

Mercer Capital's FinTech Watch

4th Quarter 2013

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Public Market Indicators

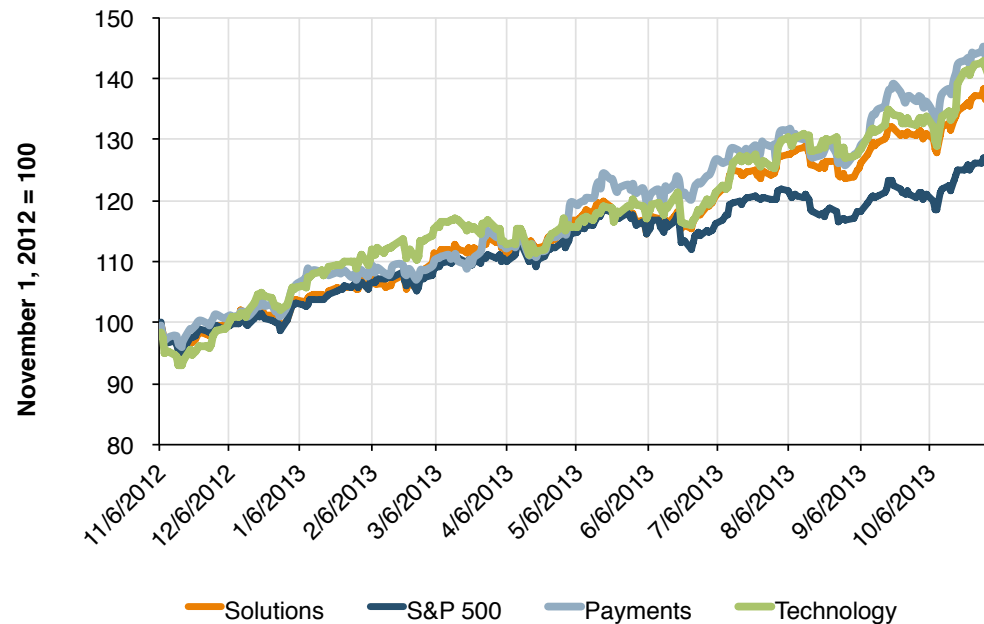
The FinTech Industry has outperformed the S&P 500 in the trailing twelve month period ending 10/31/2013

- Historical and prospective revenue and EBITDA growth have outpaced that of the broader economy and a number of other industries

Market performance has fluctuated a bit as investors weigh:

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

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



Median Total Return Through October 31, 2013

Segment	Month-to-Date	Year-to-Date	Last 12 Months
Payments	4.03%	38.06%	41.76%
Solutions	4.08%	35.71%	36.13%
Technology	6.14%	36.57%	40.63%
S&P 500	4.60%	25.30%	25.88%

Valuation Multiples

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

	Price/ LTM EPS	Ent'p Value / LTM EBITDA	Ent'p Value / FY 14 EBITDA	Ent'p Value / LTM EBIT	Ent'p Value / LTM Revenue	Dividend Yield
Payments	24.98	11.02	9.27	15.30	2.28	0.00%
Solutions	26.35	11.14	10.38	14.64	2.43	0.00%
Technology	24.28	12.50	11.15	16.64	3.30	0.47%

