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THE STRAWHECKER GROUP

TransactionWatch

Weekly Newsletter For Payments Executives That Covers The Most Important And Relevant Merchant Acquiring Deals And Activity

Q1 2022 Recap

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Deal Activity Summary

Q1 2022 Recap

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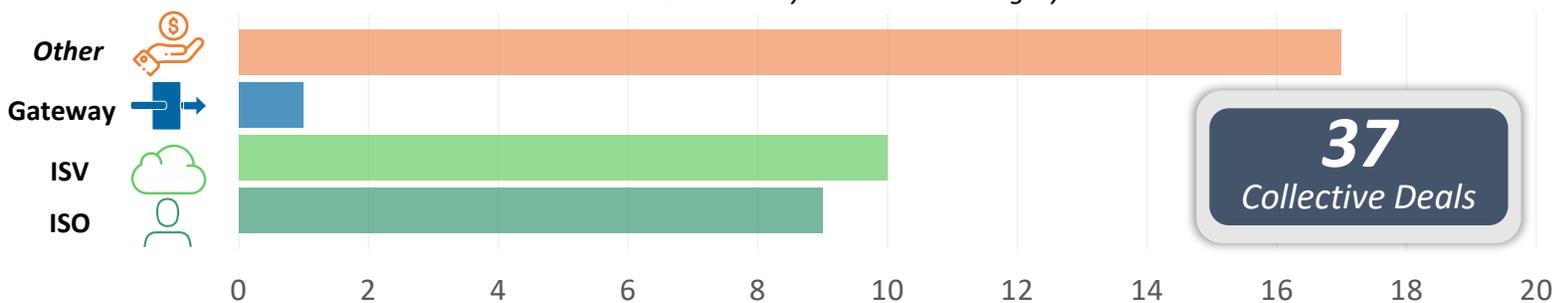
Q1 2022 – Payments M&A Overview

The M&A landscape across the payments industry maintained steady activity over the first quarter of 2022. This past quarter encompassed a variety of transaction categories across specialty ISVs, fintech platforms, and regional ISOs. However, a few trends continued to take precedence in the industry as more entities explore and bet on companies with growing market potential. Examples of this include buy now, pay later (BNPL) providers gaining increased exposure and popularity, which was apparent when Zip announced their acquisition of Sezzle in February for approximately \$356 million. Similarly, this aligns with several acquisitions of BNPL providers over the past year, including Square’s (now Block) \$29 billion acquisition of Afterpay last year. Separately, this past quarter also witnessed strategic growth efforts through the purchases of ISOs and their merchant portfolios. In total, nearly ten ISO acquisitions were announced, including Celero Commerce’s acquisition of OMEGA Technology which has helped elevate their portfolio to over 50,000 merchants and approximately \$20 billion in annual card volume.

In addition, ISVs are continuing to gain the attention of payment providers as they offer a unique position in the market. Through ISVs, payment providers can extend their reach to new merchants and offer an integrated payments experience that connects business management software to payment acceptance.

Q1 2022 – Payments M&A Activity

Breakout by Transaction Category



37
Collective Deals

Note: TSG’s selected M&A activity monitors specific markets relating to the acquiring industry and the general payments market.



Q2 M&A Outlook

Q1 2022 Recap

Heading Into Q2

While the first quarter of 2022 maintained steady M&A activity within the payments industry, the overall global market noticed a significant slowdown. We expect this trend to follow into the payments landscape in the second quarter. This is partially due to a few factors, including ongoing global supply chain issues, conflicts between Russia and Ukraine, inflation rates, and more.

In addition to a slowdown in M&A, attention toward IPOs and SPAC deals are dwindling in the payments space. As seen in [TSG's Payments Index](#) (a record of stock performances of select public payment companies), market rates across several public payment firms have declined over the past few quarters. This is a result of a number of factors and has influenced the private market and its long-term strategies when evaluating raising capital. It can be expected that companies will look toward private equity firms for capital, rather than pursuing an IPO at this time.

