Headquarters of fintech targets



Headquarters of acquirers of European targets



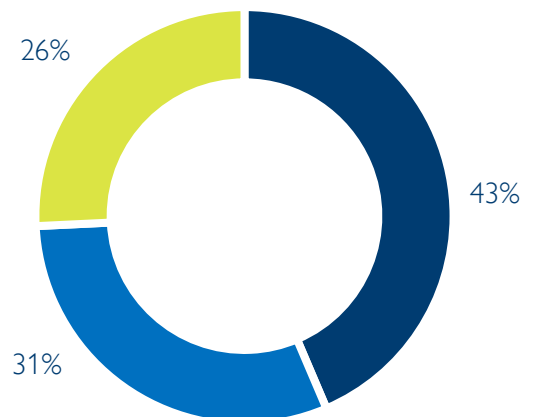
54%



Despite maintaining a majority share of M&A activity in fintech, in 1H 2019 North American target companies accounted for 54 per cent of transactions, down from 60 per cent in 2H 2018. Firms located in Europe and the rest of the world rounded out the remaining 46 per cent, with targets in the rest of the world receiving more attention than in previous periods.

Meanwhile, European investors and acquirers recorded another dominant half-year of deal-making within their region, as 61 per cent of European targets were bought by European acquirers, while only 34 per cent were bought by North American acquirers.

- **IT Outsourcing & Transaction Processing**
Outsourced financial data aggregation, transaction processing services, financial IT systems integration, outsourced financial software development services.
- **Enterprise Financial Software**
Financial analytics, financial risk management software, tax compliance software, insurance software, online accounting, financial portfolio monitoring, blockchain development SaaS.
- **Consumer Financial Solutions**
Online trading exchange software, currency conversion, mobile payments, lending.





ENTERPRISE FINANCIAL SOFTWARE

Sub-sector overview

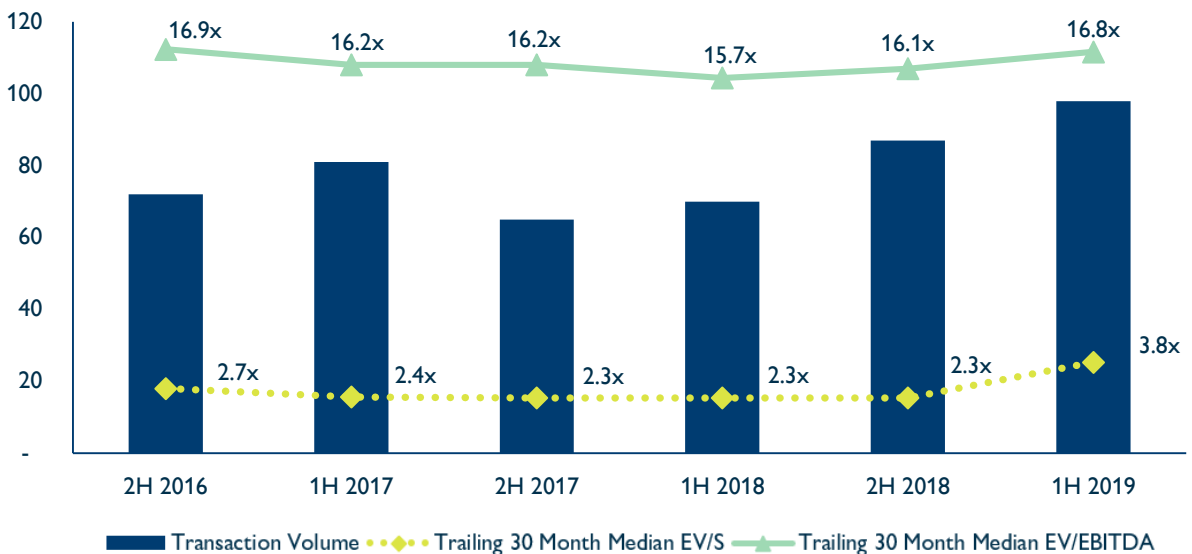
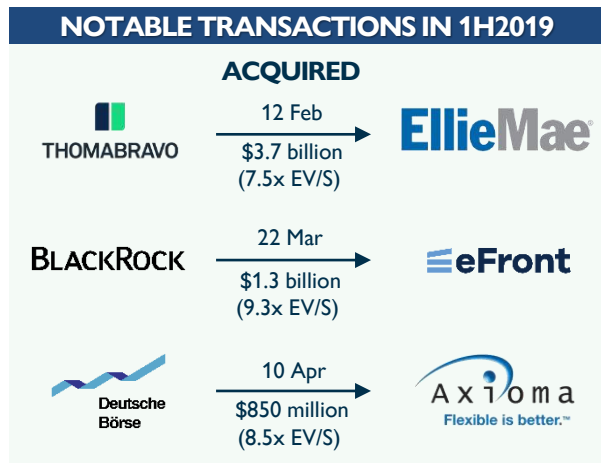
After some stagnation in 2016 and 2017, the Enterprise Financial Software sector experienced a stellar half year, with 98 deals inked in 1H 2019.

