

Mercer Capital's FinTech Watch

2nd Quarter 2014 // Segment Focus: Solutions

Public Market Indicators

The FinTech Industry has performed largely in-line with the S&P 500 in the trailing twelve months through 5/31/2014

- FinTech sector outperformed broader markets until March and April 2014 when FinTech sector underperformed broader markets

Market performance has gyrated as investors weigh:

- Threats of new entrants
- Continued technological change
- Emerging risks including regulatory and business model

In This Issue

FinTech Industry Overview

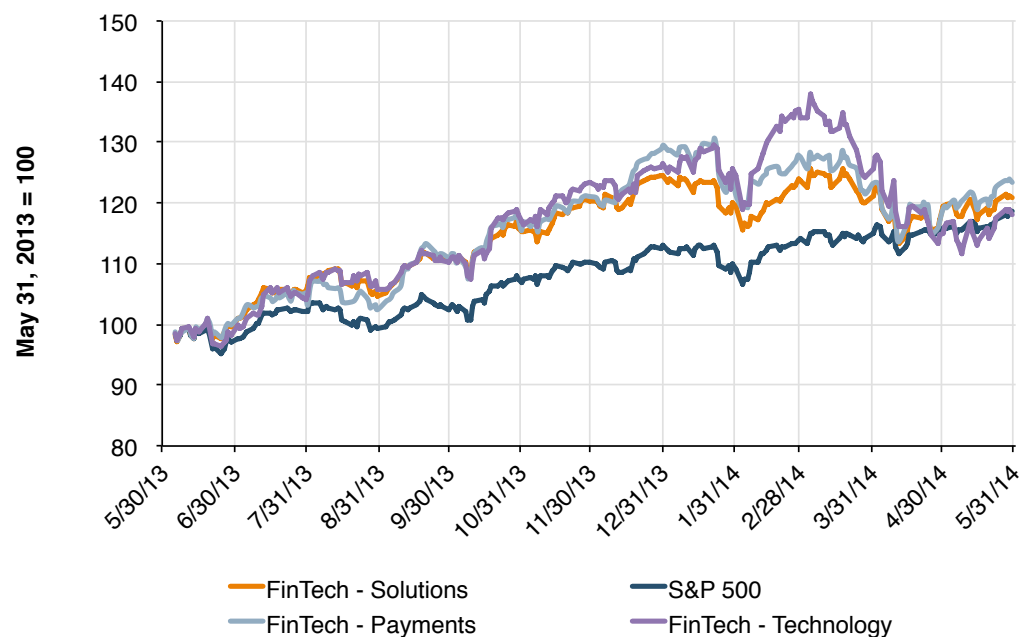
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Mercer Capital FinTech Indices vs. S&P 500 for LTM Period



Median Total Return as of May 30, 2014

Segment	Month-to-Date	Year-to-Date	Last 12 Months
FinTech - Payments	4.0%	-4.2%	23.6%
FinTech - Solutions	1.2%	-3.0%	20.8%
FinTech - Technology	2.5%	-6.4%	18.0%
S&P 500	2.3%	5.4%	18.7%

Valuation Multiples

Consistent with recent historical growth patterns and outlook near-term, FinTech companies are generally priced at a premium to the broader markets.

Valuation Multiples as of May 30, 2014

Segment	Price/ LTM EPS	Price / 2014 (E) EPS	Price / 2015 (E) EPS	Ent'p Value / LTM EBITDA	Ent'p Value / FY14 (E) EBITDA	Ent'p Value / FY15 (E) EBITDA	Ent'p Value / LTM EBIT	Ent'p Value / LTM Revenue	Dividend Yield
FinTech - Payments	24.5	21.8	19.7	12.2	10.3	9.1	15.9	2.2	0.0
FinTech - Solutions	24.7	24.0	21.0	13.0	11.2	10.3	16.6	3.2	0.0
FinTech - Technology	13.6	24.7	21.1	12.7	13.4	11.7	16.3	4.3	0.0