Pricing as of 11/1/2013

Ticker	Name	11/1/13 Price	1-Yr Return (%)	Market Cap (\$M)	Entp Val (\$M)	Price/Earnings LTM	Entp Value/EBITDA		Entp Value/LTM			LTM				2014 EBITDA
							LTM	FY14E	EBIT	Revenue	Yield	Revenue	EBITDA	Margin	Net Inc.	
Processors																
ADS	Alliance Data Systems Corp.	\$236.78	63.74	11,541	19,733	24.98	nm	12.97	nm	nm	0.0%	NA	NA	nm	461,980	1,521,000
HAWK	Blackhawk Net Holdings, Inc.	\$23.25	NA	1,208	1,096	nm	12.03	7.68	15.98	1.02	nm	1,069,805	91,116	8.5%	42,452	142,700
CATM	Cardtronics, Inc.	\$39.58	39.17	1,777	2,091	37.51	11.16	8.43	21.00	2.60	0.0%	803,111	187,396	23.3%	47,392	248,000
DLX	Deluxe Corporation	\$46.87	51.40	2,367	2,910	12.96	7.70	7.08	9.28	1.87	2.1%	1,554,650	378,050	24.3%	182,593	411,050
EEFT	Euronet Worldwide, Inc.	\$43.40	112.24	2,182	2,190	33.58	12.74	9.73	20.47	1.58	0.0%	1,389,013	171,885	12.4%	64,977	225,010
EVTC	EVERTEC, Inc.	\$23.38	NA	1,915	2,598	116.76	33.57	12.82	417.46	7.39	nm	351,338	77,380	22.0%	16,402	202,615
FLT	FleetCor Technologies, Inc.	\$114.16	139.68	9,380	10,168	33.93	21.90	15.64	24.98	12.07	0.0%	842,287	464,335	55.1%	276,452	650,098
GCA	Global Cash Access Hldgs	\$8.27	15.99	541	587	22.17	8.72	8.01	11.55	1.01	0.0%	581,844	67,333	11.6%	24,390	73,279
GPN	Global Payments Inc.	\$59.70	36.23	4,351	5,164	18.59	10.32	9.66	13.45	2.14	0.1%	2,415,321	500,377	20.7%	234,093	534,388
GDOT	Green Dot Corporation	\$25.46	142.48	951	621	28.91	7.01	5.01	9.83	1.09	0.0%	568,592	88,631	15.6%	32,881	124,030
HPY	Heartland Payment Sys, Inc.	\$40.25	42.12	1,483	1,457	19.47	7.32	9.27	12.14	0.69	0.7%	2,104,957	199,004	9.5%	76,175	157,200
ONE	Higher One Holdings, Inc.	\$7.99	(36.74)	375	481	11.45	7.21	8.75	8.84	2.43	0.0%	198,429	66,778	33.7%	32,791	55,000
MA	MasterCard Incorporated	\$737.48	57.92	88,776	NA	28.66	nm	nm	nm	nm	0.3%	8,115,000	4,705,000	58.0%	3,098,000	5,640,400
MGI	MoneyGram International, Inc.	\$20.83	32.34	1,207	2,052	24.54	10.89	6.52	14.63	1.42	0.0%	1,443,000	188,524	13.1%	49,200	314,706
OPAY	Official Pymts Holdings, Inc.	\$8.34	56.47	140	NA	(50.56)	nm	nm	nm	nm	0.0%	140,843	4,998	3.5%	(2,761)	15,500
PLPM	Planet Payment, Inc.	\$2.64	1.54	144	149	(41.37)	(343.06)	14.05	(44.36)	3.27	0.0%	45,631	(435)	-1.0%	(3,482)	10,623
TSS	Total System Services, Inc.	\$29.73	33.37	5,631	6,850	23.58	nm	8.99	nm	nm	1.3%	2,010,613	NA	nm	238,780	762,150
JTPY	Uni. Bus. Pmnt Sol Corp.	\$2.65	(55.83)	31	53	nm	nm	nm	nm	nm	nm	NA	NA	nm	NA	NA
VNTV	Vantiv, Inc.	\$27.02	38.85	5,244	7,210	43.89	14.19	11.13	21.82	3.53	0.0%	2,043,814	508,161	24.9%	119,492	647,500
PAY	VeriFone Systems, Inc.	\$22.64	(28.13)	2,473	3,320	(115.40)	15.74	10.74	356.27	1.89	0.0%	1,756,386	211,012	12.0%	(21,430)	309,133
V	Visa Inc.	\$199.16	39.55	127,116	NA	25.53	nm	nm	nm	nm	0.7%	11,778,000	NA	nm	4,980,000	8,577,800
WU	Western Union Company	\$17.48	47.13	9,646	11,872	11.18	8.34	8.43	10.21	2.14	2.9%	5,544,800	1,422,900	25.7%	862,900	1,408,900
WEX	WEX Inc.	\$94.85	30.15	3,687	5,163	25.64	16.33	14.18	20.13	7.33	0.0%	704,178	316,134	44.9%	143,793	364,200
XOOM	Xoom Corporation	\$30.33	NA	1,133	1,027	306.07	132.72	56.25	182.51	9.15	nm	112,249	7,735	6.9%	3,702	18,251
Median			39.17	2,048	2,190	24.76	11.02	9.47	15.30	2.14	0.0%	1,229,409	187,960	18.2%	64,977	309,133
Software/Hardware																
ADP	Automatic Data Proc., Inc.	\$75.31	30.32	36,256	37,939	26.15	19.16	15.09	22.84	3.42	2.3%	11,108,800	1,980,000	17.8%	1,429,200	2,513,450
CVG	Convergys Corporation	\$19.61	15.30	2,034	1,580	18.86	6.87	5.98	11.19	0.78	1.1%	2,014,200	230,100	11.4%	108,400	264,187
NSP	Insperity, Inc.	\$35.62	33.20	911	749	25.81	9.01	7.25	11.96	nm	4.7%	2,231,417	83,159	3.7%	34,560	103,339
PAYX	Paychex, Inc.	\$41.99	30.84	15,335	15,223	26.24	15.53	14.30	17.26	6.58	3.2%	2,315,000	980,400	42.3%	578,700	1,064,540
WDAY	Workday, Inc.	\$75.35	54.03	13,073	13,112	(59.33)	nm	(173.44)	nm	37.11	0.0%	353,337	NA	nm	(141,408)	(75,600)
Median			30.84	13,073	13,112	25.81	12.27	7.25	14.61	5.00	2.3%	2,231,417	605,250	14.6%	108,400	264,187

