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Financial Technology Sector

M&A Review

Q3 2020

Introduction

In 2020 it is difficult to carry out any study or compose any market-related report without discussing the effects of the COVID-19 crisis, still raging across the globe and disrupting trends we had previously thought would be set in stone. Across Q1 and arguably Q2, fear caused by the pandemic created economic slowdowns triggering different monetary policy responses across nations, which in turn seemed to balance out the disastrous effects initially seen.

While the effects of the pandemic have been disastrous for certain parts of the economy (namely hospitality and travel), it has also proven to be an opportunity for those companies at the forefront of the digital world. It was not long until SaaS-enabled companies realised that their business models allowed them to not only continue operating, but in fact to continue growing both organically and in the scope of this report; inorganically through M&A activities.

Indeed, it seems that Q3 has started to show the first signs of recovery to pre-COVID levels in terms of M&A activity. Our research and monitoring of acquisition activity over the course of the period has revealed an encouraging increase in transactions to 117 this quarter, up almost 30% from Q1, and at time of writing, we predict that Q4 will show even more activity.

Among those subsectors of FinTech that have done well this quarter, we note perhaps unsurprisingly Banking Software and Payments Software. We had predicted earlier this year that these two subsectors would be critical in ensuring the delivery of capital to companies and individuals most hit and therefore most in need.

2020 has been a challenging year so far for FinTech firms to navigate due to the COVID-19 crisis, but during this quarter we have seen encouraging signs of recovery in M&A activity, driven by surging demand for technologies helping financial services providers manage digital-only interactions in a non-contact world

M&A Overview

This quarter saw 117 M&A transactions in the FinTech sector, of which we are highlighting 56 in this report. While the overall volume of deals has considerably increased compared to the previous quarter, it is still important to note that it is 20% lower than the same time last year at end of Q3 2019. However, valuations remained strong with revenue multiples averaging at 3.4x and going up to nearly 10x revenue.

With the effects of COVID-19 and international lockdowns continuing to accelerate the trend for remote working, digital banking, digital wealth management and online payments, FinTech software firms offering (components of) solutions for digitalisation remain of interest to acquirers in the current market.

There were several significant transactions this quarter – including the acquisition of Ellie Mae by the Intercontinental Exchange for a total consideration of \$11bn – we expect the number of large M&A deals to remain stable in the next few months, now that companies and advisors have adapted to the “new normal” during the coronavirus pandemic.

In terms of deal types, 32% of the identified transactions were cross-border, the remaining 68% taking place domestically – a large amount of which were in the US (nearly 45%).

The most active regions in terms of M&A in the FinTech space continue to be the US and Europe (predominantly the UK, the Netherlands and Germany), followed by Asia-Pacific.

Public Companies Overview

Q3 saw a slight fall from Q2 in average revenue multiples across our sample of quoted companies, which could reflect a slight fall in confidence across the global economy as many countries were returning into stronger lockdown measures. Still, as of 30 September 2020, the average forward revenue multiple overall was a high 6.9x, going up to 8.7x for Large Cap companies.

Revenue growth continues to be one of the most important drivers for higher valuations. The companies exhibiting the highest expected revenue growth this year are Fiserv, Coupa and Infront.

Recurring revenue as a proportion of total revenues continues to average above 70%, with Large Cap companies averaging at 81%.

