



# Buy/Sell Consulting

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## Overview of TSG's Services

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Payments Experts. Powerful Data.  
THE STRAWHECKER GROUP®



# Payments Experts. Powerful Data

Consulting is needed for a variety of reasons to ultimately improve the business, finances, market share and global presence. TSG's specialized approach provides **direction, tools, and strategies** that empower an organization to successfully achieve a desired future state. TSG helps navigate from the start, and benchmarks throughout the process, to **achieve cost effective synergies**.



Are you on the right path?  
TSG helps identify and relieve pain points to ensure efficiencies are realized



Management Consulting



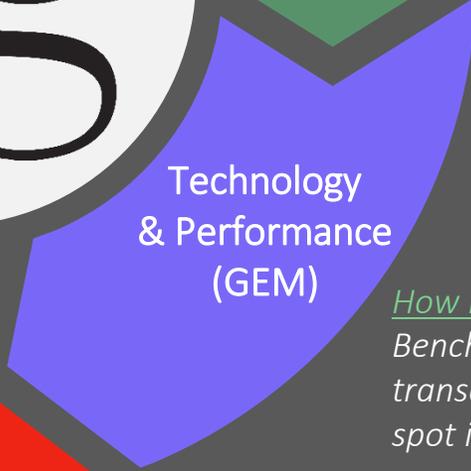
Profitability & Financial (AIM)

How much money are you making?  
Benchmark growth, attrition and financial performance against peers and the overall industry



Buy/Sell & Valuations

What is your value?  
Complete a valuation exercise and position your property to receive a premium



Technology & Performance (GEM)

How is your platform performing?  
Benchmark your APIs and review transaction performance globally to spot issues and adjust for success



Market Intelligence

What are your competitors doing?  
Leverage market and competitive intelligence to support a wide range of strategic decisions



# TSG is the Go-To Buy/Sell Advisor to the Payments Industry

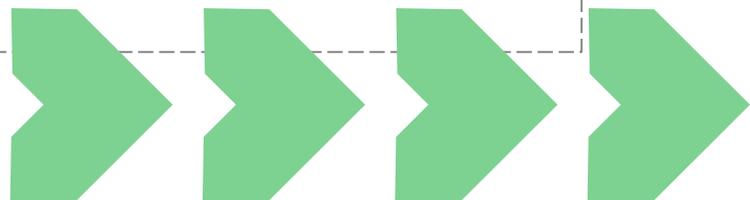


TSG specializes in Payments, and is the largest advisory/analytics firm in the payments acceptance industry. Last year, TSG's clients included **90 of the top 100** North American acquirers and **over 25** private equity firms focused on payments

## Payments Experts

TSG is THE Subject Matter Expert in the Industry

- TSG's team of over 35 individuals are **passionate about Payments** and focused on all elements of the industry – from technology, operations, and M&A, to competitive intelligence and analytics
- The team has **deep experience** in the payments industry with average industry experience surpassing 25 years – most holding C-Level positions



## Powerful Data

TSG has unique industry Analytical Platforms to help clients benchmark their performance and focus their strategy

- The **AIM Platform** has revolutionized the way acquirers manage their business by allowing them to benchmark their growth, attrition and financial performance against their Peers and the overall Industry. Acquirers that manage more than 75% of the Dollar Volume in the U.S. use the AIM toolset
- The **GEM Platform** is the only gateway measurement tool that measures quality and performance from the merchants perspective. GEM provides performance analytics to gateways managing more than 66% of the eCommerce traffic in North America

## TSG has become the go-to adviser for deals ranging between **\$10M - \$100M**

### Buy-Side

- Buyers use TSG's due-diligence subject matter experts for support on a variety of key decision criteria can affect the value of the property. TSG assists buyers by acting as their advisor as they evaluate the financial value, benchmarking key performance metrics, determine risk, and evaluate the value of any technology assets.

### Sell-Side

- The key factor in a successful asset sale is understanding the true value of your enterprise. Value is defined as the "amount a buyer is willing to pay." TSG has a pulse of the market and performs an extensive evaluation of value drivers to insure potential "sellers" understand the value of their company in the marketplace – prior to starting the sales process. In addition, buyers can use the data to assess offers that have been received for an accurate and fact-based assessment of the offer.

### Private Equity

- TSG can help private equity firms understand the landscape before investing and can build a market analysis to determine which investment is the best fit to create the highest ROI. TSG provides investors and financial institutions with the documented valuation information needed to support funding events.