Ticker	Name	5/30/14 Price	1 Yr Tot Ret (%)	Market Cap (\$MM)	Ent'p Val (\$MM)	Price / Earnings			Ent'p Value / EBITDA			Ent'p Value/ LTM		Yield	LTM				2014 EBITDA
						LTM	FY14E	FY15E	LTM	FY14E	FY15E	EBIT	Revenue		Revenue	EBITDA	Margin	Net Inc.	
FinTech – PAYMENT PROCESSORS																			
ADS	Alliance Data Systems Corp.	256.05	41.49	13,880	20,648	27.51	26.74	21.77	57.96	13.13	11.75	173.64	NM	0.0%	NA	356,254	NM	504,586	1,572,800
HAWK	Blackhawk Network Holdings, Inc.	24.84	2.94	1,294	1,279	25.07	28.88	21.41	11.32	9.25	7.44	16.33	1.08	0.0%	1,186,153	113,019	9.5%	51,623	138,303
CATM	Cardtronics, Inc.	28.98	0.52	1,289	1,711	55.49	21.15	17.30	9.05	7.00	6.28	19.29	1.85	0.0%	923,820	189,047	20.5%	23,231	244,350
DLX	Deluxe Corporation	56.09	52.15	2,808	3,310	14.98	14.04	13.34	8.55	7.97	7.74	10.27	2.06	1.8%	1,604,226	387,044	24.1%	187,386	415,400
EEFT	Euronet Worldwide, Inc.	47.14	51.67	2,462	2,415	26.76	25.76	21.62	12.56	10.49	8.95	18.75	1.69	0.0%	1,430,840	192,292	13.4%	92,002	230,287
EVTC	EVERTEC, Inc.	23.91	23.15	1,874	2,568	(157.66)	22.77	18.39	29.55	13.60	12.57	146.96	7.19	1.3%	357,111	86,877	24.3%	(11,887)	188,762
FLT	FleetCor Technologies, Inc.	126.41	44.65	10,483	11,586	35.54	30.24	24.64	22.46	18.35	15.67	26.35	12.13	0.0%	955,428	515,879	54.0%	294,948	631,273
GCA	Global Cash Access Holdings, Inc.	8.90	32.64	586	491	22.75	23.42	20.70	7.37	6.44	6.03	9.97	0.84	0.0%	586,194	66,643	11.4%	25,751	76,308
GPN	Global Payments Inc.	68.56	40.97	4,924	5,560	21.00	19.37	16.87	11.08	10.28	9.32	14.41	2.23	0.1%	2,498,611	501,990	20.1%	234,466	541,000
GDOT	Green Dot Corporation	18.37	0.11	729	(19)	26.69	20.16	15.84	(0.24)	(0.16)	(0.14)	(0.38)	(0.03)	0.0%	578,693	77,862	13.5%	27,315	118,150
HPY	Heartland Payment Systems, Inc.	41.45	28.68	1,485	1,455	19.86	21.04	18.02	6.94	8.97	8.25	11.61	0.67	0.7%	2,157,416	209,818	9.7%	74,807	162,155
ONE	Higher One Holdings, Inc.	3.76	(65.25)	179	262	12.74	7.83	7.09	6.14	4.32	4.03	9.80	1.19	0.0%	220,299	42,681	19.4%	14,036	60,553
MA	MasterCard Incorporated	76.45	33.32	89,324	86,810	27.74	25.31	21.24	17.63	15.64	13.50	18.65	10.07	0.4%	8,617,000	4,924,000	57.1%	3,220,000	5,551,400
MGI	MoneyGram International, Inc.	13.18	(34.10)	719	1,560	6.92	12.09	12.53	7.01	5.24	5.10	9.15	1.03	0.0%	1,508,800	222,600	14.8%	104,000	297,909
PLPM	Planet Payment, Inc.	2.82	(1.40)	155	159	(132.57)	NM	NM	85.62	15.28	11.88	(154.89)	3.48	0.0%	45,655	1,856	4.1%	(1,167)	10,400
TSS	Total System Services, Inc.	30.26	29.38	5,711	6,954	24.29	21.01	17.34	NM	10.13	9.07	NM	3.15	1.3%	2,208,362	NA	NM	235,085	686,300
JTPY	Univeral Business Payment Solutions	2.16	(36.47)	26	49	(3.16)	NM	NM	(55.34)	NM	NM	(13.83)	1.55	0.0%	31,385	(878)	-2.8%	(8,101)	NA
VNTV	Vantiv, Inc.	30.99	15.94	5,860	7,940	43.22	27.67	24.79	15.27	12.62	11.55	24.20	3.70	0.0%	2,147,689	520,102	24.2%	135,589	629,401
PAY	VeriFone Systems, Inc.	32.81	39.56	3,657	4,446	(11.28)	(187.49)	40.51	40.42	15.08	12.35	(44.49)	2.60	0.0%	1,709,540	110,006	6.4%	(324,126)	294,894
V	Visa Inc.	214.83	19.57	134,994	133,174	31.40	23.87	20.73	NM	15.65	13.81	NM	10.83	0.7%	12,292,000	NA	NM	4,299,000	8,509,000
WU	Western Union Company	16.17	1.19	8,714	10,864	11.04	11.08	10.17	8.04	7.96	7.70	10.02	1.95	3.1%	5,567,400	1,351,800	24.3%	789,400	1,365,000
WEX	WEX Inc.	96.29	29.27	3,731	5,267	23.76	22.42	18.79	15.26	15.03	12.98	18.54	7.17	0.0%	734,161	345,138	47.0%	157,061	350,550
XOOM	Xoom Corporation	22.20	18.91	843	745	124.77	(1,110.00)	158.57	67.07	51.49	29.16	90.00	5.57	0.0%	133,829	11,112	8.3%	6,759	14,475
Median			23.15	2,461.74	2,567.60	23.76	21.15	18.79	11.32	10.38	9.19	14.41	2.14	0.0%	1,308,497	192,292	17.1%	92,002	296,402
FinTech – PAYMENT SOFTWARE/HARDWARE																			
ADP	Automatic Data Processing, Inc.	79.68	16.99	38,414	36,755	26.47	25.35	22.73	17.56	14.81	13.50	20.82	3.18	2.3%	11,573,900	2,092,700	18.1%	1,454,200	2,481,300
CVG	Convergys Corporation	21.82	19.97	2,214	2,716	53.22	18.65	13.64	12.21	7.66	7.03	21.94	1.26	1.1%	2,158,300	222,400	10.3%	50,000	354,563
NSP	Insperty, Inc.	32.02	7.79	818	604	28.85	29.11	22.87	8.72	8.65	7.15	12.55	NM	2.1%	2,281,275	69,279	3.0%	27,578	69,864
PAYX	Paychex, Inc.	41.11	12.64	14,953	14,682	24.77	24.04	22.22	14.28	13.58	12.68	15.85	6.12	2.6%	2,399,700	1,027,800	42.8%	605,100	1,081,000
WDAY	Workday, Inc.	78.37	19.80	14,443	14,681	(69.97)	(80.79)	(58.92)	NM	(250.61)	(413.20)	NM	NM	0.0%	537,030	NA	NM	(198,883)	(58,584)
Median			16.99	14,443	14,681	26.47	24.04	22.22	13.25	8.65	7.15	18.34	3.18	2.1%	2,281,275	625,100	14.2%	50,000	354,563