FinTech Subsectors

Asset and Wealth Management Software

Systems developed for institutional asset and private wealth managers

Banking Software

Software that facilitates or enhances banking practices

Data and Terminals

Companies providing data and specialised terminals to financial industry players

Financial Services Consulting

Companies that provide consulting within financial services

InsureTech

Innovations in the insurance industry through technology

Life and Pensions Administration Software

Advancing and facilitating the administration of life insurance & pensions

Payments

Innovative solutions to make faster and more efficient payments

RegTech

The use of technology to facilitate the delivery of regulatory requirements

Research Management Software

Tools to enhance and simplify financial research

Retail Investment Technology

Technology aimed at furthering retail investing

Trading and Risk Management Software

Software designed for trading and risk management activities

Other

All other company types within the financial technology spectrum

M&A HIGHLIGHTS Q1 2020

\$18.3bn

Aggregate Deal Value¹

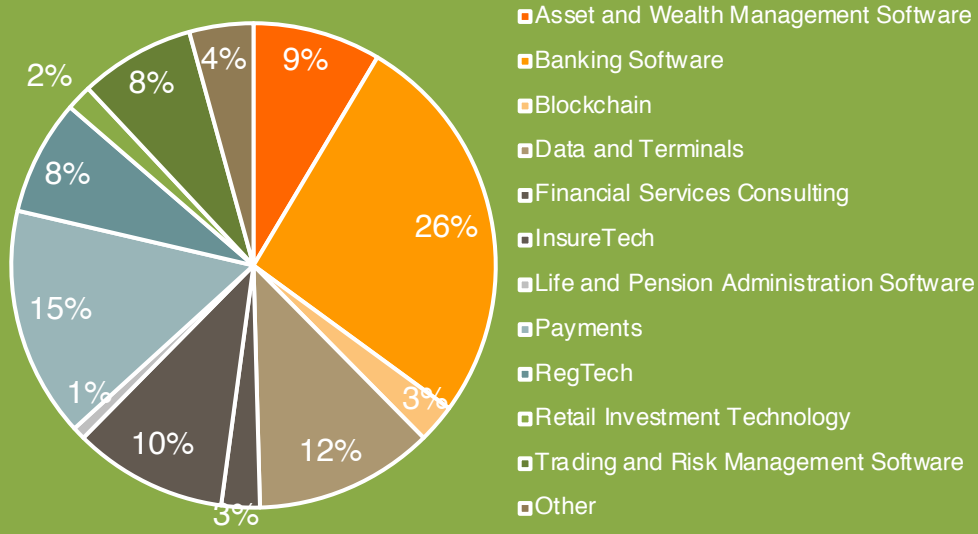
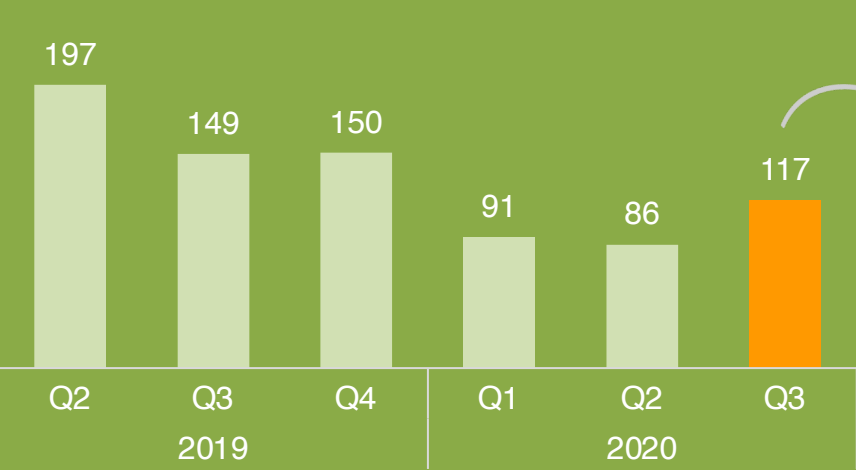
\$56m