“After a breakneck pace in 2021, global and U.S. M&A activity in Q1 2022 cooled considerably due to many factors including: interest rate increases (increasing cost of capital for leveraged transactions), inflation fears, supply-chain issues, more covid breakouts, and the war in Ukraine. We expect to see the downturn in M&A activity continue through Q2 2022 at a minimum.

Buyers are concerned about the impact of inflation and supply-chain issues on target companies as well as their ability to grow. Even within the payments industry, supply-chain concerns have an impact: companies who serve brick and mortar businesses report a huge shortage of POS/card terminals which has stymied their own growth. Consumers are spending money, but demand has been outstripping supply resulting in higher unit margins but lower unit sales.

We are seeing purchase price multiples receding from their record highs in 2021, but not substantially...yet. As always, the common complaint we hear from potential buyers is “too few good companies being chased by too many buyers”.

Until buyers have better visibility about the long-term impact of the war in Ukraine as well as the ongoing supply chain issues, we expect M&A activities to be lower/slower than in 2021.

Jim Zipursky, Chairman & CEO of Corporate Finance Associates Worldwide
Strategic M&A Partner of The Strawhecker Group



Notable Transactions

Q1 2022 Recap

Acquired

Acquisition announced on

February 14th, 2022

Deal Overview

Initially announced in mid-February, FIS's acquisition of Payrix aims to further enhance the company's offering of embedded payments for ISVs servicing eCommerce SMBs. With this acquisition, FIS plans to utilize Payrix's automated underwriting and onboarding capabilities to scale out their eCommerce solutions and improve their development of payment facilitation services for their ISV partners.

Transaction Details

Date Announced: February 14th, 2022

- Terms of the deal were not disclosed
- Payrix was acquired from an investor group led by Blue Star Innovation Partners and Providence Strategic Growth

Acquired

For a total consideration of

\$875,000,000

Deal Overview

Shift4 made the joint announcement of two acquisitions in March, which consisted of Finaro, a cross-border eCommerce provider, and The Giving Block, a cryptocurrency fundraising platform for nonprofits. These two deals have allowed Shift4 to accelerate their growth towards both the eCommerce and cryptocurrency market landscapes.

Transaction Details

Date Announced: March 1st, 2022

Finaro:

- \$525 million in up-front consideration
 - 62% equity / 38% cash consideration mix
- Up to \$50 million in potential earnout

The Giving Block:

- \$54 million in up-front consideration
- Up to \$246 million in potential earnout
- 75% stock / 25% cash consideration mix



Notable Transactions

Q1 2022 Recap

Acquired

For a total consideration of

AUD \$491,000,000

Deal Overview

The Australian-based buy now, pay later (BNPL) provider Zip has entered into a definitive agreement to acquire the competing provider Sezzle for an implied value of approximately USD \$356 million. This deal largely positions Zip to accelerate their global growth initiatives, particularly within the North American region.

Transaction Details

Date Announced: February 27th, 2022

- Implied value of AUD \$491 million
 - Approximately USD \$356 million
- Valued Sezzle at a 22% premium based on their Feb. 25th stock price
- At closing, Zip shareholders will own approximately 78% of the combined group; and Sezzle shareholders owning the remaining 22%
- Transaction is expected to close in Q3

Acquired

Acquisition announced on

January 21st, 2022

Deal Overview

Stripe has further positioned themselves in serving the brick-and-mortar landscape with their acquisition of BBPOS, a card terminal manufacturer. This deal allows Stripe to bring their hardware development in-house as they continue to innovate and enhance their card reader terminals. BBPOS was one of Stripe's earliest terminal manufacturing partners and in 2021 the two companies collaborated on developing three new card readers, including Stripe's first designed terminal.

Transaction Details

Date Announced: January 21st, 2022

- Terms of the deal were not disclosed
- Existing BBPOS customers can continue to use the company's products directly



Value Optimization Services



CORPORATE FINANCE ASSOCIATES

The Value Optimization Service combines TSG's payments industry expertise/analytics and CFA's global investment banking services. This partnership was created to provide payments companies a compelling service to maximize their exit selling price.