Source: SNL Financial

Ticker	Name	5/30/14 Price	1 Yr Tot Ret (%)	Market Cap (\$MM)	Ent'p Val (\$MM)	Price / Earnings			Ent'p Value / EBITDA			Ent'p Value/ LTM		Yield	LTM				2014 EBITDA
						LTM	FY14E	FY15E	LTM	FY14E	FY15E	EBIT	Revenue		Revenue	EBITDA	Margin	Net Inc.	
FinTech Solutions – OUTSOURCED																			
ACXM	Axiom Corporation	22.73	0.84	1,749	1,648	197.36	32.71	42.09	10.77	7.80	7.75	32.90	1.50	0.0%	1,097,545	153,107	13.9%	8,863	211,228
CSC	Computer Sciences Corporation	62.89	44.08	9,111	9,587	13.52	14.59	14.09	4.66	4.65	4.37	9.21	0.74	1.3%	12,998,000	2,059,000	15.8%	674,000	2,061,000
CSGS	CSG Systems International, Inc.	26.27	23.88	896	1,098	19.41	18.90	16.95	8.13	7.01	6.67	13.53	1.45	2.3%	754,864	134,943	17.9%	46,144	156,549
EFX	Equifax Inc.	70.79	16.43	8,638	10,211	25.82	23.92	20.76	12.86	11.87	10.90	16.98	4.40	1.3%	2,321,900	794,000	34.2%	334,600	860,466
EXLS	ExlService Holdings, Inc.	28.34	(3.96)	951	810	19.22	20.92	17.97	9.02	9.14	8.15	12.45	1.67	0.0%	484,243	89,789	18.5%	49,482	88,600
FICO	Fair Isaac Corporation	58.90	18.11	2,019	2,393	23.50	23.10	19.50	12.49	10.23	10.01	15.07	3.22	0.1%	743,904	191,564	25.8%	85,907	234,000
FIS	Fidelity Nat'l Info. Services, Inc.	54.15	20.51	15,584	19,793	30.95	21.15	18.11	12.14	10.18	9.47	19.48	3.24	1.7%	6,113,000	1,630,200	26.7%	503,500	1,945,000
FISV	Fiserv, Inc.	60.11	35.84	14,981	18,522	21.43	21.70	18.73	11.47	11.21	10.44	15.32	3.78	0.0%	4,896,000	1,615,000	33.0%	699,000	1,652,000
IL	IntraLinks Holdings, Inc.	8.71	39.81	491	528	(30.47)	(25.62)	(36.29)	18.53	14.42	11.91	(30.48)	2.21	0.0%	238,716	28,516	11.9%	(16,102)	36,640
INTU	Intuit Inc.	79.29	35.07	22,509	21,434	24.47	25.39	23.50	14.06	12.11	11.02	16.31	4.84	0.9%	4,426,000	1,524,000	34.4%	920,000	1,770,400
PRGX	PRGX Global, Inc.	6.38	16.42	192	146	(57.05)	38.67	21.27	12.01	6.02	4.66	(409.41)	0.78	0.0%	188,016	12,172	6.5%	(3,363)	24,266
SSNC	SS&C Technologies Holdings, Inc.	42.65	34.54	3,536	4,188	28.77	29.41	25.39	14.41	12.95	11.98	21.96	5.77	0.0%	725,294	290,627	40.1%	122,914	323,263
TW	Towers Watson & Co.	112.51	45.55	7,909	7,518	21.98	22.55	21.25	11.06	11.36	10.30	14.87	2.16	0.2%	3,478,250	679,563	19.5%	359,787	661,849
Median			23.88	3,536	4,188	21.98	22.55	19.50	12.01	10.23	10.01	15.07	2.21	0.1%	1,097,545	290,627	19.5%	122,914	323,263