Total disclosed transaction value broke the \$10 billion mark, supported by a continuous rise in the trailing median 30-month revenue multiple to 3.8x, after it shook off a two-year stagnation in 2H 2018. EBITDA multiples also climbed to a comfortable 16.8x.

Private equity tops list again

Thoma Bravo's acquisition of Ellie Mae, a provider of mortgage loan origination SaaS, was by far the largest for the sector. The total value of the deal comes to \$3.7 billion, making it the fourth largest transaction of 1H2019, at 7.5x EV/S. Ellie Mae, founded just over 20 years ago, has made it its mission to "automate everything that is automatable" in the residential mortgage sector. As such, they have led the way in digital mortgages, enabling lenders to increase efficiency, offer more loans, lower costs and ensure compliance throughout the entire process.

provider of investment portfolio software, was snapped up by Blackrock; and Axioma, a provider of risk & investment portfolio management software and SaaS, was purchased by Deutsche Börse. These large-scale acquisitions show that, in a low-return market, capabilities in increasingly complex investment options are vital to deliver better, higher returns for financial institutions. As allocations to alternative assets increase, more dynamic portfolio management will be crucial to investment success, encouraging similar acquisitions.





IT OUTSOURCING & TRANSACTION PROCESSING

Sub-sector overview

This subsector saw a healthy rebound in deal volume in 1H 2019, following a slight slump in 2H 2018. Overall, 49 transactions were inked in the reporting period, compared to 42 in the previous half year. The sector boasts the three largest disclosed fintech transactions of all time, leading to a total disclosed deal value of over \$87 billion. Excluding these three mega deals however, disclosed deal value only totals \$1.5 billion, which represents a far more modest increase on the \$1.2 billion of 2H 2018.

Meanwhile, the trailing 30-month EV/EBITDA lingered around a consistent 15.3x, with EV/S reaching 2.8x in the same period and showing a remarkably steady increase every half year since 1H2016.

