

Mercer Capital's **FinTech Watch**

1st Quarter 2014 // Segment Focus: Technology

Public Market Indicators

The FinTech Industry has outperformed S&P 500 through 2/28/2014

- Returns to investments in technology continue to outpace returns on labor, particularly in financial services
- Historical and prospective revenue and EBITDA growth have outpaced that of the broader economy and a number of other industries

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

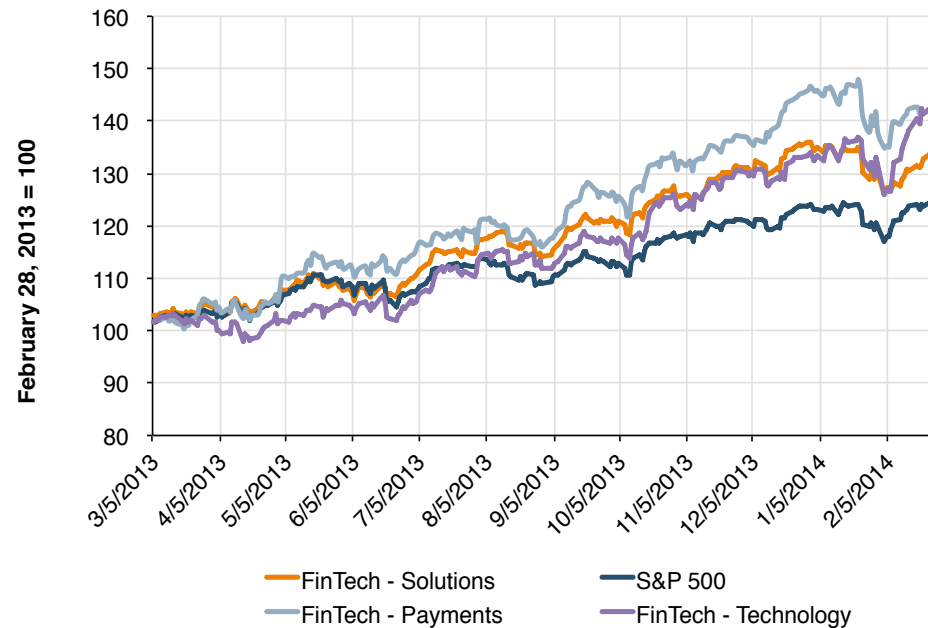
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Segment Focus: Technology

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



Median Total Return as of February 28, 2014

Segment	Month-to-Date	Year-to-Date	Last 12 Months
FinTech - Payments	4.98%	-0.99%	44.46%
FinTech - Solutions	3.49%	-0.77%	34.76%
FinTech - Technology	7.54%	6.35%	41.79%
S&P 500	4.57%	1.36%	25.37%

Valuation Multiples

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

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	25.51	21.89	18.87	11.81	9.85	8.53	15.81	2.51	0.00%
FinTech - Solutions	24.30	24.22	19.77	13.01	11.43	10.56	18.14	3.13	0.15%
FinTech - Technology	26.91	28.08	21.94	12.81	12.81	10.76	16.14	4.10	0.00%