FinTech Solutions – PAYROLL/ADMINISTRATION																			
ADP	Automatic Data Processing, Inc.	79.68	16.99	38,414	36,755	26.42	25.35	22.73	17.56	14.81	13.50	20.82	3.18	2.3%	11,573,900	2,092,700	18.1%	1,454,200	2,481,300
CVG	Convergys Corporation	21.82	19.97	2,214	2,716	44.28	18.65	13.64	12.21	7.66	7.03	21.94	1.26	1.1%	2,158,300	222,400	10.3%	50,000	354,563
NSP	Insperty, Inc.	32.02	7.79	818	604	29.65	29.11	22.87	8.72	8.65	7.15	12.55	NM	2.1%	2,281,275	69,279	3.0%	27,578	69,864
PAYX	Paychex, Inc.	41.11	12.64	14,953	14,682	24.71	24.04	22.22	14.28	13.58	12.68	15.85	6.12	2.6%	2,399,700	1,027,800	42.8%	605,100	1,081,000
WDAY	Workday, Inc.	78.37	19.80	14,443	14,681	(72.62)	(80.79)	(58.92)	NM	(250.61)	(413.20)	NM	NM	0.0%	537,030	NA	NM	(198,883)	(58,584)
Median			16.99	14,443	14,681	26.42	24.04	22.22	13.25	8.65	7.15	18.34	3.18	2.1%	2,281,275	625,100	14.2%	50,000	354,563
FinTech Solutions – CONTENT																			
RATE	Bankrate, Inc.	15.15	12.72	1,587	1,640	(215.81)	56.11	34.43	22.49	11.18	9.50	127.58	3.38	0.0%	485,459	72,932	15.0%	(7,353)	146,714
CLGX	CoreLogic, Inc.	28.53	7.95	2,620	4,032	36.71	30.03	19.15	13.20	10.78	9.08	22.16	2.72	0.0%	1,480,154	305,519	20.6%	71,367	374,100
CSGP	CoStar Group, Inc.	158.55	40.56	4,561	4,487	108.90	141.56	77.34	39.48	25.84	20.26	60.72	nm	0.0%	455,986	113,636	24.9%	41,884	173,653
DNB	Dun & Bradstreet Corporation	103.25	6.00	3,822	5,074	13.14	12.86	13.15	10.65	9.67	9.30	12.44	3.06	1.6%	1,656,100	476,600	28.8%	290,900	524,760
FDS	FactSet Research Systems Inc.	107.14	9.57	4,536	4,447	21.71	21.62	19.45	13.57	13.07	11.91	15.21	5.03	1.3%	883,854	327,667	37.1%	208,935	340,400
FORR	Forrester Research, Inc.	37.82	5.81	712	631	70.11	62.00	45.02	23.71	19.39	16.44	42.83	2.11	1.6%	298,571	26,628	8.9%	10,152	32,554
IT	Gartner, Inc.	71.09	24.02	6,414	6,486	34.89	33.69	27.55	20.61	16.73	14.93	23.16	3.56	0.0%	1,824,161	314,747	17.3%	183,862	387,775
MORN	Morningstar, Inc.	71.14	4.09	3,182	2,979	26.47	NM	NM	13.50	13.25	11.64	17.12	4.19	0.8%	710,575	220,686	31.1%	120,243	224,750
VRSK	Verisk Analytics, Inc.	59.19	0.02	9,849	10,697	25.69	24.77	23.68	14.03	13.14	11.83	17.11	6.34	0.0%	1,686,283	762,324	45.2%	383,427	814,200
Median			7.95	3,822	4,447	26.47	31.86	25.62	14.03	13.14	11.83	22.16	3.47	0.0%	883,854	305,519	24.9%	120,243	340,400