Payment processing

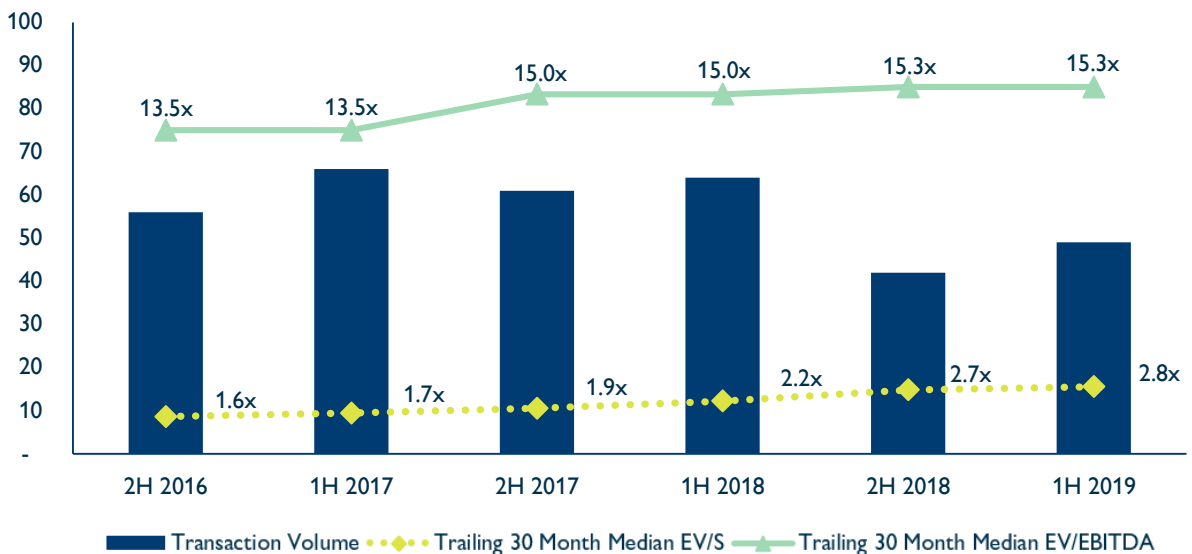
Deal volumes for payment processing targets continued to grow in 1H 2019 from the previous half year, representing over two thirds of all transactions in the sector. The widespread use of legacy systems at older global institutions represents they represent a

good market to approach with transaction processing solutions that are innovative and provide an upgrade. This trend is expected to continue as long-term customer loyalty further wanes and customers become more open to alternatives.

Meanwhile, overall the cumbersome infrastructure of major players has allowed smaller, more agile firms to gain a competitive edge by moving in on new technology first.

NOTABLE TRANSACTIONS IN 1H2019

ACQUIRED		
	18 Mar \$43.6 billion (11.1x EV/S)	
	16 Jan \$22.0 billion (4.0x EV/S)	
	28 May \$21.2 billion (6.1x EV/S)	





CONSUMER FINANCIAL SOLUTIONS

Sub-sector overview

Acquisitions in the Consumer Financial Solutions sector have significantly rebounded, with 51 transactions recorded in the period, up from the four-year low of 35 in 2H 2018. Total disclosed transaction value has also recovered, but to a lesser extent, reaching \$2 billion (up from \$1.8 billion in the previous period). However, this recovery was not wholly reflected in transaction multiples, with the 30-month median EV/S declining to 3.7x and EV/EBITDA stagnating around 14.4x.