Ticker	Name	2/28/14 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 Corporation	285.11	79.66	15,160	21,582	30.55	28.63	24.22	16.41	13.57	12.28	19.64	NM	0.0%	NA	1,315,031	NM	496,170	1,591,000
HAWK	Blackhawk Network Holdings, Inc.	24.78	NA	1,299	756	24.02	24.66	20.06	6.76	5.38	4.63	9.08	NM	0.0%	1,138,088	111,786	9.8%	54,104	140,434
CATM	Cardtronics, Inc.	40.52	53.72	1,802	2,204	77.88	32.55	25.97	12.14	8.97	8.07	25.71	2.51	0.0%	876,486	181,567	20.7%	23,144	245,609
DLX	Deluxe Corporation	50.48	30.19	2,545	3,065	NM	12.72	12.19	7.98	7.41	7.20	9.60	1.93	2.0%	1,584,800	383,900	24.2%	186,700	413,500
EEFT	Euronet Worldwide, Inc.	38.26	58.49	1,940	1,948	NM	21.68	18.18	10.35	9.08	7.95	15.81	NM	0.0%	1,413,100	188,200	13.3%	88,000	214,600
EVTC	EVERTEC, Inc.	24.26	NA	1,899	2,613	(77.14)	22.46	18.66	32.10	13.71	12.68	237.21	7.31	0.8%	357,240	81,380	22.8%	(24,621)	190,508
FLT	FleetCor Technologies, Inc.	129.93	86.12	10,716	11,864	37.66	30.50	25.11	24.40	18.79	16.27	28.25	13.25	0.0%	895,171	486,228	54.3%	284,501	631,492
GCA	Global Cash Access Holdings, Inc.	8.40	18.31	550	513	23.81	22.11	18.46	8.01	6.95	6.46	10.78	0.89	0.0%	578,121	64,092	11.1%	23,092	73,929
GPN	Global Payments Inc.	70.33	46.10	5,058	5,547	21.27	19.37	17.58	11.17	10.29	9.57	14.62	2.25	0.1%	2,460,905	496,559	20.2%	237,807	539,000
GDOT	Green Dot Corporation	20.15	43.72	760	337	26.51	21.44	17.83	4.42	2.91	2.59	6.85	0.59	0.0%	573,608	76,231	13.3%	28,680	115,800
HPY	Heartland Payment Systems, Inc.	40.44	31.06	1,484	1,454	18.88	20.32	17.54	7.03	8.69	7.92	11.56	0.68	0.7%	2,135,372	206,894	9.7%	78,626	167,400
ONE	Higher One Holdings, Inc.	8.00	(10.51)	377	460	26.68	15.00	14.12	11.19	7.66	7.17	17.36	2.18	0.0%	211,123	41,094	19.5%	14,128	60,000
MA	MasterCard Incorporated	77.72	50.75	92,218	88,639	29.59	25.40	21.30	18.70	15.85	13.81	19.78	10.62	0.4%	8,346,000	4,739,000	56.8%	3,116,000	5,591,950
MGI	MoneyGram International, Inc.	19.03	17.40	1,103	1,946	21.05	20.46	14.01	10.62	6.13	5.80	14.68	1.32	0.0%	1,474,400	183,300	12.4%	52,400	317,500
PLPM	Planet Payment, Inc.	3.41	13.29	187	193	NM	NM	NM	71.96	24.10	NM	(877.29)	4.18	0.0%	46,179	2,682	5.8%	(329)	8,010
TSS	Total System Services, Inc.	30.46	30.14	5,722	6,998	23.53	21.01	17.71	11.81	9.85	8.99	18.08	3.28	1.3%	2,132,353	592,470	27.8%	243,155	710,726
JTPY	Univeral Business Payment Solutions	2.78	(18.56)	32	54	NM	NM	NM	NM	NM	NM	NM	NM	NM	NA	NA	NM	NA	NA
VNTV	Vantiv, Inc.	31.83	46.28	6,066	8,131	45.42	25.77	21.36	15.69	12.81	11.78	24.43	3.86	0.0%	2,108,077	518,255	24.6%	133,572	634,586
PAY	VeriFone Systems, Inc.	28.95	52.61	3,216	4,021	(10.86)	(180.94)	39.12	27.70	13.87	10.80	(64.22)	2.36	0.0%	1,702,221	145,184	8.5%	(296,055)	290,000
V	Visa Inc.	225.94	43.49	143,508	141,387	35.49	25.50	21.80	NM	16.40	14.45	NM	11.70	0.6%	12,087,000	NA	NM	4,044,000	8,621,930
WU	Western Union Company	16.73	22.93	9,167	11,307	11.48	11.62	10.69	8.22	8.26	7.90	10.16	2.04	3.0%	5,542,000	1,375,900	24.8%	798,400	1,369,300
WEX	WEX Inc.	96.82	29.08	3,765	4,679	25.24	22.36	19.33	14.07	13.31	11.54	17.20	6.52	0.0%	717,463	332,669	46.4%	149,208	351,500
XOOM	Xoom Corporation	28.03	31.84	1,056	945	166.84	(266.95)	280.30	91.64	96.65	42.99	118.11	7.73	0.0%	122,206	10,309	8.4%	6,328	9,775
Median			31.84	1,939.68	2,612.62	25.24	21.68	18.66	11.81	10.07	8.99	15.81	2.51	0.0%	1,413,100	188,200	19.8%	83,313	303,750
FinTech – PAYMENT SOFTWARE/HARDWARE																			
ADP	Automatic Data Processing, Inc.	77.78	30.03	37,476	36,222	26.46	24.54	22.16	17.80	14.54	13.16	21.19	3.19	2.3%	11,356,300	2,035,200	17.9%	1,415,300	2,491,000
CVG	Convergys Corporation	20.47	24.98	2,063	1,543	35.91	15.75	12.48	6.61	5.97	5.62	10.83	0.75	1.2%	2,046,100	233,300	11.4%	60,900	258,518
NSP	Insperty, Inc.	29.19	5.21	744	519	23.35	24.74	19.08	6.95	6.91	5.89	9.68	0.23	2.3%	2,256,112	74,607	3.3%	31,116	75,044
PAYX	Paychex, Inc.	41.76	29.40	15,210	14,997	25.78	24.58	22.82	14.99	13.97	13.01	16.66	6.36	3.3%	2,356,100	1,000,700	42.5%	589,500	1,073,490
WDAY	Workday, Inc.	109.92	98.81	19,977	19,877	(108.83)	(113.32)	(85.54)	NM	(339.29)	(420.74)	NM	NM	0.0%	468,938	NA	NM	(172,509)	(58,584)
Median			29.40	15,210	14,997	25.78	24.54	19.08	10.97	6.91	5.89	13.74	1.97	2.3%	2,256,112	617,000	14.7%	60,900	258,518