Source: SNL Financial

Ticker	Name	11/1/13 Price	1-Yr Return (%)	Market Cap (\$M)	Entp Val (\$M)	Price/Earnings LTM	Entp Value/EBITDA		Entp Value/LTM			LTM				
							LTM	FY14E	EBIT	Revenue	Yield	Revenue	EBITDA	Margin	Net Inc.	2014 EBITDA
Outsourced																
ACXM	Axiom Corporation	\$33.27	81.01	2,464	2,505	42.89	11.78	11.90	24.51	2.29	0.0%	1,093,893	212,568	19.4%	57,454	210,495
CSC	Comp Sciences Corp.	\$50.39	64.74	7,418	8,063	6.45	4.16	3.97	9.66	0.58	1.6%	13,925,000	1,936,000	13.9%	1,150,000	2,033,000
CSGS	CSG Systems Intel, Inc.	\$27.91	39.72	944	1,119	16.27	7.86	6.95	13.39	1.49	1.1%	750,926	142,454	19.0%	58,060	161,000
EFX	Equifax Inc.	\$65.18	31.35	7,919	9,251	24.28	12.50	10.97	16.45	4.09	1.3%	2,259,200	740,000	32.8%	326,200	843,187
EXLS	ExlService Holdings, Inc.	\$29.06	(1.36)	956	826	21.53	10.02	8.05	14.57	1.75	0.0%	471,982	82,449	17.5%	44,401	102,607
FICO	Fair Isaac Corporation	\$56.69	18.66	1,996	2,382	22.15	nm	12.09	nm	nm	0.1%	743,444	NA	nm	90,095	197,000
FIS	Fidelity Natl Info Svcs, Inc.	\$48.55	49.61	14,134	18,300	25.34	10.82	9.39	17.03	3.05	1.8%	5,992,300	1,691,900	28.2%	557,900	1,949,000
FISV	Fiserv, Inc.	\$104.85	39.08	13,522	17,132	22.31	11.86	10.20	16.25	3.64	0.0%	4,707,000	1,444,000	30.7%	606,000	1,679,000
IL	IntraLinks Holdings, Inc.	\$10.48	80.69	583	616	(49.92)	20.05	15.54	(49.70)	2.74	0.0%	224,880	30,740	13.7%	(11,681)	39,672
INTU	Intuit Inc.	\$71.33	17.40	20,166	19,656	23.50	13.38	10.93	15.89	4.71	1.0%	4,171,000	1,469,000	35.2%	858,000	1,798,760
PRGX	PRGX Global, Inc.	\$7.21	(8.85)	210	172	27.17	7.59	5.65	20.32	nm	0.0%	201,818	22,619	11.2%	7,744	30,424
SSNC	SS&C Tech Holdings, Inc.	\$39.50	63.49	3,245	3,999	30.30	14.27	12.48	22.14	nm	0.0%	701,935	280,317	39.9%	107,096	320,450
TW	Towers Watson & Co.	\$115.76	111.35	8,186	7,924	25.94	12.11	11.33	16.56	2.20	0.5%	3,596,784	654,200	18.2%	315,523	699,300
Median			39.72	3,245	3,999	23.50	11.82	10.93	16.35	2.52	0.1%	1,093,893	467,259	19.2%	107,096	320,450
Payroll / Administrative																
ADP	Auto.Data Processing, Inc.	\$75.31	30.32	36,256	37,939	25.37	19.16	15.09	22.84	3.42	2.3%	11,108,800	1,980,000	17.8%	1,429,200	2,513,450
CVG	Convergys Corporation	\$19.61	15.30	2,034	1,580	18.77	6.87	5.98	11.19	0.78	1.1%	2,014,200	230,100	11.4%	108,400	264,187
NSP	Insperty, Inc.	\$35.62	33.20	911	749	26.35	9.01	7.25	11.96	nm	4.7%	2,231,417	83,159	3.7%	34,560	103,339
PAYX	Paychex, Inc.	\$41.99	30.84	15,335	15,223	26.50	15.53	14.30	17.26	6.58	3.2%	2,315,000	980,400	42.3%	578,700	1,064,540
WDAY	Workday, Inc.	\$75.35	54.03	13,073	13,112	(92.45)	nm	(173.44)	nm	37.11	0.0%	353,337	NA	nm	(141,408)	(75,600)
Median			30.84	13,073	13,112	25.37	12.27	7.25	14.61	5.00	2.3%	2,231,417	605,250	14.6%	108,400	264,187
Content																
RATE	Bankrate, Inc.	\$16.90	52.94	1,715	1,820	(280.40)	24.30	12.32	110.70	4.25	0.0%	428,416	74,923	17.5%	(6,116)	147,777
CLGX	CoreLogic, Inc.	\$33.35	40.48	3,126	3,790	23.07	9.58	7.98	14.81	2.30	0.0%	1,650,393	395,552	24.0%	135,465	475,200
CSGP	CoStar Group, Inc.	\$172.78	107.62	4,969	4,903	229.50	58.97	31.33	115.75	11.53	0.0%	425,416	83,150	19.5%	21,649	156,506
DNB	Dun & Bradstreet Corp	\$108.49	36.09	4,209	5,425	14.72	10.81	9.28	12.70	3.30	1.4%	1,643,700	501,700	30.5%	286,000	584,950
FDS	FactSet Research Sys Inc.	\$108.64	19.40	4,683	4,486	23.58	14.69	13.09	16.64	5.23	1.2%	858,112	305,389	35.6%	198,637	342,700
FORR	Forrester Research, Inc.	\$38.85	35.88	785	730	54.83	21.24	19.35	32.21	nm	1.5%	294,301	34,361	11.7%	14,315	37,711
IT	Gartner, Inc.	\$59.19	24.22	5,514	5,386	31.80	18.57	12.88	20.94	3.16	0.0%	1,701,956	290,036	17.0%	173,387	418,200
MORN	Morningstar, Inc.	\$79.75	24.73	3,673	3,504	29.32	16.35	nm	20.74	nm	0.5%	688,375	214,274	31.1%	125,258	NA
VRSK	Verisk Analytics, Inc.	\$67.98	32.39	11,415	12,647	33.00	17.15	14.78	20.65	7.72	0.0%	1,639,236	737,535	45.0%	345,926	855,800
Median			35.88	4,209	4,486	29.32	17.15	12.98	20.74	4.25	0.0%	858,112	290,036	24.0%	135,465	380,450

