

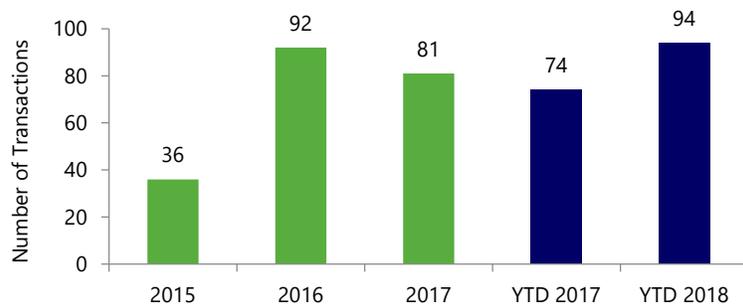


KEY M&A TAKEAWAYS

- ▶ The Payment Processing industry has been supported by robust macroeconomic tailwinds and the rise in demand for value-added, real-time payment solutions. The global Digital Payment market is expected to grow to \$86.8 billion by 2023, increasing at a compound annual growth rate of 18.0%, according to Research and Markets.¹ Emphasis on consumer preferences has fueled consolidation as larger industry operators target companies that provide instant payment solutions.
- ▶ In light of current trends in the Payment Processing industry, Transaction Network Service (TNS) agreed in October to acquire ADVAM, a leading provider of unattended payments and e-commerce solutions to the Parking, Airport, Shopping Center, Government, and Self-Service sectors. "The unattended payment terminals and e-commerce markets are primed for continued growth as consumers embrace the convenience, flexibility, and speed these facilities offer," TNS's CEO Mike Keegan, commented in a press release.² Terms of the deal were not disclosed.

TRANSACTION VOLUME

- ▶ With 94 acquisitions year-to-date (YTD), merger-and-acquisition (M&A) volume has significantly outpaced levels seen in 2017. Fueled by a robust economy and strong e-commerce sales, volume is expected to maintain an upward trajectory into 2019.
- ▶ Financial buyers continue to demonstrate interest in the Payment Processing industry, accounting for 37.2% of total transactions YTD compared to 34.6% in all of 2017.



Year-to-date (YTD) ended November 20, 2018
 Sources: CapIQ, Pitchbook, Factset and Capstone Headwaters Research

COMPANY HIGHLIGHT: EVO PAYMENTS

- ▶ EVO Payments (NASDAQ:EVOP), a leading integrated merchant acquirer and payment processor, has acquired seven domestic and international payment processing companies in the past two years. The acquisitions have contributed to robust Q3 earnings, during which the company reported a currency-neutral 11.0% increase in year-over-year revenue.³ Further integration of complementary acquisitions is expected to strengthen revenue growth as well as expand its extensive suite of product offerings and services.

Date	Target	Target Description	EV
11/18	Galaxy Pay	Develops an enterprise platform for prepaid card transaction processing.	-
10/18	ClearONE	Offers integrated payment processing solutions for cards.	-
09/18	Federated Payment Systems	Provides electronic payment solutions and related merchant services.	-
05/18	Nodus Technologies	Develops e-payment processing software.	\$18.0
05/18	Nationwide Payment Solutions	Provides omni-channel electronic payment processing solutions.	\$48.3

NOTABLE TRANSACTIONS

- ▶ **NCR Corporation to acquire JetPay Corporation (October 2018, ~\$184.0 million)** – NCR (NYSE:NCR) has agreed to acquire JetPay (NasdaqCM:JTPY), a provider of end-to-end payment processing and human capital solutions for proceeds of approximately \$184.0 million, equating to a 2.9x revenue transaction multiple.⁴ NCR, a leader in digital banking and commerce solutions, will integrate JetPay's cloud-based payments platform into its enterprise point-of-sale (POS) solutions to create a full end-to-end payments offering for its retail and hospitality customers. The acquisition strategy is intended to generate increased recurring revenue growth and expanded margins through an enhanced mix of software and services.
- ▶ **Global Payments Inc. acquires SICOM Systems, Inc. (September 2018, \$415.0 million)** – Global Payments (NYSE:GPN), an international provider of payment technology and software solutions, has acquired SICOM Systems from LLR Partners for \$415.0 million.⁵ Founded in 1987, SICOM provides quick service and fast casual restaurants with cloud-based software-as-a-service. SICOM's POS and signage technology will be leveraged alongside Global Payment's complementary holding Xenial.

PUBLIC COMPANY VALUATION DATA

Company (11/27/18)	Enterprise Value	LTM	EV / LTM	
		Margin	Revenue	EBITDA
ACI Worldwide	\$3,948.2	16.1%	3.9x	24.2x
Deluxe Corporation	\$3,098.4	24.0%	1.6x	6.6x
First Data Corporation	\$36,794.3	37.6%	4.3x	11.4x
FleetCor Technologies	\$20,303.0	53.8%	NM	15.7x
Global Payments	\$21,533.5	35.9%	NM	17.0x
PayPal Holdings	\$87,695.1	18.0%	NM	NM
Total System Services	\$18,721.9	24.9%	4.4x	17.5x
Mean		30.0%	3.6x	15.4x
Median		24.9%	4.1x	16.4x



BUILT FOR THE MIDDLE MARKET



CITATIONS

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3. EVO Payments, "EVO Reports Third Quarter 2018 Results," <https://investor.evopayments.com/news-releases/news-release-details/evo-reports-third-quarter-2018-results>, accessed November 28, 2018.
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5. Global Payments, "Global Payments to Acquire SICOM Systems, a Leading Provider of Enterprise Technology Solutions to Restaurants," <https://investors.globalpaymentsinc.com/news-releases/news-release-details/global-payments-acquire-sicom-systems-leading-provider>, accessed November 27, 2018.

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