Source: SNL Financial

Ticker	Name	2/28/14 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	Acxiom Corporation	37.23	104.56	2,844	2,786	55.40	53.96	41.83	14.83	13.20	12.11	32.74	2.54	0.0%	1,097,468	187,839	17.1%	51,324	211,000
CSC	Computer Sciences Corporation	63.20	33.72	9,208	9,772	11.79	14.77	14.28	4.97	4.71	4.55	11.10	0.74	1.3%	13,172,000	1,967,000	14.9%	781,000	2,075,000
CSGS	CSG Systems International, Inc.	28.00	46.84	958	1,145	18.65	19.44	17.07	8.53	7.20	6.86	14.71	1.53	1.6%	747,468	134,255	18.0%	51,351	158,930
EFX	Equifax Inc.	70.06	28.89	8,550	9,797	24.30	23.91	20.85	12.39	11.47	10.68	16.31	4.25	1.3%	2,303,900	790,900	34.3%	351,800	854,000
EXLS	ExlService Holdings, Inc.	27.99	(7.53)	900	755	18.72	21.78	18.54	8.64	8.54	7.40	12.09	1.58	0.0%	478,452	87,347	18.3%	48,097	88,396
FICO	Fair Isaac Corporation	53.73	21.36	1,876	2,258	22.43	21.11	18.28	12.07	9.69	9.44	14.70	3.06	0.1%	737,767	187,026	25.4%	83,651	232,900
FIS	Fidelity National Information Services, Inc.	55.61	50.66	16,164	20,242	32.78	22.04	18.54	12.44	10.44	9.80	19.98	3.33	1.6%	6,070,700	1,627,800	26.8%	493,100	1,938,990
FISV	Fiserv, Inc.	58.05	41.17	14,773	18,221	22.80	20.81	18.43	12.44	10.98	10.25	17.16	3.78	0.0%	4,814,000	1,465,000	30.4%	648,000	1,659,400
IL	IntraLinks Holdings, Inc.	11.61	97.45	651	675	(42.60)	(41.46)	(37.45)	24.11	17.25	14.94	(40.96)	2.88	0.0%	234,496	28,017	11.9%	(15,278)	39,161
INTU	Intuit Inc.	78.15	22.53	22,141	22,015	29.21	24.89	22.92	17.09	12.24	11.29	20.61	5.22	0.9%	4,216,000	1,288,000	30.6%	758,000	1,799,000
PRGX	PRGX Global, Inc.	6.04	(7.08)	181	137	(970.95)	31.79	16.11	8.71	5.15	3.98	54.93	NM	0.0%	195,216	15,720	8.1%	(186)	26,562
SSNC	SS&C Technologies Holdings, Inc.	38.68	52.82	3,200	3,890	27.14	26.05	22.96	13.59	12.20	11.17	20.86	NM	0.0%	712,702	286,246	40.2%	117,895	318,900
TW	Towers Watson & Co.	109.10	64.07	7,694	7,746	21.85	21.91	20.47	11.45	11.39	10.44	15.41	2.20	0.1%	3,514,384	676,204	19.2%	352,197	679,800
Median			41.17	3,200	3,890	22.43	21.91	18.54	12.39	10.98	10.25	16.31	2.88	0.1%	1,097,468	286,246	19.2%	117,895	318,900
FinTech Solutions – PAYROLL/ADMINISTRATION																			