Source: SNL Financial

Ticker	Name	11/1/13 Price	1-Yr Return (%)	Market Cap (\$M)	Entp Val (\$M)	Price/Earnings LTM	Entp Value/EBITDA		Entp Value/LTM		LTM				2014 EBITDA	
							LTM	FY14E	EBIT	Revenue	Yield	Revenue	EBITDA	Margin		Net Inc.
Banking																
TRAK	Dealertrack Technologies, Inc.	\$37.17	32.84	1,626	1,671	1,184.38	23.98	12.44	118.53	3.87	0.0%	431,700	69,668	16.1%	1,373	134,300
ELLI	Ellie Mae, Inc.	\$24.03	2.12	660	NA	44.14	nm	nm	nm	nm	0.0%	128,045	28,291	22.1%	14,952	46,790
EPIQ	Epiq Systems, Inc.	\$15.00	27.76	521	796	35.18	9.70	7.32	25.38	1.78	3.0%	448,376	82,059	18.3%	14,822	108,772
JKHY	Jack Henry & Associates, Inc.	\$54.48	39.78	4,654	4,541	26.35	12.41	11.24	17.10	4.02	1.0%	1,129,386	365,888	32.4%	176,645	404,042
LPS	Lender Processing Svcs, Inc.	\$34.47	42.43	2,944	3,809	26.45	10.46	8.82	14.64	2.05	1.2%	1,860,551	364,076	19.6%	111,308	432,073
PFMT	Performant Financial Corp	\$10.24	3.12	491	578	19.36	8.60	6.59	10.12	2.54	0.0%	227,892	67,274	29.5%	25,372	87,737
Median			30.30	1,143	1,671	30.82	10.46	8.82	17.10	2.54	0.5%	440,038	75,864	20.8%	20,162	121,536
Insurance/Healthcare																
ATHN	athenahealth, Inc.	\$137.16	109.92	5,101	5,281	(1,106.22)	nm	36.17	nm	9.78	0.0%	539,728	NA	nm	(4,611)	146,000
CRVL	CorVel Corporation	\$40.17	85.89	841	806	27.30	nm	nm	15.74	nm	0.0%	456,718	NA	nm	30,788	NA
COVR	Cover-All Technologies Inc.	\$1.26	4.13	33	34	(9.99)	19.39	nm	(10.60)	1.69	0.0%	19,914	1,741	8.7%	(3,319)	NA
CRD.B	Crawford & Company	\$9.97	85.68	481	616	8.14	4.48	5.19	5.90	0.48	1.8%	1,293,030	137,409	10.6%	59,145	118,538
EBIX	Ebix, Inc.	\$11.87	(48.16)	451	492	6.66	5.62	5.73	6.35	2.33	1.5%	211,397	87,548	41.4%	67,703	85,852
GWRE	Guidewire Software, Inc.	\$49.33	55.42	3,435	3,355	223.28	155.79	112.00	200.73	11.16	0.0%	300,649	21,535	7.2%	15,383	29,957
HMSY	HMS Holdings Corp.	\$20.08	(8.77)	1,763	1,934	36.82	12.71	9.70	20.50	3.96	0.0%	488,729	152,227	31.1%	47,889	199,490
HH	Hooper Holmes, Inc.	\$0.62	5.75	43	41	(2.63)	(3.14)	nm	(2.51)	0.30	0.0%	138,526	(13,150)	-9.5%	(16,492)	NA
MGLN	Magellan Health Services, Inc.	\$58.34	15.94	1,579	1,324	10.98	5.04	5.68	6.74	0.39	0.0%	3,368,381	262,635	7.8%	143,772	232,994
SLH	Solera Holdings, Inc.	\$56.34	19.26	3,875	4,655	41.61	15.11	12.73	22.73	5.55	0.9%	838,103	308,053	36.8%	93,128	365,700
SR	Standard Register Company	\$8.13	166.56	74	338	(2.46)	(284.60)	nm	(13.96)	0.54	0.0%	621,326	(1,186)	-0.2%	(30,192)	NA
Median			19.26	841	806	8.14	5.62	9.70	6.54	2.01	0.0%	488,729	87,548	7.5%	30,788	216,242
Investments																
ADVS	Advent Software, Inc.	\$32.97	92.69	1,723	2,032	66.82	30.86	16.01	50.25	nm	27.3%	377,397	65,837	17.4%	25,784	126,912
DST	DST Systems, Inc.	\$85.24	49.19	3,623	4,076	11.82	6.26	8.44	7.96	1.54	1.5%	2,643,900	651,300	24.6%	306,500	482,705
ENV	Envestnet, Inc.	\$35.79	162.78	1,240	1,201	604.49	65.10	22.87	219.55	6.49	0.0%	184,919	18,445	10.0%	2,052	52,500
LIQD	Liquid Holdings Group, Inc.	\$7.85	NA	192	192	nm	nm	nm	nm	nm	nm	5,315	NA	nm	(62,408)	NA
MSCI	MSCI Inc.	\$40.97	47.64	4,851	5,375	21.24	11.81	11.07	14.34	5.29	0.0%	1,015,125	455,002	44.8%	228,343	485,427
Median			70.94	1,723	2,032	44.03	21.33	13.54	32.29	5.29	0.8%	377,397	260,420	21.0%	25,784	304,808