Source: SNL Financial

Ticker	Name	5/30/14 Price	1 Yr Tot Ret (%)	Market Cap (\$MM)	Ent'p Val (\$MM)	Price / Earnings			Ent'p Value / EBITDA			Ent'p Value/ LTM		Yield	LTM				2014 EBITDA
						LTM	FY14E	FY15E	LTM	FY14E	FY15E	EBIT	Revenue		Revenue	EBITDA	Margin	Net Inc.	
FinTech – BANKING TECHNOLOGY																			
TRAK	Dealertrack Technologies, Inc.	39.71	23.06	2,128	2,734	(372.35)	(152.73)	180.50	32.26	14.89	11.98	568.06	5.15	0.0%	531,283	84,733	15.9%	(5,714)	183,577
ELLI	Ellie Mae, Inc.	27.85	22.10	783	751	82.90	92.83	58.63	35.38	18.49	13.40	50.98	5.78	0.0%	129,804	21,215	16.3%	9,445	40,600
EPIQ	Epiq Systems, Inc.	12.06	1.93	430	720	89.60	32.59	16.52	9.82	6.82	6.08	30.36	1.50	3.0%	481,764	73,390	15.2%	4,803	105,665
JKHY	Jack Henry & Associates, Inc.	57.99	25.58	4,903	4,866	24.74	24.68	21.88	11.86	11.75	10.85	15.95	4.06	1.4%	1,197,263	410,321	34.3%	198,196	414,200
PFMT	Performant Financial Corp.	9.49	(12.94)	460	500	11.25	28.55	21.09	5.49	9.42	7.98	6.25	1.89	0.0%	264,563	91,007	34.4%	40,863	53,049
Median			22.10	783	751	24.74	28.55	21.88	11.86	11.75	10.85	30.36	4.06	0.00	481,764	84,733	0.16	9,445	105,665

FinTech – INSURANCE/HEALTHCARE TECHNOLOGY																			
ATHN	athenahealth, Inc.	126.91	50.10	4,803	4,971	(779.50)	(889.22)	#####	62.25	37.59	30.10	743.87	7.86	\$0.00	632,442	79,857	12.6%	(6,161)	132,246
CRVL	CorVel Corporation	47.22	84.53	988	937	28.73	NM	NM	nm	NM	NM	16.58	NM	0.0%	478,816	NA	nm	34,392	NA
CRD.B	Crawford & Company	9.80	44.34	488	632	10.19	11.53	9.33	5.35	5.43	4.72	7.58	0.51	\$0.02	1,235,662	118,249	9.6%	47,891	116,371
EBIX	Ebix, Inc.	15.64	(20.41)	600	602	10.47	10.22	9.65	7.38	7.06	6.69	8.43	2.96	0.5%	203,548	81,590	40.1%	57,347	85,212
GWRE	Guidewire Software, Inc.	37.77	(11.25)	2,566	2,349	(1,238.59)	(151.08)	(179.86)	(860.03)	51.36	38.78	(269.50)	7.45	\$0.00	315,164	(2,731)	-0.9%	(2,072)	45,732
HMSY	HMS Holdings Corp.	18.80	(24.80)	1,648	1,770	45.31	69.63	31.33	13.82	15.96	11.39	25.11	3.69	0.0%	479,862	128,066	26.7%	36,374	110,892
MGLN	Magellan Health Services, Inc.	60.89	10.71	1,667	1,440	13.56	25.06	21.00	5.85	5.72	5.22	8.47	0.39	\$0.00	3,691,031	246,046	6.7%	122,923	251,958
SLH	Solera Holdings, Inc.	65.25	19.33	4,489	5,870	4,358.45	593.18	41.04	22.95	14.07	12.54	41.91	6.26	1.0%	937,886	255,804	27.3%	1,030	417,085
SR	Standard Register Co.	5.03	64.33	46	319	(1.78)	NM	NM	22.65	NM	NM	(18.69)	0.40	\$0.00	806,652	14,105	1.7%	(25,989)	NA
Median			19.33	1,648	1,440	10.47	11.53	21.00	10.60	14.07	11.39	8.47	3.32	0.0%	632,442	99,920	6.7%	34,392	181,425

FinTech – INVESTMENTS TECHNOLOGY																			
ADVS	Advent Software, Inc.	30.26	23.73	1,543	1,793	55.81	33.62	28.55	24.67	13.40	12.15	36.43	4.63	29.7%	387,273	72,700	18.8%	27,653	133,833
DST	DST Systems, Inc.	91.15	34.85	3,618	3,844	10.06	17.41	15.53	5.60	8.06	7.73	7.07	1.44	1.3%	2,660,000	686,100	25.8%	359,800	476,870
ENV	Envestnet, Inc.	40.54	83.61	1,422	1,369	232.54	106.68	57.10	53.04	25.88	18.56	149.18	4.99	0.0%	274,449	25,810	9.4%	6,113	52,900
LIQD	Liquid Holdings Group, Inc.	1.48	NA	88	86	(1.78)	(1.85)	(2.90)	NM	NM	NM	NM	19.96	NM	4,317	NA	NM	(49,667)	NA
MSCI	MSCI Inc.	43.16	20.79	5,037	5,579	20.69	23.84	20.65	12.68	13.41	12.17	15.54	5.45	0.0%	1,023,446	439,982	43.0%	243,472	416,089
Median			29.29	1,543	1,793	20.69	23.84	20.65	18.67	13.40	12.16	25.98	4.99	0.7%	387,273	256,341	22.3%	27,653	274,961