ADP	Automatic Data Processing, Inc.	77.78	30.03	37,476	36,222	26.48	24.54	22.16	17.80	14.54	13.16	21.19	3.19	2.3%	11,356,300	2,035,200	17.9%	1,415,300	2,491,000
CVG	Convergys Corporation	20.47	24.98	2,063	1,543	33.87	15.75	12.48	6.61	5.97	5.62	10.83	0.75	1.2%	2,046,100	233,300	11.4%	60,900	258,518
NSP	Insperty, Inc.	29.19	5.21	744	519	23.93	24.74	19.08	6.95	6.91	5.89	9.68	0.23	2.3%	2,256,112	74,607	3.3%	31,116	75,044
PAYX	Paychex, Inc.	41.76	29.40	15,210	14,997	25.80	24.58	22.82	14.99	13.97	13.01	16.66	6.36	3.3%	2,356,100	1,000,700	42.5%	589,500	1,073,490
WDAY	Workday, Inc.	109.92	98.81	19,977	19,877	(115.80)	(113.32)	(85.54)	NM	(339.29)	(420.74)	NM	NM	0.0%	468,938	NA	NM	(172,509)	(58,584)
Median			29.40	15,210	14,997	25.80	24.54	19.08	10.97	6.91	5.89	13.74	1.97	2.3%	2,256,112	617,000	14.7%	60,900	258,518
FinTech Solutions – CONTENT																			
RATE	Bankrate, Inc.	20.13	78.93	2,069	2,136	(206.90)	64.94	41.94	30.67	14.47	12.26	223.94	4.67	0.0%	457,432	69,667	15.2%	(10,002)	147,615
CLGX	CoreLogic, Inc.	32.60	25.82	2,976	3,691	27.62	27.17	21.73	11.83	9.23	8.24	19.96	2.72	0.0%	1,355,930	311,928	23.0%	107,728	399,980
CSGP	CoStar Group, Inc.	201.04	99.56	5,801	5,698	195.09	112.94	74.05	60.48	35.32	28.31	105.22	12.92	0.0%	440,943	94,212	21.4%	29,734	161,316
DNB	Dun & Bradstreet Corporation	99.21	25.09	3,657	4,944	14.15	13.72	12.67	9.76	9.38	9.08	11.35	2.99	1.6%	1,655,200	506,600	30.6%	258,500	526,951
FDS	FactSet Research Systems Inc.	105.29	9.68	4,505	4,331	22.41	21.21	19.05	14.02	12.70	11.51	15.85	4.98	1.3%	870,003	308,904	35.5%	201,048	341,000
FORR	Forrester Research, Inc.	36.22	34.29	715	645	56.02	54.06	43.12	20.47	19.30	16.90	32.25	NM	1.7%	297,650	31,490	10.6%	12,772	33,400
IT	Gartner, Inc.	69.56	39.79	6,397	6,178	35.00	31.33	26.05	19.95	16.02	13.71	22.44	3.46	0.0%	1,784,213	309,718	17.4%	182,801	385,730
MORN	Morningstar, Inc.	83.66	22.89	3,740	3,564	30.27	NM	NM	16.13	NM	NM	20.33	NM	0.7%	698,266	220,991	31.6%	123,529	NA
VRSK	Verisk Analytics, Inc.	63.72	8.97	10,630	11,740	30.51	28.96	25.08	15.68	14.30	12.72	19.12	7.36	0.0%	1,595,703	748,753	46.9%	348,380	821,000
Median			25.82	3,740	4,331	30.27	30.15	25.57	16.13	14.39	12.49	20.33	4.67	0.0%	870,003	308,904	23.0%	123,529	363,365