Source: SNL Financial

Articles of Note

New Payment Data Updates from the Federal Reserve Bank of Kansas City

Source: *Payments News*

Link: <http://mer.cr/1e1LLRv>

Mobile Payments Gorillas Are Already Out There

Source: *Financial Services Club Blog*

Link: <http://mer.cr/16Zs8HY>

Thinking the Unthinkable: Banks Relinquishing Control of Their Payments Infrastructure

Source: *Celent*

Link: <http://mer.cr/16Zs6zR>

Reporter's Picks: Three Top Apps at FinovateFall

Source: *American Banker*

Link: <http://mer.cr/19hDrbl>

Six Things That Will Change the Future of Payments

Source: *Pymnts.com*

Link: <http://mer.cr/1hDqYZE>

Industry Overview

Payments Segment

Payments niche has grown as usage of electronic forms of payment have increased

- Debit, credit, prepaid, E- and mobile commerce

Payments niche is expected to continue to grow both domestically and internationally through:

- Growth in consumer spending
- Continued usage and acceptance of cards by merchants and consumers
- Improvements in technology that may increase consumer and merchant adoption

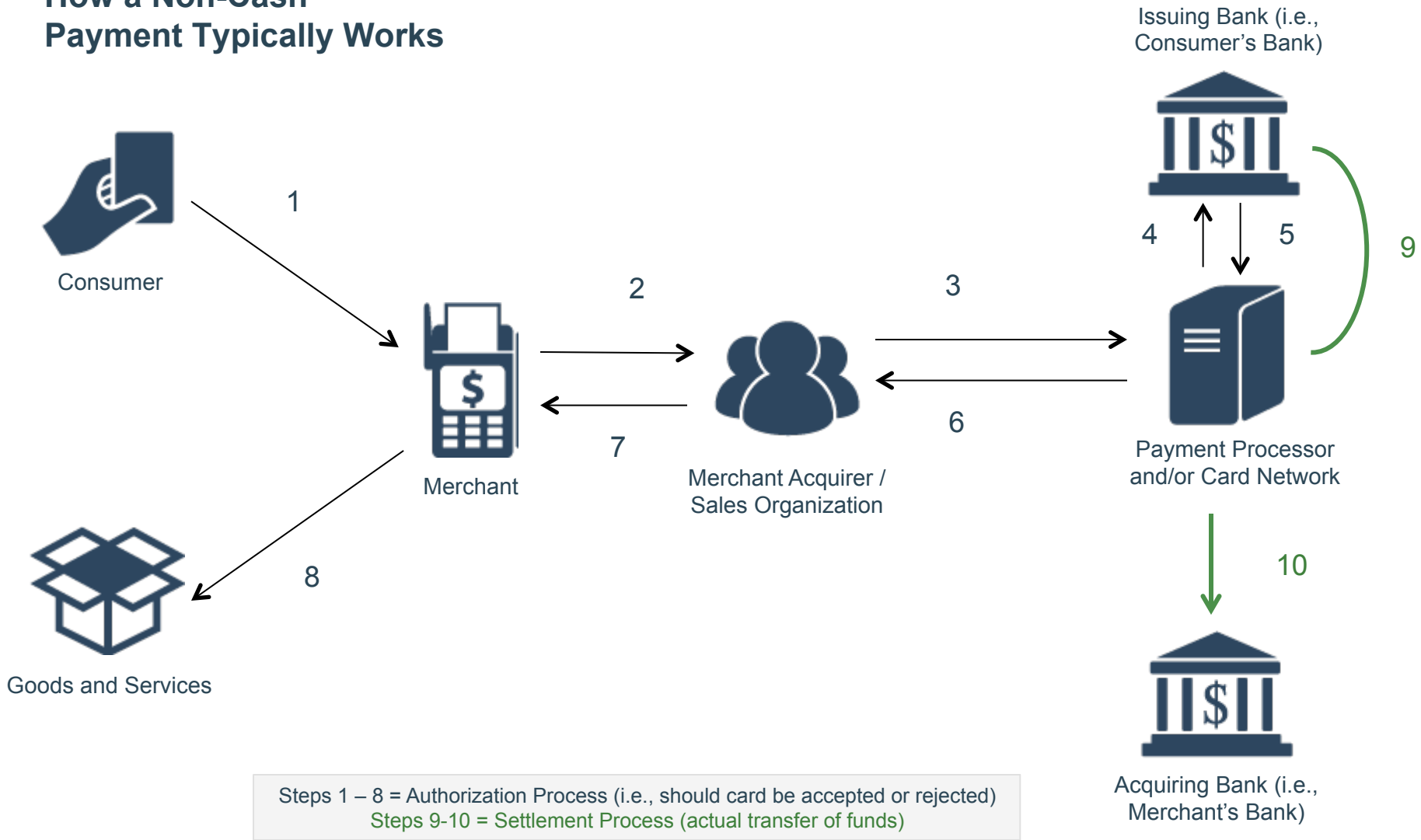
Non-cash transactions expected to continue to grow

- Estimated to total \$712 trillion by 2022, compared to \$377 trillion in 2012, which implies a CAGR of 7% (*Source: bcg perspective from Boston Consulting*)

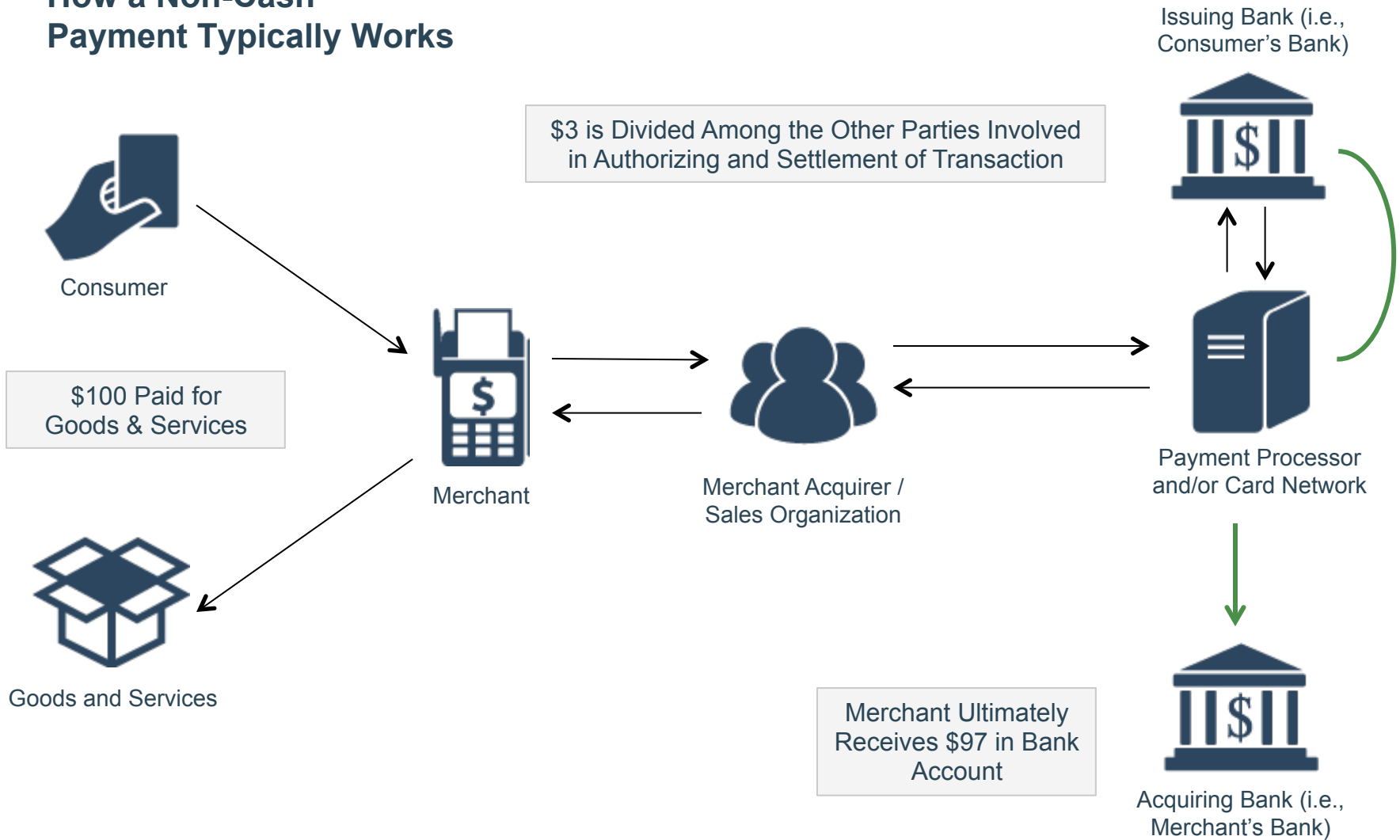
Largest growth areas include:

