



# Signal Hill

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## Financial Technology: Q2 2012 M&A Review

After a first quarter marked by a series of large private equity-sponsored FinTech transactions, the second quarter of 2012 showed a contrasting picture. There were numerous smaller strategic-driven acquisitions, but only one sizable deal contributing to the total quarterly announced Enterprise Value ("EV"): Toshiba's purchase of IBM's Retail Store Solutions Business at \$850M. No other announced deal exceeded \$350M in EV. As a result, total announced EV retreated to the historically low Q4 2011 level, while the total number of deals (57) exceeded the volume of all but one of the prior 17 quarters – Q4 2010 was higher with 79 announced deals. Valuation multiples held above the 3.0x mark in Q2 2012, although they declined approximately 12 percent from the Q1 2012 peak of 3.6x (EV/TTM Revenue).

**Figure 1:** Quarterly Financial Technology M&A Deal Analysis, Q2 2011 – Q2 2012

<i>Source: Signal Hill</i>					
	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Number of Deals	42	45	52	47	57
% change from prior quarter	-	7.1%	15.6%	-9.6%	21.3%
Total Enterprise Value (\$M)	\$3,228.0	\$5,203.0	\$1,812.0	\$8,008.0	\$1,820.0
% change from prior quarter	-	61.2%	-65.2%	342.0%	-77.3%
Median Announced Deal Size (\$M)	\$293.0	\$87.0	\$31.0	\$43.4	\$42.3
% change from prior quarter	-	-70.3%	-64.4%	40.0%	-2.6%
Median EV/TTM Revenue Multiple	2.6x	2.4x	2.1x	3.6x	3.1x
% change from prior quarter	-	-6.2%	-12.1%	66.3%	-11.8%

**Figure 2:** Financial Technology Public Company Valuation Metrics Q2 2012

Financial Technology	Financial Data					Valuation Data						Price / Earnings			
	% of 52 Week Hi	Rev Growth YoY	LTM Margins Q/Q Seq.	LTM Margins		EV/Revenues			EV/EBITDA			Multiples			
				Gross	EBITDA	LTM	CY12E	CY13E	LTM	CY12E	CY13E	LTM	CY12E	CY13E	
<i>Pricing Date 06/30/12</i>															
<i>Median Metrics</i>															
Financial Software & Services	85.7%	6.2%	1.3%	42.2%	22.9%	2.5x	2.5x	2.4x	9.5x	9.4x	8.8x	18.4x	16.6x	14.1x	
Transaction Processing	82.8%	12.9%	0.2%	33.6%	27.3%	2.5x	2.4x	2.4x	9.1x	8.7x	8.0x	21.9x	15.0x	12.5x	
Risk Management Solutions	95.5%	7.5%	0.8%	62.9%	32.9%	3.7x	3.5x	3.2x	11.4x	9.8x	9.3x	21.4x	16.1x	14.5x	
<b>All Financial Technology Companies</b>	<b>85.1%</b>	<b>10.5%</b>	<b>0.6%</b>	<b>41.5%</b>	<b>26.5%</b>	<b>2.5x</b>	<b>2.7x</b>	<b>2.5x</b>	<b>9.5x</b>	<b>9.1x</b>	<b>8.3x</b>	<b>20.1x</b>	<b>15.8x</b>	<b>13.4x</b>	