Source: SNL Financial

Ticker	Name	2/28/14 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.	54.07	83.35	2,388	2,436	405.10	514.95	118.84	30.51	13.25	10.83	140.65	5.06	0.0%	481,534	79,846	16.6%	5,894	183,800
ELLI	Ellie Mae, Inc.	31.00	52.71	856	NA	68.09	75.61	55.36	NM	NM	NM	NM	NM	0.0%	128,481	25,141	19.6%	12,576	46,558
EPIQ	Epiq Systems, Inc.	14.18	16.84	506	778	NM	28.08	20.26	9.84	7.33	6.63	26.61	NM	2.5%	482,083	79,025	16.4%	10,997	106,094
JKHY	Jack Henry & Associates, Inc.	58.13	35.02	4,977	4,831	25.21	24.63	21.94	11.98	11.66	10.76	16.14	4.10	1.3%	1,177,877	403,426	34.3%	197,435	414,200
PFMT	Performant Financial Corporation	7.91	(40.30)	382	434	10.52	23.84	13.88	5.19	8.32	5.82	5.95	1.70	0.0%	255,302	83,524	32.7%	36,339	52,120
Median			35.02	856	1,607	46.65	28.08	21.94	10.91	9.99	8.70	21.38	4.10	0.00	481,534	79,846	0.20	12,576	106,094

FinTech – INSURANCE/HEALTHCARE TECHNOLOGY																			
ATHN	athenahealth, Inc.	193.87	106.71	7,247	7,406	2,793.80	6,462.33	718.04	108.93	55.34	44.90	1,206.95	12.45	\$0.00	595,003	67,989	11.4%	2,594	133,814
CRVL	CorVel Corporation	46.01	91.55	963	919	28.62	NM	NM	12.81	NM	NM	16.51	1.95	0.0%	470,529	71,770	15.3%	33,639	NA
CRD.B	Crawford & Company	8.47	4.35	438	579	8.05	9.41	8.47	4.42	NM	NM	5.92	0.45	\$0.02	1,282,240	131,103	10.2%	54,335	NA
EBIX	Ebix, Inc.	16.25	1.87	623	650	9.92	NM	NM	7.99	NM	NM	9.12	3.13	0.8%	207,886	81,387	39.1%	62,774	NA
GWRE	Guidewire Software, Inc.	53.61	46.68	3,591	3,154	830.99	(148.94)	(670.13)	786.23	98.46	50.81	(2,423.97)	10.38	\$0.00	303,877	4,011	1.3%	4,321	32,029
HMSY	HMS Holdings Corp.	20.46	(29.57)	1,786	1,926	44.66	42.63	24.65	14.15	12.81	9.42	24.69	3.92	0.0%	491,762	136,047	27.7%	39,997	150,300
MGLN	Magellan Health Services, Inc.	61.14	18.58	1,681	1,427	13.42	23.52	19.92	5.99	6.14	5.52	8.58	NM	\$0.00	3,546,317	238,194	6.7%	125,261	232,328
SLH	Solera Holdings, Inc.	68.42	22.83	4,719	6,118	1,875.66	342.10	44.14	24.62	14.68	13.36	43.58	6.87	0.9%	890,095	248,535	27.9%	2,516	416,743
SR	Standard Register Company	10.96	313.58	101	362	(13.57)	NM	NM	14.99	NM	NM	(124.82)	NM	\$0.00	719,783	24,163	3.4%	(7,413)	NA
Median			22.83	1,681	1,427	28.62	33.07	22.28	14.15	14.68	13.36	9.12	3.92	0.0%	595,003	81,387	6.7%	33,639	191,314

