



# Signal Hill

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## Financial Technology: Q3 2012 M&A Review

Financial Technology M&A metrics increased across the board in Q3 2012. While there were no “mega” deals announced this quarter, the increase in number of deals closed had a major impact on the total enterprise value (EV) – EV increased from \$1,820M in Q2 2012 to \$3,331M in Q3 2012. The median announced deal size also supports the assertion that while deal sizes weren’t in the blockbuster range, they were certainly significant. Interestingly, the median revenue multiple increased over 40 percent from Q2 2012 to 4.4x, highlighting the increasing proportion of highly profitable payment processing deals announced in the third quarter.

**Figure 1:** Quarterly Financial Technology M&A Deal Analysis, Q3 2011 – Q3 2012

<i>Source: Signal Hill</i>					
	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Number of Deals	45	52	47	57	71
% change from prior quarter		15.6%	-9.6%	21.3%	24.6%
Total Enterprise Value (\$M)	\$5,203.0	\$1,812.0	\$8,008.0	\$1,820.0	\$3,331.0
% change from prior quarter		-65.2%	341.9%	-77.3%	83.0%
Median Announced Deal Size (\$M)	\$87.0	\$31.0	\$43.4	\$42.3	\$115.0
% change from prior quarter		-64.4%	40.0%	-2.5%	171.9%
Median EV/TTM Revenue Multiple	2.4x	2.1x	3.6x	3.1x	4.4x
% change from prior quarter		-12.5%	71.4%	-13.9%	40.5%

**Figure 2:** Financial Technology Public Company Valuation Metrics Q3 2012

<i>Source: Signal Hill</i>	Financial Data						Valuation Data						Price/Earnings		
	Q/Q Rev Growth		LTM Margins		EV/Revenues			EV/EBITDA			Multiples				
Median Metrics	Week Hi	YoY	Seq.	Gross	EBITDA	LTM	CY12E	CY13E	LTM	CY12E	CY13E	LTM	CY12E	CY13E	
Financial Software & Services	90.51%	6.21%	2.62%	47.86%	20.65%	2.9x	2.8x	2.6x	12.4x	10.3x	8.7x	19.7x	17.3x	14.5x	
Transaction Processing	92.42%	8.55%	1.60%	35.64%	27.21%	2.6x	2.5x	2.3x	9.7x	9.0x	7.9x	20.6x	17.3x	14.4x	
Risk Management Solutions	95.41%	6.19%	1.55%	54.07%	32.95%	3.7x	3.5x	3.3x	10.9x	9.8x	9.1x	20.5x	18.8x	16.6x	
<b>All Financial Technology Companies</b>	<b>93.18%</b>	<b>7.52%</b>	<b>1.99%</b>	<b>46.10%</b>	<b>25.75%</b>	<b>2.9x</b>	<b>2.8x</b>	<b>2.6x</b>	<b>10.5x</b>	<b>9.5x</b>	<b>8.5x</b>	<b>20.5x</b>	<b>17.3x</b>	<b>14.9x</b>	



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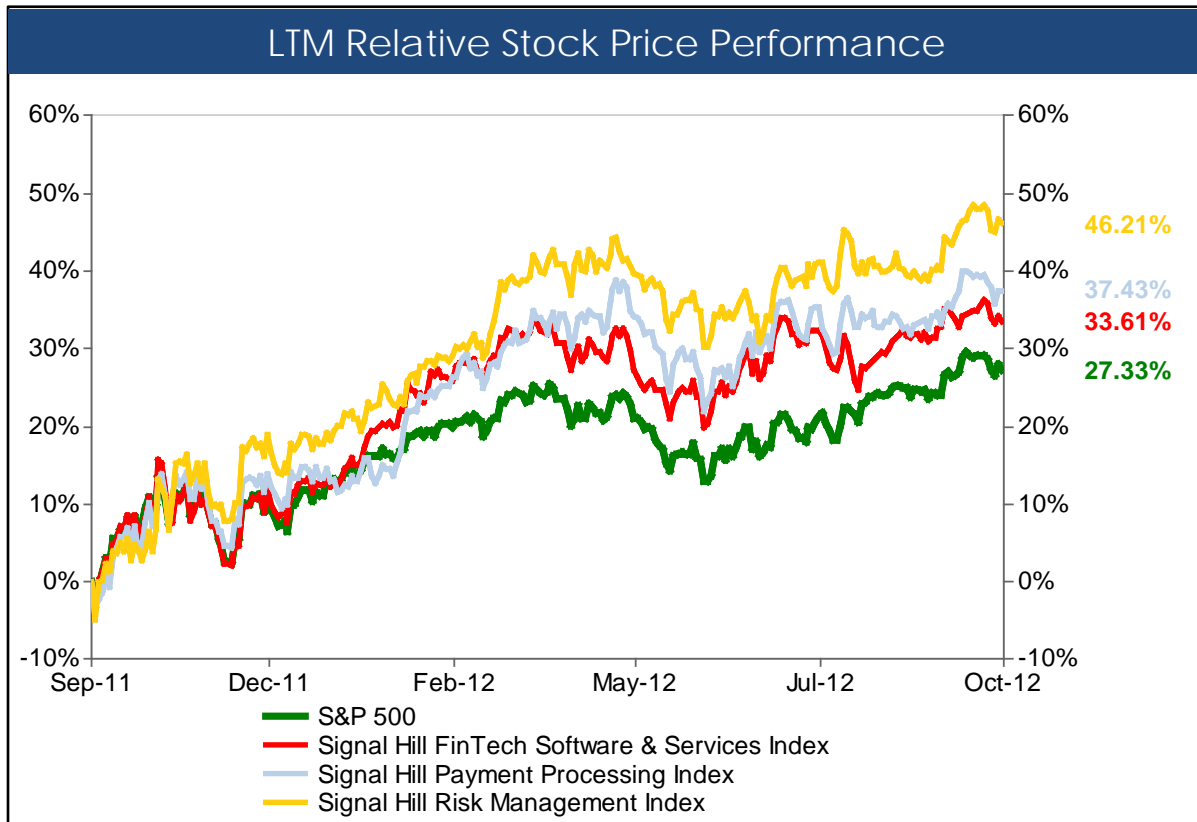
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**Figure 3:** Financial Technology 1-Year Relative Stock Price Performance, Q3 2012