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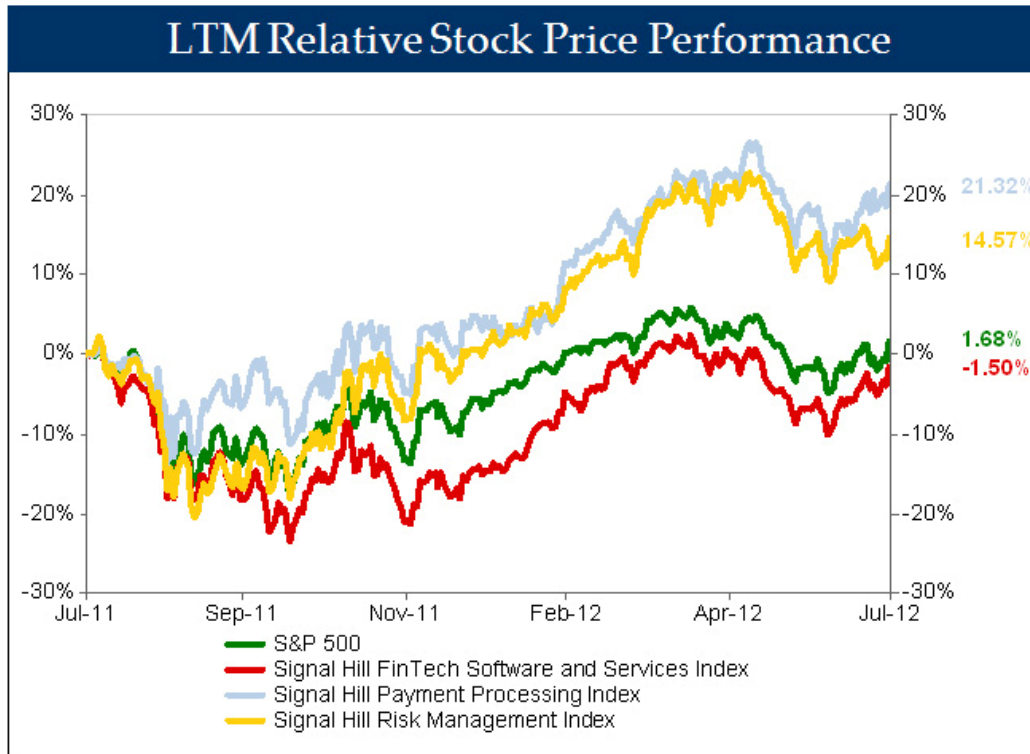
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**Figure 3:** Financial Technology 1-Year Relative Stock Price Performance, Q2 2012



**Figure 4:** Largest Financial Technology Revenue Multiples Q2 2012

Seller	Buyer	Revenue Multiple
Coalition Development Ltd	CRISIL Limited	3.6x
eBworx Berhad	Hitachi, Ltd.	2.8x
EDGAR Online	RR Donnelley	2.1x
Burnbank Systems Limited	Sectra AB	2.1x
IBM's Retail Store Solutions Business	Toshiba TEC	0.7x



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## Financial Technology: Q2 2012 M&A Review

### Selected Financial Technology Transactions Q2 2012

<p><b>IBM's Retail Store Solutions Business acquired by Toshiba TEC</b></p> <p>EV: \$850.0M        Revenue Multiple: 0.7x</p>	<p>IBM's Retail Store Solutions (RSS) Business, which offers retail point-of-sale (POS) solutions worldwide, will join Toshiba TEC, a subsidiary of Toshiba Corporate. The deal is expected to make Toshiba the world leader in POS solutions and will provide more stable earnings to Toshiba's Digital Products segment. The acquisition is aligned with Toshiba's goals of offering cloud computing services to businesses and growing its international presence.</p>
<p><b>FIS' Healthcare Benefit Solutions Business acquired by Lightyear Capital LLC</b></p> <p>EV: \$335.0M</p>	<p>FIS' Healthcare Benefit Solutions, a division of FIS, is a leading financial technology company providing benefits administration SaaS, multi-purse debit cards and transaction processing solutions for consumer directed healthcare accounts. The transaction will form Alegeus Technologies, a financial technology firm focused on accelerating the revenue cycle for healthcare providers with a suite of Health and Financial Network solutions that encompass all claims and payment activity.</p>
<p><b>Torex Retail Holdings Limited acquired by MICROS Systems, Inc.</b></p> <p>EV: \$261.8M</p>	<p>Torex Retail Holdings is a European market leader for store systems in the retail, hospitality, convenience and fuel markets. MICROS Systems, a provider of IT solutions for the hospitality and retail industries, expects that the acquisition will extend its position in the retail market beyond North America and into the UK and Europe, bringing complementary technology to both companies.</p>
<p><b>CTF Technologies acquired by Fleetcor Technologies, Inc.</b></p> <p>EV: \$180.0M</p>	<p>CTF Technologies, based in Brazil, provides fuel payment processing services for over-the-road fleets, ships, mining equipment and railroads. Fleetcor, a global provider of fuel cards and workforce payment products, will be able to leverage CTF's 6 percent Brazilian fuel card market share to capitalize on Brazil's 15 percent annualized growth in new vehicle sales. The acquisition is also in line with recent regulation expected to drive a trend toward the use of fuel cards in Brazil.</p>