FinTech – INVESTMENTS TECHNOLOGY																			
ADVS	Advent Software, Inc.	30.70	56.82	1,576	1,847	54.72	35.70	30.10	26.19	15.90	13.02	40.04	NM	29.3%	382,959	70,525	18.4%	28,802	116,165
DST	DST Systems, Inc.	93.98	40.48	3,935	4,239	11.16	17.80	15.74	5.87	8.64	8.31	7.32	1.60	1.3%	2,652,600	722,700	27.2%	352,600	490,400
ENV	Envestnet, Inc.	41.84	172.75	1,452	1,402	396.67	117.86	55.79	66.68	26.07	18.42	246.20	NM	0.0%	242,535	21,023	8.7%	3,660	53,779
LIQD	Liquid Holdings Group, Inc.	4.80	NA	118	104	(1.89)	NM	NM	NM	NM	NM	NM	21.06	NM	4,939	NA	NM	(62,136)	NA
MSCI	MSCI Inc.	43.71	31.93	5,097	5,546	22.97	22.08	19.43	12.29	11.82	10.72	14.96	5.36	0.0%	1,035,667	451,360	43.6%	221,924	469,132
Median			48.65	1,576	1,847	22.97	28.89	24.76	19.24	13.86	11.87	27.50	5.36	0.6%	382,959	260,943	22.8%	28,802	292,649

Source: SNL Financial

Industry Articles of Note

Lesson from BBVA's Simple buy: Time to Build Better Banks

American Banker / Bradley Leimer

<http://mer.cr/1fWqD2W>

2013 ICBA Community Bank Payments Survey (Summary)

Independent Community Bankers Association

Text: <http://mer.cr/1nWq6Pn>

Slides: <http://mer.cr/1ICFQFW>

Banks Have a Huge Incentive Right Now to Innovate On Mobile

Business Insider / Brandon Workman

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

FinTech's Impact On and Parallels to Healthcare IT

Bank Innovation / Elizabeth Dias

<http://mer.cr/Nbp0BQ>

FinTech Enters a New Phase

Finextra / Michael Backes

<http://mer.cr/1i8EG3W>

Why Venture Capital Has the Hots for Financial Services

Wall Street & Technology / Karl Antle

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

Segment Focus

Technology

FinTech Industry Overview

Technology Segment

- » Typically, FinTech companies in the technology niche provide software and services to one of three different subsectors:
 - Banking
 - Investments
 - Healthcare

- » These industries share certain common characteristics:
 - Mature
 - Highly competitive
 - Highly regulated
 - Significant compliance costs
 - Large quantities of data and customer accounts to handle

- » Significant investments in technology for a variety of reasons including to:
 - Improve efficiency
 - Lower regulatory/compliance costs
 - Provide better customer service for lower costs
 - Improve decision-making through data analytics

- » For perspective, consider the banking segment. Community banks cite the most important information technology focuses for customer growth are:
 - Mobile bank and payments
 - Leveraging data to enhance customer development
 - Social media
 - Digital (online and mobile) banking platforms
 - Source: “2013 Community Bank Industry Outlook Survey,” KPMG. Available at <http://mer.cr/PMIqA5>. Accessed January 24, 2014.

M&A Activity Overview

FinTech

Banking Technology Niche

Deals with deal value reported & greater than \$10 million and announced during LTM period ending February 28, 2014

Acquirer	Target	Announce Date	Deal Value (\$Million)	Sub Niche
Tenemos Group AG	TriNovus, LLC	3/22/2013	25	Banking Technology
Dealertrack Technologies, Inc.	VINtek, Inc.	9/23/2013	53	Banking Technology
BBVA	Simple Finance Technology Corp.	2/20/2014	117	Banking Technology
Thoma Bravo, LLC	Digital Insight Corporation	7/1/2013	1,025	Banking Technology
Davis + Henderson Corp.	Harland Financial Solutions, Inc.	7/23/2013	1,200	Banking Technology
NCR Corporation	Digital Insight Corporation	12/2/2013	1,650	Banking Technology
Fidelity National Financial, Inc.	Lender Processing Services, Inc.	5/28/2013	3,181	Banking Technology

Source: SNL Financial

M&A Activity Overview

FinTech

Healthcare/Insurance and Investments Niche

Deals with deal value reported & greater than \$10 million and announced during LTM period ending February 28, 2014