**Figure 4:** Largest Financial Technology Revenue Multiples Q3 2012

Target	Buyer	Enterprise Value	Revenue Multiple
Argus Information and Advisory Services	Verisk Analytics	\$425.0M	7.9x
Accelerated Payment Technologies	Global Payments, Inc.	\$413.0M	5.6x
Merchant e-Solutions, Inc.	Cielo	\$670.0M	5.4x
Fleet One	Wright Express	\$269.0M	4.8x
Goldman Sachs Administration Services	State Street	\$550.0M	4.4x



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### Selected Financial Technology Transactions Q3 2012

<p><b>Merchant e-Solutions, Inc. acquired by Cielo</b></p> <p>EV: \$670.0M        Revenue Multiple: 5.4x</p>	<p>Merchant e-Solutions, a U.S.-based provider of full-service global payment solutions, was acquired by Cielo, Latin America's leader in electronic payment solutions. The acquisition is expected to enhance Cielo's technology platform and services while differentiating its offerings from its competitors, allowing a higher-quality interaction with its customers. The transaction will also improve control and monitoring tools for packages with partner banks.</p>
<p><b>Goldman Sachs Administrative Services acquired by State Street</b></p> <p>EV: \$550.0M        Revenue Multiple: 4.4x</p>	<p>Goldman Sachs Administrative Services, a leading hedge fund administrator, was acquired by State Street, one of the world's leading providers of financial services to institutional investors. As a result of the deal, State Street will become the largest global hedge fund servicer.</p>
<p><b>Argus Information &amp; Advisory Services acquired by Verisk Analytics</b></p> <p>EV \$425.0M        Revenue Multiple: 7.9x</p>	<p>Argus Information &amp; Advisory Services, a provider of information and services to financial institutions and regulators in North America, Latin America and Europe, was acquired by Verisk Analytics, a leading source of information about risk. Verisk expects that today's difficult economic environment will drive demand for risk management solutions. The acquisition is also expected to bolster Verisk's declining Mortgage and Financial Services segment.</p>
<p><b>Accelerated Payment Technologies acquired by Global Payments, Inc.</b></p> <p>EV: \$413.0M        Revenue Multiple: 5.6x</p>	<p>Accelerated Payment Technologies (APT), a provider of payment services and technology for small-to-medium-sized merchants, was acquired by Global Payments (GPN), a leading worldwide provider of electronic transaction processing solutions. The acquisition will give Global Payments greater exposure to the value-added reseller (VAR) payments channel, one of the fastest growing payment channels. GPN currently processes a majority of APT transactions under an existing ISO processing relationship.</p>
<p><b>Fleet One acquired by Wright Express</b></p> <p>EV: \$269.0M        Revenue Multiple: 4.8x</p>	<p>Fleet One, a supplier of fuel cards and financial services for over-the-road and local fleet markets, was acquired by Wright Express, a service provider to the U.S. commercial and government vehicle fleet industry. The acquisition is expected to accelerate Wright's transition into the over-the-road and local refueling business. The deal was closed at \$369M with a \$100M present value tax benefit as a result of the deal structure.</p>