### Restructuring & Re-Capitalization

- TSG can facilitate strategic exercises to help forge a new path ahead and can help with implementation of a new structure to ultimately maximize the value and performance of the entity.

**30+**  
ACQUISITIONS  
AND INVESTMENT  
TRANSACTIONS



**250+**  
COMPLETED  
PAYMENTS CO.  
VALUATIONS



**8 of 12**  
OF THE LARGEST  
PAYMENTS TRANS  
IN THE LAST YEAR



**\$10-100M**  
TYPICAL DEAL  
RANGE



## TSG Has Advised For Many Leading Companies in the Payments Industry

In its sale to	In the acquisition of	In the acquisition of
In the acquisition of	In the acquisition of	In acquisition of the operation assets of
In its merger with	In its sale to	On their investment in
On their funding event with	On their funding event with	In the acquisition of
In the acquisition of	In due diligence support of its investment into	In the acquisition of
In its recapitalization of	In a merchant portfolio purchase from	In the acquisition of
On their investment in	In its merger with	On the organization of its joint venture with
On their investment in	On their investment in	With their joint venture with

*"TSG proved to be a valuable partner in the strategic decision process, and saw the value we have built through our unique portfolio and ISV relationships. Most importantly they were able to demonstrate our value and through their extensive industry relationships, allowed us to selectively market our company which resulted in our agreement with Cayan."*

**Andrew Caine, President CPS**

*"By introducing CPS as an acquisition candidate to Cayan, TSG helped us enhance our vertically focused strategy. TSG highlighted the strengths of CPS while understanding our goal of servicing under-penetrated niche markets. This transaction highlights TSG's expertise in the payments and merchant acquiring space and its leadership position as the "trusted adviser" to the highest tier of payments companies."*

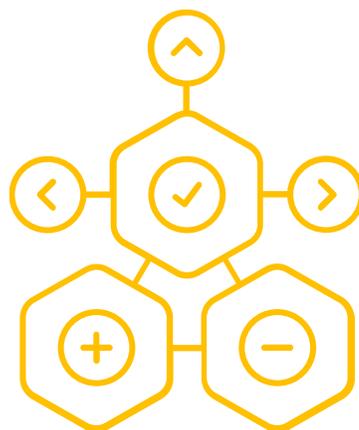
**Henry Helgeson, CEO and Founder, Cayan**

## TSG Has Performed Transaction Due Diligence for:




TSG has performed more Valuations of payments companies than any other firm, completing **more than 250** Value Exercises in the last decade including:

- Acquiring Enterprises
- Payment Technology Companies
- Fintech Organizations
- Payment Gateways
- ISO Portfolios



TSG has provided transaction support to firms that have ranged in scale from **\$3M to \$3B+** in transaction assessed value

### TSG has Carved a Real Niche in the Payments Space

*“TSG was instrumental to the success of our transaction and the valuations they performed were critical to our decision-making.”*

**Top 50 Merchant Acquirer**

*“Our company found TSG’s process to be efficient and innovative; most importantly however it was successful by giving us the proper focus to understand where we could improve our company.”*

**Payment Gateway Subsequently Acquired By An International Third-Party Processor**

# Valuation and Assessment Process

## Objective

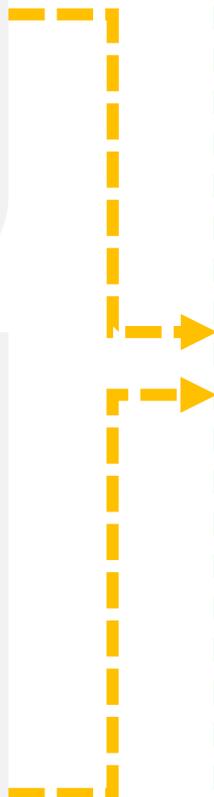
- 1) Gain an understanding of the target's historical performance
- 2) Model future cash flow generation potential
- 3) Assess the marketability of the target
- 4) Consider potential buyer interests
- 5) Establish a fair market value of the target
- 6) Identify the key characteristics (both positive and negative) that could affect the value of the company

## TSG Methodology

- Isolate the value of the base portfolio and the sales engine component
- The valuation is determined by using the income discounted cash flow method based on forward-looking unlevered after-tax cash flow
- This approach is a widely-recognized approach to valuing interests in privately-held enterprises and is common in the merchant acquiring industry
- The range of value estimated does not consider balance sheet assets and liabilities