Acquirer	Target	Announce Date	Deal Value (\$Million)	Sub Niche
ExamWorks Group, Inc.	Gould and Lamb, LLC	2/4/2014	93	Healthcare / Insurance
Experian plc	Passport Health Communications, Inc.	11/6/2013	850	Healthcare / Insurance
Investor Group	Applied Systems Inc.	11/26/2013	1,800	Healthcare / Insurance
Investor Group	Sedgwick Claims Management Services, Inc.	1/27/2014	2,400	Healthcare / Insurance
CameronTec Intressenter AB	Greenline Financial Technologies, Inc.	10/1/2013	11	Investments
Envestnet, Inc.	Wealth Management Solutions	4/12/2013	33	Investments
Markit Group Limited	MarkitSERV, LLC	4/2/2013	178	Investments
Ion Investment Group Limited	Triple Point Technology Inc.	7/13/2013	900	Investments

Source: SNL Financial

Venture Capital Activity Overview

Banking Technology 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
Crowdtilt	12	Series A	Allows groups to pull funds for objectives online	crowdtilt.com
Zazma	10	Series A	Provides financing options to businesses for necessary items, including inventory, supplies, equipment and services	zazma.com
Cove Financial Group	10	Series A	Provides an alternative mortgage program for would-be home buyers who have a down payment but may not qualify for a more conventional mortgage	covefinancial.com
LendUp	14	Series A	A lender that offers a borrowing alternative to consumers that banks and credit unions may decline; Through the use of its "ladder" small dollar loans can become an opportunity to improve financial behaviors and build credit through education, gamification, and a transparent fee structure	lendup.com
Financeit	13	Series A	Provides a platform for businesses to improve sales by offering consumer financing to customers	financeit.ca
LendKey Technologies	13	Series B	A cloud-based technology company that provides the infrastructure for any party to quickly and securely lend to another party; Users provide a variety of loan products, including private student loans, private student loan consolidates, and home improvement loans	lendkey.com
AvantCredit	20	Series B	Consumer lending services offered in certain states in the US that offers personal loans	avantcredit.com
ZestFinance	20	Series C	Developer of big data underwriting techniques intended to provide lenders improved insight on risk and allow them to offer products and service to more borrowers at lower prices	zestfinance.com
Check	24	Series C	App that monitors bank accounts and bills for users	check.me
CAN Capital	33	Series C	Non-bank provider of capital to small business in the U.S. and Latin America using real-time platform and risk-scoring models	cancapital.com
C2FO	18	Series C	Global, collaborative exchange for working capital that is used by buyers and suppliers to place and fill cash orders	c2fo.com

Source: Techcrunch.com

Venture Capital Activity Overview

Healthcare/Insurance & Investments 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
Oscar	40	Series A	Health insurance startup that focuses on using technology, design and data to offer health insurance	hioscar.com
GNS Healthcare	10	Series B	Healthcare analytics company focused on applying data analytics to empower healthcare stakeholders to solve care, treatment and cost challenges	gnshealthcare.com
Kareo	30	Series G	Web-based software provider whose software helps small practice physicians run their business and get paid by insurance companies and patients	kareo.com
TradeHero	10	Series A	Provides a platform for traders to monetize their investment expertise through a social and gamified mobile trading app	tradehero.mobi
SigFig	15	Series B	Users sync their 401(k), IRA, trading and advisor managed accounts to SigFig which then aggregates the investments into a single dashboard and provides data-driven advice	sigfig.com
M-DAQ	12	Series B	Provides a platform to price and trade exchange-traded products in multiple currencies	m-daq.com
Coinbase	25	Series B	Users can create a Bitcoin wallet and start transacting Bitcoin by connecting their bank account; Also provides merchant tools including payment processing services	coinbase.com
Learnvest	16.5	Series C	Allows user to organize multiple accounts so that they can monitor spending activity, create budgets and track budgeting goals; Also provide financial planning services	learnvest.com

Source: Techcrunch.com

Venture Capital
Case Study



SIMPLE

Venture Capital Case Study

Simple

Simple created a digital interface for banking through web and mobile apps. Absent any physical branches, **Simple** was able to attract customers through digital bank offerings. Revenue was generated through interchange fees as well as interest on customer deposits.