Source: SNL Financial

Industry Articles of Note

Community Banks: You Don't Have to Get Left Behind

Bank Director: Naomi Snyder

<http://mer.cr/1icRJF3>

Banks Add Card Controls to Their Mobile Banking Apps

American Banker: Mary Wisniewski

<http://mer.cr/1IPw99g>

Banks Have a Huge Incentive Right Now to Innovate On Mobile

Business Insider / Brandon Workman

<http://mer.cr/1qABMcW>

What Is Next for "Traditional" Asset Management?

Tekfin / Yann

<http://mer.cr/1iEES9E>

Why You Should Join the FinTech Revolution

TechWorld / Louise Simmons, Dave Cartwright, and John Dunn

<http://mer.cr/1nbOERW>

Segment Focus

Solutions

M&A Activity Overview

FinTech

Typically, companies in the FinTech Solutions niche provide technological solutions to assist consumers, businesses and financial institutions with financial services. We have broken the FinTech Solutions niche down further into the following the sub-niches:

- **Outsourced** - Third party providers of these solutions
- **Payroll/Administrative** -Typically improve human resources function through technology
- **Content** - Typically provide content/research that supports financial services and decision-making

Solutions Niche

Deals with deal value reported & greater than \$10 million and announced since January 1, 2013

Acquirer	Target	Announce Date	Deal Value (\$Million)	Sub Niche	Description of Target's Business
CoreLogic, Inc.	Decision Insight Info. Group	3/22/2013	661	Financial Media & Content	Provides property valuation and real estate information solutions to P&C insurance industry
CoreLogic, Inc.	Flood Zone and Tax Processing Assets and Platforms from Bank of America	9/23/2013	63	Financial Media & Content	Provides flood zone determination and tax processing services assets and operating platforms
FactSet Research Systems, Inc.	Simple Finance Technology Corp.	2/20/2014	15	Financial Media & Content	Provider of industry classification and supply chain specialty data, analytics, and index solutions for the global financial services industry
Guidewire Software, Inc.	MillBrook, Inc.	7/1/2013	19	Financial Media & Content	Provider of data management and business intelligence solutions for the property and casualty insurance industry
Verisk Analytics, Inc.	EagleView Technology Corporation	7/23/2013	650	Financial Media & Content	Offers geo-referenced aerial image capture and visual-centric data analytics and solutions to insurers, contractors and government
WiPro Limited	Opus Capital Markets Consultants, LLC	12/2/2013	75	Payroll & Administrative	Provider of mortgage due diligence and risk management service
TriNet Group, Inc.	Ambrose Employer Group, LLC	5/28/2013	200	Payroll & Administrative	Provides HR services primarily to work site employees in the financial services industry in the New York area

Source: SNL Financial

M&A Activity Overview

FinTech

Solutions Niche

Deals with deal value reported & greater than \$10 million and announced since January 1, 2013

Acquirer	Target	Announce Date	Deal Value (\$Million)	Sub Niche	Description of Target's Business
AltiSource Portfolio Solutions	Equator, LLC	8/21/2013	150	Outsourcing	Provides mortgage and real estate related software and e-commerce solutions for the mortgage and real estate industries
Assurant, Inc.	StreetLinks, LLC	4/16/2014	72	Outsourcing	Provides a suite of valuation services and lending technology solutions to banks, lenders and other mortgage industry firms
First American Financial Corp.	Interthinx, Inc.	2/6/2014	155	Outsourcing	Provides solutions to mitigate risk in the mortgage lending marketplace by offering capabilities in mortgage fraud and verification, property valuation, compliance, quality control and loss mitigation
ITOCHU Corp.	Computer Sciences Corporation	2/20/2013	90	Outsourcing	Provides IT services to the financial institutions, manufacturers, and government agencies
Lovell Minnick Partners	Venio	2/20/2014	105	Outsourcing	Provider of comprehensive unclaimed property solutions
Nationstar Mortgage Holdings	Equifax Settlement Services Holding	1/31/2013	13	Outsourcing	Provides appraisal, title insurance and settlement services in the United States
StoneRiver, Inc.	Flood Insurance Business Processing Unit of Computer Sciences Corporation	5/16/2013	46	Outsourcing	Provides flood insurance business process outsourcing and management platform
Undisclosed Buyer	SourceNet Solutions, Inc.	5/9/2013	11	Outsourcing	Provides accounting and payroll business process outsourcing services to business organizations in the US

Source: SNL Financial

Venture Capital Activity Overview

Solutions Niche

A summary of venture capital financing activity in the technology segment since June 30, 2013. Covers financing rounds larger than \$10MM.