- Mobile payments
- E-commerce
- International growth in emerging economies

How a Non-Cash Payment Typically Works



How a Non-Cash Payment Typically Works



M&A Activity Overview

Payments Segment

Selected M&A Transactions in the Payments Niche

During LTM Period Ending September 30, 2013

Acquirer	Target	Ann. Date	Deal Value (\$M)	Target Description
Cielo S.A.	eMerchant Solutions, Inc.	6/30/12	\$670	Provides payment solutions for financial institutions and merchants
Universal Business Payment Solutions Acquisition Corp.	Electronic Merchant Systems, JetPay, LLC, and AD Computer Corp.	7/9/12	\$75	Provides electronic transaction and payment processing services to merchants and other providers of debit and credit card processing
Wright Express Corp.	Fleet One, LLC	9/5/12	\$369	Provides fuel cards and fleet management information services
Digital River, Inc.	LML Payment Systems, Inc.	9/24/12	\$103	Provides payment processing, risk management, and authentication services
Vantiv, Inc.	Litle & Co, LLC	10/26/12	\$361	Provides payment processing, management and consultative merchant services
ACI Worldwide, Inc.	Online Resources Corp.	1/30/13	\$261	Provides online banking and full-service bill pay solutions
Total System Services, Inc.	Net Spend Holdings, Inc.	2/19/13	\$1,375	Provides reloadable prepaid debit cards and related financial services to under-banked consumers in U.S.
ACI Worldwide	Official Payment Holdings, Inc.	9/23/13	\$149	Provides electronic bill payment solutions in the US (primarily to municipalities, charities, and higher education institutions)
PayPal	Braintree Payment Solutions, LLC	9/26/13	\$800	Provides credit card payment processing solutions for businesses in U.S. and internationally

Sources: SNL Financial, LC; UBPS Inv. Presentation; Financial Technology Partners Database

Venture Capital Activity Overview Payments Segment

The following table provides a summary of venture capital financing activity in the payment processor segment in 2Q13 and 3Q13. The table only covers financing rounds that were larger than \$10M.

Company	Amount (\$M)	Round	Company Description	Website
CreditKarma	\$30	Series B	Assists consumers with monitoring, managing and understanding the credit aspect of financial health through a number of tools offered	creditkarma.com
Clinkle	\$25	Seed	Goal is to modernize way people transact by creating a next generation payment platform that will change the way people pay for things.	clinkle.com
Leaf	\$20	Venture	Provides small merchants with a specially designed tablet that will modify their POS system and allow merchants to receive data that they can then use to learn more about historical customer transactions and hopefully improve customer experience	leaf.me
Taulia	\$18	Series C	Provides cloud-based solutions including invoicing, payment, and discounting for large buying organizations globally	taulia.com
Dwolla	\$17	Series C	Web based software platform that allows users to send, receive and request funds from other users	dwolla.com
Paydiant	\$15	Series C	Offers a cloud-based, white label mobile wallet and payment solution to banks, retailers, and processors; Expected to launch formally in late 2013	paydiant.com
Marqeta	\$14	Series B	Online-to-offline payments and commerce platform; Platform gives customers more money through prepaying for certain repeat purchases and business are able to offer unique marketing/loyalty programs to users	marqeta.com
E la Carte	\$14	Series B	Tablet provider for restaurants that allows guest to order, pay, and play games	elacarte.com
Alpha Payments Cloud	\$12	Seed	IT firm that is specifically focused on payments; Strives to give merchants, banks and payment product providers access to payments ecosystem with one integration platform	alphapaymentscloud.com
Swipely	\$12	Series B	Provides a variety of services to merchants ranging from analytics, marketing, loyalty & payments	swipely.com
Easy Solutions	\$11	Series B	Delivers fraud protection services to financial services companies, security firms, retailers, airlines and other entities in the U.S. and abroad	easysol.net
Revel Systems	\$10	Series B	iPad POS payment solution provider, POS payment solution is mobile, cloud-based and secure	revelsystems.com
Simplee	\$10	Series B	Allows consumers and healthcare providers the ability to monitor, manage, and process health care related bills, visits, and payments	simplee.com