## Valuation & Assessment Component Options

- ✓ *Financial Valuation*
- ✓ *Value Estimate and "What if's"*
- ✓ *Portfolio Benchmark Analytics*
- ✓ *Third-party Agreement Review and Business Components Assessment*
- ✓ *Operational and Risk Assessment*
- ✓ *Technology and Product Offerings Evaluation*
- ✓ *Technology Infrastructure and Data Security Review*
- ✓ *Sales Channel Review (W-2, Agent, ISO, Integrated, Referral, etc.)*
- ✓ *Requirements to Reach Scale in a Growth Modeling Evaluation*



# Synthetic Portfolio Key Metrics Benchmark

## Custom Benchmark Analytics

Comparisons are developed by creating a [synthetic comparison portfolio](#), based on the same Merchant Category, Size and Volume profile of the target portfolio. The key performance metrics of both portfolios are then compared.

The analytics are calculated using volume weighted average metrics using the comparable data from TSG's AIM™ (Acquiring Industry Metrics) Platform containing [nearly half of all US card accepting merchants](#).

TSG has developed [Custom Benchmarks](#) based on a client's mix of merchant size and type for the following performance metrics and compared these to the client's actual metrics:

- 1) AIM, updated monthly, includes data from more than 3.7M merchants
- 2) Synthetic portfolio benchmarks are developed by creating a merchant industry group and merchant size volume profile of the portfolio (17 merchant industry groups by 16 merchant size tiers) and calculating the volume weighted average metrics using comparable industry metrics from AIM
- 3) TSG analyzes the merchant detail files of the client's portfolios by size of merchant, Industry category and normalizes the annual fee revenue in this file to reflect an average month's revenue and resulting metrics
- 4) The resulting benchmark portfolio profiles illustrate the performance of the client portfolios vs. the "like" synthetic portfolios
- 5) The key performance metrics include: gross revenue % of volume, net revenue spread, account, volume, and net revenue attrition, and retained account growth

AIM  
Acquiring Industry Metrics



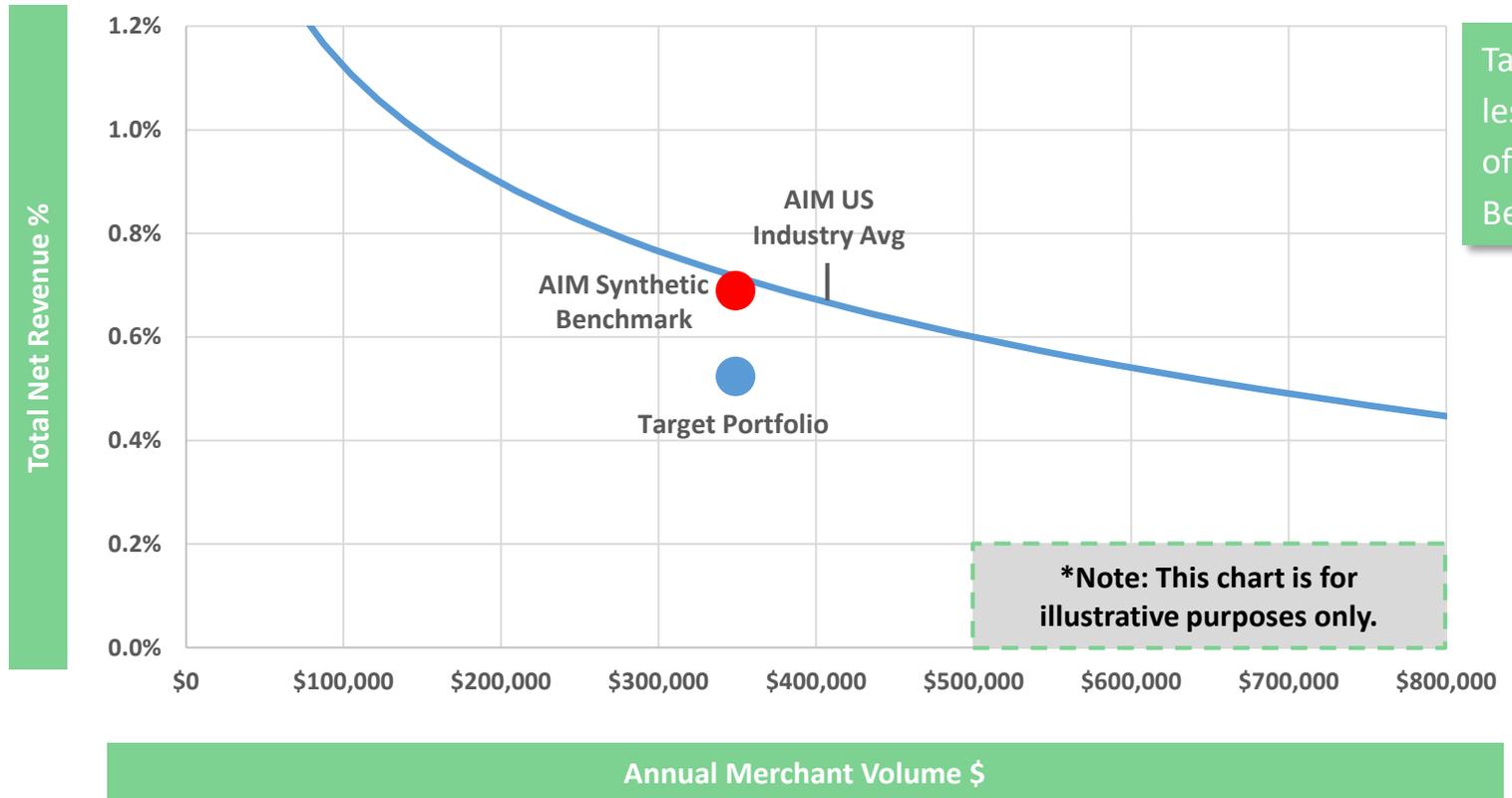
# Synthetic Portfolio Key Metrics Benchmark