Company	Amount (\$M)	Round	Company Description	Website
Looker	16	Series A	Software company that focuses on intersection of economics and engineering by helping customers to use data to achieve success through data access and data analytics	looker.com
Medallia	20	Series B	Software as a service company that provides customer experience management systems designed to improve company's net promoter scores	medallia.com
Q2eBanking	20	Series C	Provides an electronic banking platform that consists of technology solutions (online, mobile, security and analytics) enabling financial institutions and their customers to transact	q2eBanking.com
Bill.com	38	Series E	Provides an on-demand accounts payable application for CPAs and small and mid-sized businesses that allows users to automate payment and invoicing	bill.com
Host Analytics	24	Series A	Provides cloud financial applications including planning, consolidation, reporting and analytics	hostanalytics.com
Chrome River Technologies	75	Series C	Global provider of online expense reporting and invoice management services that complete process automation and cost controls around an organization's accounts payable operations	chromeriver.com
Tradecraft	20	Series C	Helps companies run more efficiently through improving processes like invoicing, payments, and workflow	tradecraft.com

Source: Techcrunch.com

Venture Capital Activity Overview

Solutions Niche

A summary of venture capital financing activity in the technology segment since June 30, 2013. Covers financing rounds larger than \$10MM.

Company	Amount (\$M)	Round	Company Description	Website
Apttus	37	Series A	A software as a service company that offers enterprise class software which enables clients to manage business functions such as price quoting and management of contracts and revenues	apttus.com
ZenPayroll	20	Series A	Comprehensive payroll service that allows businesses to set up and run payroll from any web enabled device	Zenpayroll.com
Replicon	20	Series A	A software as a service company that offers time and expense management, client billing, employee work schedules, and employee time and attendance software	replicon.com
Zenefits	15	Series A	Helps small and medium sized businesses to automate and manage benefits, payroll and human resources for their clients online	Zenefits.com
Consumer United	52.5	Series C	Online insurance agency that helps individuals find coverage rates on home, auto, and life insurance	consumerunited.com
Wikinvest	15	Series B	Provides a wiki for investing that is meant to be a research portal where anyone can contribute information on companies, investment concepts or chart analysis	wikinvest.com
Kapitall	13	Series B	Investing platform that is intended to be user-friendly with logos in place of ticker symbols, minimum jargon and other online tools that allow users to play in three modes: practice, tournament, and live	kapitall.com

Source: Techcrunch.com

Venture Capital
Case Study



Venture Capital **Case Study** Check, Inc.

“80% of Americans define personal finance as, I have to actually pay my bills and I need to know which bills should I pay first, second, and third?...”

What **Check** did is they brought together the intersection between personal finance, which how do you actually make those kinds of decisions, which one should you pay first, second, and third, which one has lower fees. And they married it up with a disruptive bill pay capability that is basically free for the consumer...

The millenials love it, the unbanked love it, and it’s bringing you insights and the ability to take action on those insights with bill pay.”

*Quote from Brad Smith, President, CEO & Director of Intuit, Inc.
Bank of America Merrill Lynch Global Technology Conference June 3, 2014*

Venture Capital Case Study

Check, Inc.

Check offers a mobile application that provides an efficient and secure way for consumers to access bills and money from their smartphones.

Mobile application has more than 10 million users and allows users to:

- » Monitor bank accounts and credit cards
- » Send reminders regarding bill and low funds
- » Pay bills automatically

Timeline	Significant Corporate Events
2007	Initially founded as a web company named Pageonce to solve a problem that one of the founders found extremely frustrating: remembering usernames and passwords to online accounts.
2008	<p>Launched “internet assistant” to help users manage online lives after a private beta period where it collected 20,000 users and built support for more than 60,000 account types. As users began to use product, Check discovered that 50% of users had linked financial accounts and began to focus more on being an aggregator of personal financial data and putting all the information onto one page.</p> <p>As user growth slowed, Check pivoted from focusing on building web platform to focusing on mobile application. Pageonce Personal Assistant Mobile Application was one of original 100 applications available when the iPhone App Store Launched. Angel Round (\$1.5 million invested in January 2008)</p>
2009	<p>Mobile application hit 1 million users and was in the top 20 in the iPhone store for 2009. Revenue model was focused on advertising in free applications and charging for a premium version. Series A Round (\$6.5 million invested in December)</p>
2011	<p>Sophistication of application increased to where application could track bank accounts, credit cards, investment and travel plans, monitor bills and manage money. Raised capital to become the “wallet of the future.” Launched mobile bill pay feature. Unknown (\$15 million invested in May 2011)</p>
2013	<p>Changed name from Pageonce to Check. 8 million users and payments volume of approximately \$1.5 million per month. Starting allowing users to setup mobile person-to-person payments. Series C Round (\$24 million in September 2013)</p>
2014	<p>10+ million users and \$500 million in payments processed per year. Check Sold to Intuit for \$360 Million (Total Funding Since Inception \$47 million)</p>