Source: Nilson Report (August 2013 Issue #1,023) and Techcrunch.com

Venture Capital Case Study Payments Segment

When valuing young firms, the following approach is often used:

1. Estimate the expected earnings, EBITDA, or revenue in a future year – typically 2-5 years hence
2. Determine the firm's value at the end of the forecast period
 - » Value = Financial Metric (typically expected earnings, EBITDA, or revenue) x Multiple (typically derived from publicly traded firms in a comparable industry niche)
3. Determine the present value of the firm's forecasted value as determined in Step 2
 - » Discount rate equals investor's target rate of return
 - VC investors typically seek returns large enough to account for both the risk inherent in the business, as well as the likelihood that the firm may not survive
 - Discount rate tends to decline over time as the firm achieves certain milestones and progresses

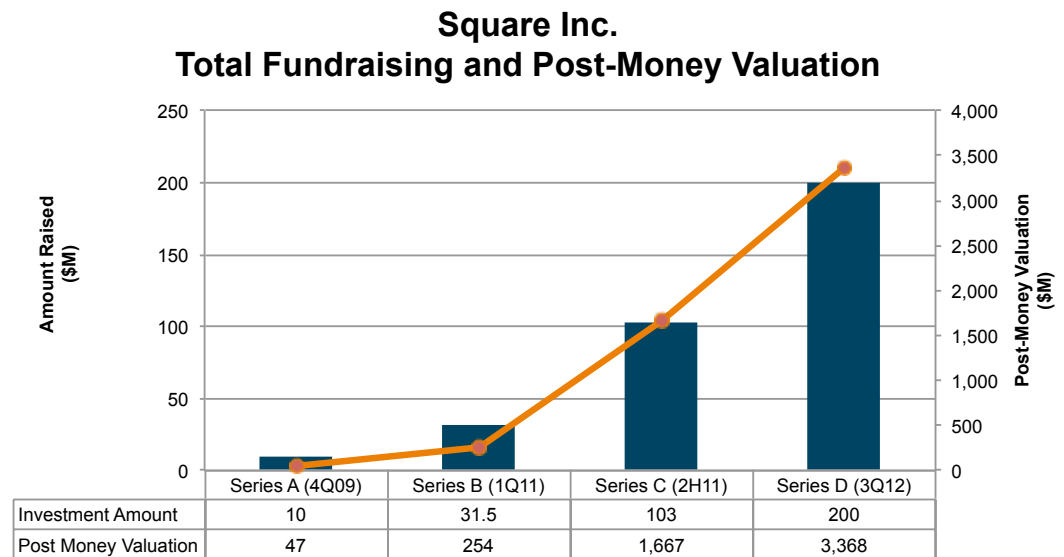
Venture capitalists then tend to analyze what proportion of the business they will own after their capital is invested in the firm.

Venture Capital Case Study Square, Inc.

Square provides merchants with a free credit card reader that can be used in a variety of phone and tablet devices, allowing merchants to be able to accept credit cards

As Square achieved certain corporate milestones since its founding in 2009:

- More capital was provided/available from investors
- Post-money valuation improved in each round



Source: http://www.slideshare.net/vcexperts/square-inc-deal-terms-postmoney-valuations-12606154?from_search=3

Venture Capital Case Study Square, Inc.

Timeline	Significant Corporate Events
2009	Inspiration for Company when a friend of the founder couldn't process a sale of glass faucets and fittings because he couldn't accept credit cards; Product tested in private beta; Website unveiled providing screenshots and summary of services. Series A Round.
2010	Application launched in private beta; Limited to only 50,000 users; Available for use with Apple and Android based phones; Introduced Card Reader, 1 inch square dongle that plugs into a headset jack and turns the device into a credit card processor; Reported to have delivered roughly 50,000 devices; Application launched to public.
2011	Series B Round. Announced the release of two new apps: Card Case, allows customers to view merchant menus, do mobile payments, get virtual receipts and discover Square merchants, and Register, POS software aimed at replacing credit card terminals and cash registers; Launched Square Wallet, a consumer facing app that allows a customer to walk in and pay by just saying their names. Series C Round.
2012	Starbucks announced it would use Square to process transactions and also invested \$25 million in the company; Also announced a flat-rate pricing plan for merchants; First international product launch in Canada. Series D Round.
2013	Launched in Japan; Square Market launched that allows sellers to create an online storefront with payment processing functionality.

About Mercer Capital

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

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 industry subsectors, including:

- Banking
- Investments
- Healthcare

Solutions - Providers of technological solutions to assist 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.

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