## Synthetic Portfolio Benchmark Comparison

Merchant Volume and Average Net Revenue



Using a synthetic benchmark, clients can determine the relative performance of a portfolio vs. an identical synthetically derived benchmark comparison – and therefore **precisely understand the relative strengths and weaknesses**



Target portfolio is 16 BPS less than the 69 BPS average of the AIM Synthetic Benchmark Portfolio

**\*Note: This chart is for illustrative purposes only.**

*\*Net Revenue is total gross revenue charged to merchant less total cost of sales divided by total volume*



# Buy-Side Search Engagements

In an industry with more buyers than sellers, TSG has perfected a strategy to identify, qualify, and engage prospective owners that may be interested in selling their Payments enterprise.

## TSG Provides Two Options to Assist Buyers in Meeting Their Acquisition Objectives:

- **Engaged Search Option** - TSG will propose an engagement to pro-actively identify, qualify, and engage prospective potential sellers that meet the buyer's criteria, for a fixed engagement search fee and success fee basis
- **Referral Search Option** – TSG will propose a Referral Agreement, and in the event that TSG becomes aware of a potential seller that meets the buyer's criteria, TSG will introduce the prospective property on a success fee basis

In addition, TSG can assist buyers by acting as their advisor while they assess the financial value, benchmark key performance metrics, determine risk, and assess the value of any technology assets.



*“We engaged TSG to identify companies that fit our criteria, would allow us to utilize our operational scale, and provide a strategic advantage to drive revenue growth and increase operating margins.*

*This was no small task – researching hundreds of companies, contacting thirty and engaging three to complete a single transaction – but they were persistent in their process.”*

Scott Cruickshank  
CEO at Talus Payments



## Sell-side Transaction Engagements

The key factor in a successful asset sale is understanding the true value of your enterprise. Value is defined as the “amount a buyer is willing to pay”. TSG recommends a Valuation of the enterprise as the first step in any ‘Go To Market’ strategy.

TSG has a pulse on the market and performs an extensive assessment of value drivers to ensure that potential “sellers” understand the value of their company in the marketplace – prior to starting the sales process. The process provides guidance on the strengths, weaknesses of the company as well as gaining critical background data before talking to potential buyers. In addition, buyers can use the data to assess offers that have been received for an accurate and fact-based assessment of the offer.

### Go To Market

With the Valuation information gained from the Valuation, TSG will create marketing materials that best highlights and illustrates the assets and strengths and future performance of the enterprise.