Average Deal Size²

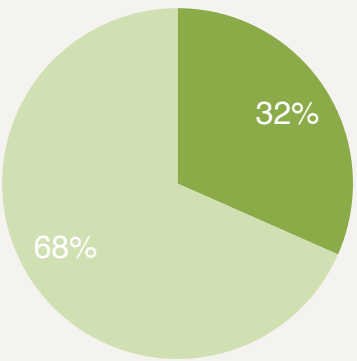
3.4x

Average Revenue Multiple

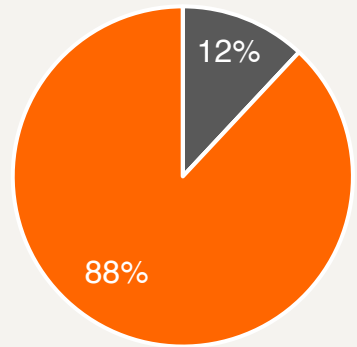
Deal Volume



Deal Volume by Type



Deals by Buyer Type



¹Including the acquisition by Intercontinental Exchange of Ellie Mae for \$11.0bn ² Excluding Intercontinental Exchange acquisition of Ellie Mae for \$11.0bn and Roper Technologies acquisition of Vertafore for \$5.4bn

DEAL SNAPSHOTS



\$5.35b

Transaction Value

20,000+

Target's Customers

£590m/ \$290m

Target's 2021 Revenue/ EBITDA

1,000+

Combined Customers

1998

Target Founded

5th

Acquisition by buyer
in past 3 years

- Announced August 13th, 2020
- Florida-based Roper Technologies has agreed to fund the transaction using all-cash
- Vertafore management team will remain onboard with CEO Amy Zupon continuing to lead the business from its Denver, Colorado, USA office
- No change is expected in Vertafore's name, brands and office location following the announcement
- Previous owners of Vertafore in the previous decade have included Bain Capital and Vista Equity who acquired it for \$2.7b in 2016 and TPG Capital, who acquired it for \$1.4b in 2010
- Brand names owned by Vertafore include iPipeline (also featured as acquisitive in this report), Logitech, ConstructConnect, Horizon, Strata Decisions, Metrix and iTradeNetwork
- Vertafore is expected to contribute \$590m in Revenue and \$290m in EBITDA in 2021
- Commenting on the transaction; Neil Hunn, CEO of Roper said:

"Vertafore is a fantastic business characterized by clear leadership in its niche market, a strong management team, high customer retention, and a long track record of consistent revenue and cash flow growth"

- Announced September 10th, 2020
- Boston-based Dynamo Software has announced its acquisition of New York-based Imagineer Technology Group
- Imagineer provides client relationship management software and services that help investor relations and fund marketing teams to manage their clients, raise capital, and operate their businesses efficiently and intelligently
- The company has been a leading provider of software in the alternative investment sector since 1998
- Of specific interest to Dynamo was Imagineer's Clienteer platform, which streamlines fund sales and marketing activities while also enabling users to track investor transactions and account performance metrics
- The acquisition will add significant value across Dynamo's product set and will bring Dynamo's client base to over 1,000 clients in its CRM, deal management, portfolio monitoring, and investor reporting capabilities
- Commenting on the transaction; Hank Boughner, CEO of Dynamo said:

"By adding the Imagineer team and technology to the Dynamo family, we not only expand our platform's offering, but increase our flexibility and speed of deployment"