VALUATION SERVICE

Learn the current value of your business

Extensive Evaluation of Key Value Drivers, Identifying Strengths & Weaknesses



ANALYTICS TOOLS & EXPERTISE

Increase Your Value

Financial Optimization
Technical Optimization
Market Intelligence



SELL-SIDE OFFERINGS

Sell Your Business At An Increased Price

Exit Strategy
Marketing Material
Seller Identification
Sale Execution

No Fees are charged for these services. TSG & CFA are compensated as a percent of the property sale, earning this payment from a portion of the value created for the client





Historical M&A Tracker

Transaction History: Q1 2022

Transaction Categories:



ISO
Independent
Sales Organization



ISV
Independent
Software Vendor



Gateway



Other
Includes notable deals that TSG
deems significant

Transaction Category	Buyer	Seller	Purchase Amount (\$ million)	Date
ISV	Medius	OnPay Solutions	-	3/29/2022
Other	Papaya Global	Azimo	-	3/28/2022
Other	Apple	Credit Kudos	\$150	3/23/2022
ISV	Razorpay	IZEaliant Technologies	-	3/16/2022
ISO	Exela Technologies	Corduro	-	3/14/2022
Gateway	North American Bancard	PayTrace	-	3/8/2022
ISV	PPRO	Alpha Fintech	-	3/8/2022
ISV	Fleetcor	Levarti	-	3/3/2022
Other	Shift4	Finaro	\$575	3/1/2022
Other	Shift4	The Giving Block	\$300	3/1/2022
Other	Zip	Sezzle	\$356	2/27/2022



Historical M&A Tracker

Transaction History: Q1 2022

Transaction Category	Buyer	Seller	Purchase Amount (\$ million)	Date
Other	Evertec	BBR	\$60	2/24/2022
Other	TreviPay	Baton Financial Services	-	2/23/2022
ISV	Chargebee	Numberz	-	2/23/2022
ISO	DNA Payments	First Payment Merchant Services	-	2/15/2022
ISV	BillTrust	Order2Cash	-	2/15/2022
Other	Madison Dearborn Partners	MoneyGram	\$1,800	2/15/2022
Other	FIS	Payrix	-	2/14/2022
ISO	DNA Payments	Card Cutters	-	2/9/2022
Other	Fiserv	Finxact	\$650	2/7/2022
ISO	Payliance	Secure Payment Systems	-	2/2/2022
Other	DNA Payments	Kwalitas	-	2/1/2022
ISV	Trust Payments	WonderLane	-	1/31/2022
ISO	Till Payments	ZIPS	-	1/27/2022



Historical M&A Tracker

Transaction History: Q1 2022

Transaction Category	Buyer	Seller	Purchase Amount (\$ million)	Date
ISO	Paystone	Canadian Payment Services	-	1/26/2022
Other	JP Morgan	Viva Wallet	- (49% stake)	1/25/2022
Other	Stripe	BBPOS	-	1/21/2022
Other	Plaid	Cognito	\$250	1/20/2022
Other	Paya	VelocIT	-	1/19/2022
ISO	Celero Commerce	OMEGA Technology	-	1/18/2022
ISV	NMI	IRIS CRM	-	1/18/2022
ISO	Payroc	East Commerce	-	1/13/2022
ISV	Foodics	POSRocket	-	1/10/2022
ISV	PayFacto	iShopFood	-	1/6/2022
Other	VeriCheck	ACHWorks	-	1/6/2022
ISO	Corsair	Aurora Payments	- (Majority Stake)	1/4/2022
Other	REPAY	Payix	\$115	1/3/2022