TSG will carefully curate a prospect list of proven buyers – that have the funds, deal experience, and bandwidth to close a deal. Our Market Plan Project strategy is to create a competitive bid environment with buyers, and if needed, assist in a round two or three ‘bid enhancement’ process on the financial elements and the key terms.

*“Utilizing The Strawhecker Group (TSG) was the key first step in going to market with our company. TSG’s detailed approach to valuing and assessing Main Street prepared us for the rigors of due diligence.*

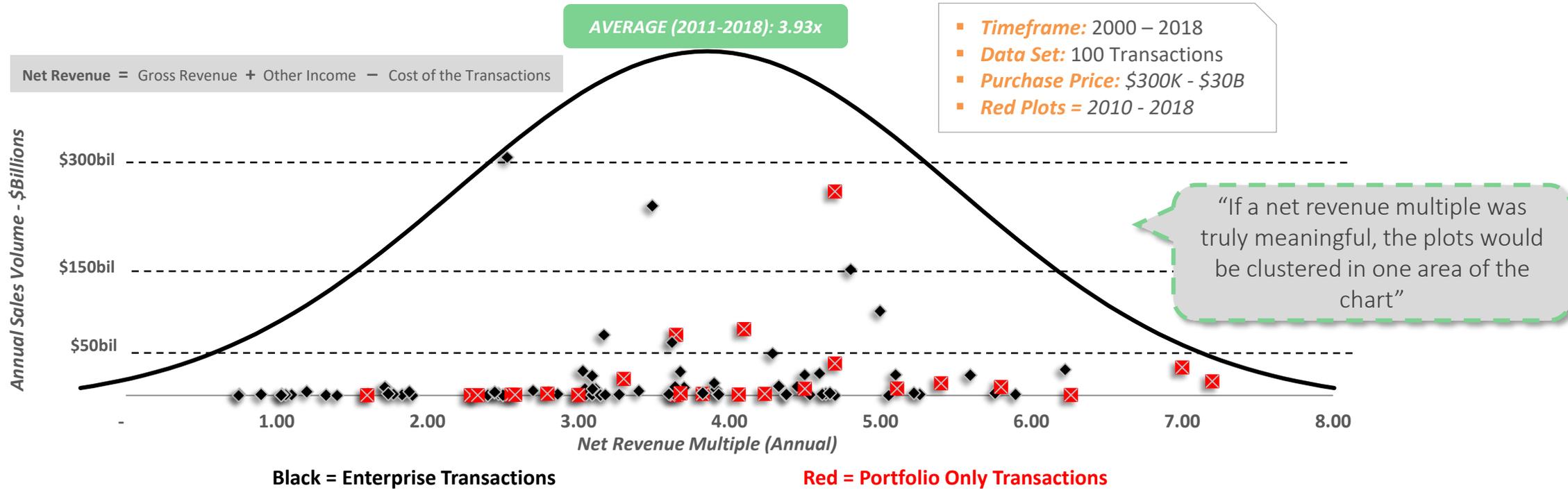
*TSG identified the strengths and areas of improvement in our technology and processes, allowing us to maximize the value of our company.”*

**MONETRA**

Darryl Wright  
CEO at Monetra Technologies, LLC

# Why Payments Multiples are Misleading

Review of Payments Industry M&A Transactions - A Historical Perspective: Industry Enterprise and Merchant Portfolio Net Revenue Multiples



## Low Multiple Characteristics

- No sales channel/force included in sale
- Stagnant or declining growth
- High attrition
- Low net revenue margins
- No merchant account portability
- No competitive sales strategy
- High losses
- Little or no profitability
- Few cost synergies to buyer

## High Multiple Characteristics

- Sales channel/force included in sale
- Solid sales growth
- Low attrition
- Solid net revenue margin
- Strong management team
- Ease of merchant account portability
- Sustainable strategy or market niche
- Low losses
- Good profitability
- Good cost synergies to buyer

These multiples range from 1X to 7X – reflecting the basic value components that make up the core value of any business – this illustrates why a structured valuation exercise is critical to pinpoint the value of a payments company



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## ANALYTICS + CONSULTING

The Strawhecker Group (TSG) is a fast-growing analytics and consulting firm. The company serves the entire payments ecosystem, from fintech startups to Fortune 500 companies. The firm provides its clients with advisory services, research and analytics to help them plan and execute their strategic initiatives. Based in Omaha, a recognized payments industry hub, TSG is an established leader in this high-growth, ever-evolving space.