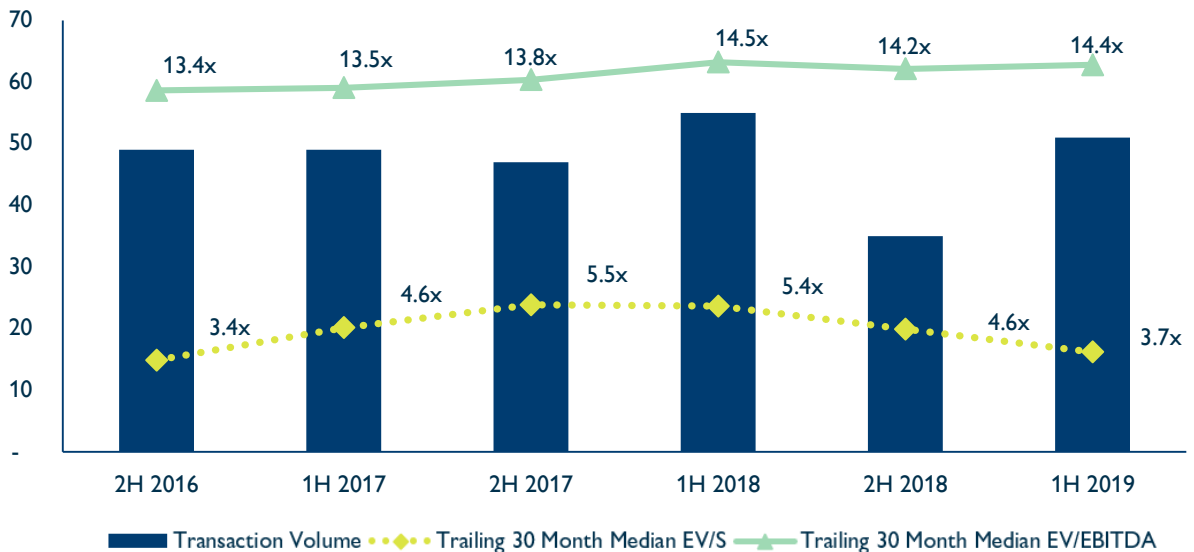
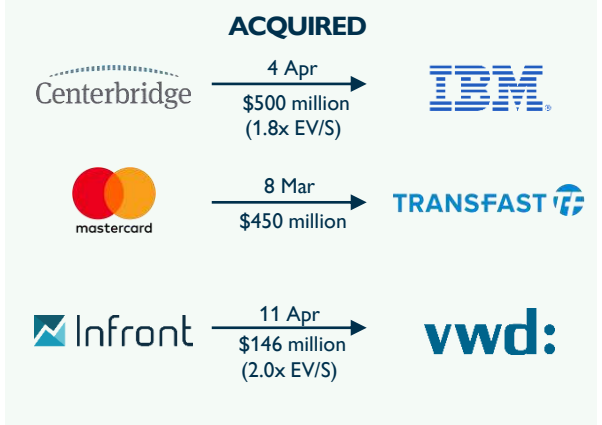
Mobile on the rise

Greater familiarity with fintech solutions, coupled with improving trust in non-traditional providers, is leading the consumer's continued demand for alternative mobile services. These services provide a solution to the growing appetite for personalisation of experience, as they have allowed providers in the sector to directly target consumers with offers, advice and alerts based on usage behaviour. Ultimately, these changing demands have fuelled consolidation in the sector, with acquirers aiming to provide one-stop-shop services for their consumers.

Recently, for instance, Mastercard acquired Transfast in a \$450 million deal, thus adding a variety of mobile

peer-to-peer capabilities to its portfolio. The transaction aims to combat specific cross-border issues such as higher costs, compliance requirements and limited predictability of timescales, providing users with all-in-one simple services. The Transfast mobile application also seeks to capitalise on the personalisation trend, allowing consumers to customise their app for a unique, tailored experience. In addition, Transfast is the only money transfer application to add live chat features with customer service representatives.

NOTABLE TRANSACTIONS OF 1H2019





CONCLUSION & CONTACTS

The fintech M&A market is white-hot in Europe and North America. Financial businesses and institutions are increasingly open to adopting large-scale fintech in transaction processing or enterprise financial software, and as the financial services industry re-structures, competition for game-changing assets is increasing.

This has resulted in record levels of fintech M&A and fundraising, and healthy trailing median revenue and ETBIDA multiples. Rebounding from the last reporting period, activity in the first half of 2019 reached a three-year transaction high and set a record for disclosed transaction value of over \$120 billion (despite just three mega deals totaling \$87 billion).

Meanwhile, the heat is being applied in fundraising, auguring well for future large-scale fintech exits. 2Q2019 proved to be the largest quarter ever for fintech fundraising, with Europe already exceeding its 2018 annual record. As Europe and North America power ahead of the currently moribund Asian fintech fundraising market, we expect this to yield several large-scale fintech M&A transactions in the future.



Jonathan Simnett

Director

jonathan@hamptonpartners.com



Miro Parizek

Principal Partner

miro@hamptonpartners.com

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