TSG Payments Index

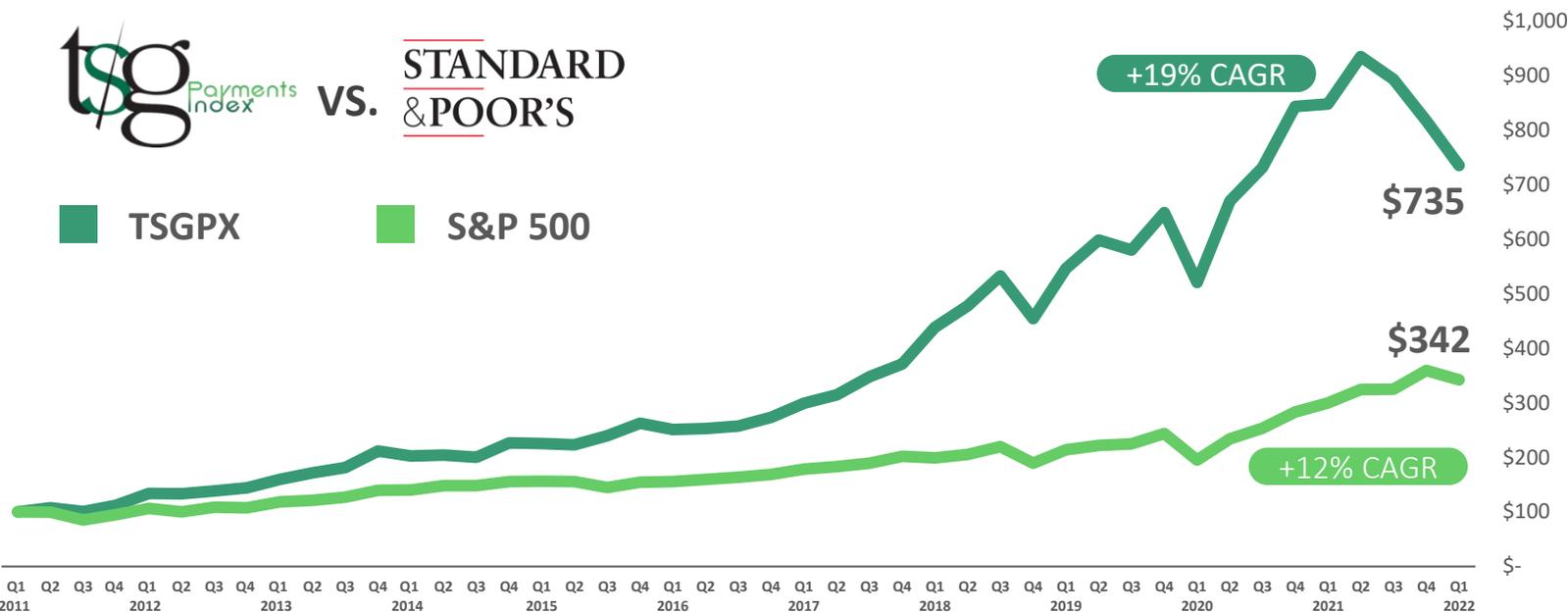
Q1 2011 – Q1 2022



VS. STANDARD
& POOR'S

TSGPX

S&P 500



Payments companies have been thriving in recent years and are becoming more valuable and profitable for the company and its investors. With strong earnings year after year, many payments companies are rapidly increasing their market capitalization and gaining the attention of additional stakeholders.

The chart displays the performance of a \$100 investment in an index of selected payments companies which represent the “TSG Payments Index” – this index is calculated on a value weighted basis using market capitalization and is compared to the S&P 500 which is also calculated using the same methodology. **A \$100 investment in the TSGPX in Q1 2011 would be valued at approximately \$735 in Q1 2022, as compared to \$342, if invested in the S&P 500.**

On average, payments companies grow at a compounded rate that is **7% higher** than that of the industry average. This growth rate is more than double of the industry average and represents the attractiveness of the payments market. The Payments Index is depicted to portray the growing nature of the payments market and hints at where this market is headed in the coming years.





TSG Buy/Sell Consulting Services

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 ensure 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 Buy/Sell Consulting Services

TSG Has Advised For Many Leading Companies in the Payments Industry

GI PARTNERS

on its investment in



In a debit card sponsorship portfolio sale to



In the acquisition of



In the acquisition of



In the acquisition of



In its sale to



On their funding event with



On their funding event with



In the acquisition of



In due diligence support of its investment into



In its sale to



In a merchant portfolio purchase from



In its merger with



On the organization of its joint venture with



On their investment in



In the acquisition of



In its sale to



In acquisition of the operation assets of



In the acquisition of



On their joint venture with





Payments Experts. Powerful Data.
THE STRAWHECKER GROUP®

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.