Timeline	Significant Corporate Events
2009	In mid-July 2009, the email that started Simple was sent where one of the founders posed the question of starting a “really, boring simple bank” that could accomplish the four key tasks of a bank as he saw it: 1) Hold money 2) Electronic payments and transfers 3) Lend cash for a risk-adjusted return, and 4) The opposite of 3 = borrowing Seed Round (\$190 thousand invested in November)
2010	In 2010, Simple began taking invite requests to bank with them from customers; Roughly 20,000 invite requests as of August; Developed staff and certain partnerships Series A Round (\$2.9 million invested in September)
2011	Additional partnerships were formed; By mid-year, beta testing of product began with first Simple debit cards issued to employees/directors; 50,000 customers had requested an invitation by May; Name and logo change from BankSimple to Simple ; Late 2011, Simple began inviting first non-employee customers Series B Round (\$10 million invested in August)
2012	Released a number of products including IOS Mobile banking application, photo check deposit, Reports (which allows for trend analysis of customer financial data and Goals (a money saving/ budgeting application)
2013	Released Android mobile application, Instant (allows for instant money transfers across Simple customer accounts); Experienced relatively rapid customer growth – 20,000 customers in January; up to 40,000 customers by mid-year; up to 100,000 customers by year-end; Processed \$1.7 BN in debit card transactions in 2013 Series C Round (\$2.2 million invested in June)
2014	Simple Sold to BBVA for \$117 Million

Source: Techcrunch.com and Simple.com blog postings

Venture Capital Case Study Simple

Top 3 Takeaways for Bankers

1. **Digital banking provides a template for account growth absent traditional branch banking model.**
 - In roughly four years and with total funding of \$15 million, **Simple's** deposit accounts grew to 100,000 in all U.S. states with zero branches and had another 250,000 invite requests.
 - R&D is fairly well-understood in other corporate fields. Should bankers incorporate a similar mindset with their digital bank platform?
 - Would bank management and stakeholders be happy with investing \$15 million over a four-year period for a digital banking platform that can generate and service deposit accounts at a comparable level?

2. **Investing in digital bank offerings can generate shareholder value.**
 - Consider that **Simple's** customer acquisition costs were \$150 (\$15 million invested divided by 100,000 customers). **Simple's** customer acquisition costs were below traditional bank customer acquisition costs.
 - » Prior reports indicate customer acquisition costs for traditional banks range from \$250 to \$450. (Source: "Free Checking Isn't Cheap for Banks": *AmericanBanker.com*)
 - Once developed, the digital banking platform is scalable and customer acquisition and accounting servicing costs should be lower than the traditional bank retail model.
 - » Consider that **Simple** added 100,000 accounts in 2013 with a minimal capital raise (\$2M).

3. **It is possible for digital banking to compete on customer service and not just interest rates.**
 - **Simple** differed from prior digital bank offerings in that it attracted depositors absent offering higher interest rates.
 - A Deloitte survey of bank customers released in 2013 indicated that a digital banking plan that provides a limited level of in-person services in exchange for reduced fees was the most popular option among customers (Source: "Retail Bank Pricing": *Deloitte, February 6, 2013*).

Venture Capital Case Study Simple

Top 3 Takeaways for FinTech Entrepreneurs

1. Importance of partnerships.

- Almost at the outset, **Simple** developed a number of partnerships that enabled it to scale up quickly and focus on improving their digital bank platform and customer experience. For perspective, consider the partnerships **Simple** developed:
 - » FDIC Insurance on Deposits (product) – The Bancorp Bank (partner)
 - » ATM Network – Allpoint
 - » Debit Cards & Payments – VISA
 - » Core Processing – TxVia
 - » Attach image, PDF, or text file to transactions – Dropbox
 - » Mobile Payments – Braintree/Venmo Touch
 - » Funding/Capital – Several venture capital funds

2. VC interest is high and will likely grow following the BBVA deal, particularly if banks follow BBVA's lead and show interest in doing FinTech investments/acquisitions.

- Consider the returns implied: Approximately \$15 million invested in **Simple** across funding rounds. **Simple** ultimately sold for \$117 million which implies the following:
 - » Internal rate of return: 147%
 - » Cash-on-cash: 7.7x
 - » Return on investment: 665%
 - » Customers acquired at cost of \$150 and sold for \$1,170

3. Find a niche early as it is difficult to match all services provided by traditional banks.

- **Simple** demonstrated the ability to generate deposit customers through a digital platform but never offered other products such as lending, credit cards, insurance, wealth management, etc.

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 financial services 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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