Sources: Techcrunch.com; Check company website; Numerous articles including:

- “PageOnce raises \$1.5M for online personal assistant” by Chris Morrison 1/9/08; (Venturebeat.com)
- “One-Stop Accounts Manager PageOnce Launches” by Mark Hendrickson 1/2/08; (Techcrunch.com)
- “Mobile Personal Assistant Pageonce raises \$6.5M” by Anthony Ha 12/ 9/09 (Venturebeat.com)
- “Pageonce Changes Its Name and Gets Ready for the Mobile Payments Revolution” by Tom Taulli 5/6/13 (Forbes.com)
- “Check Raises \$24 Million to Bolster Mobile Bill Payment Service” by Olga Kharif 9/4/13 (Bloomberg.com)
- “Intuit to buy Check Inc. for \$360 million” by Reuters 5/27/14 (Reuters.com)

Venture Capital Case Study Check, Inc.

Key Takeaways

1. Important to Maintain Flexibility and Openness to Pivot if Needed

- **Check** pivoted from desktop “internet assistant” application to mobile personal financial application and then more specifically to mobile payments.
 - » Pivot grew out of slowing user growth on desktop application, as well as recognition of potential growth in mobile, and ultimately mobile payments.
 - » Even had an unsuccessful attempt at a Facebook application before successfully opening mobile application in iPhone store.

2. Important to Pick Angel Investors Well If Possible

- Had trouble raising money in 2008 due to pivot and mobile focus, which was believed to be difficult to monetize at the time, but some original angel investors stayed with **Check** to support pivot.

3. Growing Importance of Mobile Payments/Banking Services

- **Check’s** pivot was consistent with their belief that mobile adoption would increase for financial services.
- This turned out to be consistent with consumer trends and shift from offline to online and mobile.
 - » For perspective, mobile payments currently represent a fraction of in-store purchases but the percentage rose 103% in the US between 2010 and 2013 (per *Recent Consumer Survey* by Bain & Company as reported in an *American Banker* article “Banks Should Act Now on Mobile Payments.”).
 - » U.S. Consumers were expected to pay more than 14.7 million bills in 2013 with online and mobile payments accounting for more than half (per *Reuters* article “*Intuit to buy Check, Inc. for \$360 million*”).

Venture Capital Case Study Check, Inc.

Key Takeaways (Cont'd.)

4. Another Successful Exit for FinTech Venture Capital Investors

- Consider the returns implied: Approximately **\$47 million invested** in **Check** starting with Angel Round in 2008. **Check** ultimately **sold for \$360 million** in 2014 which implies the following:
 - » Internal rate of return: 88%
 - » Cash-on-cash: 7.7x
 - » Return on investment: 666%
- Significantly higher than 11.5% median IRR for 2009 Vintage US VC Funds (with asset size between \$250-\$500 million) as reported by PitchBook.

5. What's Next for Check?

“So the way it's going to fit in today is we're integrating it in with Mint and Quicken and the first thing it's going to do is move that from a 15% tracking product to now a 100% total addressable market to say you can actually pay bills with this.

The trojan horse is, all these small businesses today that wait 48 days to get paid... they mow lawns and paint houses, the ability now to have that consumer pay their landscaper and their lawn mower using bill pay and get them paid in days is a real win for us. We think it's going to basically create a network effect between our consumers and small businesses. That's how it fits in.”

*Quote from Brad Smith, President, CEO & Director of Intuit, Inc.
Bank of America Merrill Lynch Global Technology Conference June 3, 2014*

About Mercer Capital

Mercer Capital provides the financial technology industry with corporate valuation, financial reporting, transaction advisory, and related services.

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Industry Segments

Payments - Includes companies who facilitate and/or support the transfer of money, particularly non-cash transactions

- Processors - Provide solutions related to the transfer and processing of money
- Software/Hardware – Provide software/hardware that primarily supports the transfer and processing of money

Technology - Typically provide software and services to one of three different financial services subsectors, including:

- Banking
- Investments
- Healthcare

Solutions - Providers of technological solutions to assist consumers, businesses, and financial institutions with financial services

- Outsourced - Third party providers
- Payroll/Administrative -Typically improve human resources function through technology
- Content - Typically provide content/research that supports financial services and decision-making

Contact a Mercer Capital professional to discuss your needs in confidence.