SELECTED ASSET AND WEALTH MANAGEMENT TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Jul-20	Credit Suisse (Switzerland)	Canopy (Singapore)	Develops and operates an online platform that provides account aggregation, portfolio analytics, and client reporting solutions	n/a	n/a	n/a	The startup's data feed will be embedded in Credit Suisse's digital private banking platform. Canopy says it will use the funding to expand into new markets, including Hong Kong and Zurich.
Jul-20	Quercus (Poland)	Xelion (Poland)	Designs and develops software for portfolio creation taking into consideration various parameters	n/a	n/a	n/a	Quercus has entered into a binding offer to acquire 100% of the shares in Xelion investment house. The buyer is also seeking similar transactions currently that would be complementary to its product offering.
Jul-20	Curtis Banks Group (UK)	Dunstan Thomas Group (UK)	Develops software solutions for wealth managers and financial services market	35	n/a	n/a	Following the acquisition, Dunstan Thomas will keep its brand, existing locations and staff, whilst continuing to serve its existing clients. It will also retain the autonomy to grow the business and extend its market capability suite. Together, the firms will build out from Curtis Banks traditional pensions background to offer a more whole of market capability in which technology is central pillar.
Jul-20	Refinitiv (US)	Advisor Software (US)	Provider of wealth management cloud platforms for financial advisors and institutions	n/a	n/a	n/a	The acquisition of ASI's assets represents Refinitiv's continued commitment to building out its digital wealth management solutions. The ongoing transformation within the wealth management industry is the result of customers seeking compelling and curated digital experiences.
Sep-20	Dynamo Software (US)	Imagineer Technology Group (US)	Provides relationship management solutions for asset managers and allocators	n/a	n/a	n/a	Imagineer will be a strong partner to Dynamo as they solidify their leadership position in the hedge fund sector. The collaboration with Imagineer's management team will allow Dynamo to explore ways to unlock immediate value for hedge fund clients, and Dynamo will now serve nearly half of top 50 hedge funds by AUM.
Sep-20	Lincoln Investment Software Group (US)	Hanlon Advisory Software (US)	Doing business as Hanlon Advisory Software, provides bundled software and back/middle office services for financial institutions, wealth managers, advisors, broker/dealers and family offices in the United States	n/a	n/a	n/a	The integration of HAS across Lincoln Investment will accelerate the implementation of the company's five-year technology roadmap, introduced in early 2020. The combined technical expertise of HAS and Lincoln Investment will enhance the firm's ability to drive the future of advisor-client engagement.
Sep-20	iPipeline (US)	Impact Financial Systems (US)	Develops and provides business process automation solutions for brokerage, wealth management, banking, and insurance industries	n/a	n/a	n/a	The acquisition enables iPipeline to further simplify and automate business activities and increase efficiency for advisors working at Financial Institutions, Broker-Dealers, and RIAs.

SELECTED BANKING SOFTWARE TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Jul-20	NetRoadshow (US)	DealSite (US)	Develops software-as-a-service (SaaS) based Collaboration tool, purpose-built for the global commercial and investment banking industry	n/a	n/a	n/a	The acquisition aligns with NetRoadshow's 23-year focus on providing secure and compliant productivity tools to the global investment banking community.
Jul-20	T. Rowe Price Associates (US)	Apiture (US)	Develops digital banking solutions for banks and credit unions in the United States	20	n/a	n/a	Apiture's mission is to put control back into the hands of financial institutions by providing the tools and resources they need to compete in a transformative market. The additional capital underscores Apiture's continued investment in the their Xpress platform, confirming their commitment to the hundreds of banks and credit unions they serve. The funding also supports Apiture's delivery and growth in Apiture Open, their API first, cloud-native digital banking product.
Jul-20	Tink (Sweden)	Instantor (Sweden)	Develops an application programming interface for the banking industry. It provides online identification and financial data reports based on real-time technology, giving insight to customers' financial situation to financial institutions.	n/a	n/a	n/a	Instantor's products and services strengthen Tink's market position across Europe, while the acquisition also brings 150 live customers to Tink, made up of banks and fintechs across 13 markets.
Aug-20	Main Street (US)	Onovative (US)	Provides all-in-one marketing software for banks and credit unions	n/a	n/a	n/a	The purchase of Onovative further enhances Main Street's marketing services solutions. By strategically combining marketing automation and a customer relationship management (CRM) system with a communications platform, Onovative gives financial institutions a smarter, more affordable way to connect with account holders in the markets they serve.
Aug-20	Intercontinental Exchange (NYSE:ICE) (US)	Ellie Mae (US)	Develops and provides a cloud-based platform for the mortgage finance industry in the United States	11,020	n/a	n/a	The acquisition will support Intercontinental Exchange's mission to digitise the residential mortgage industry. Ellie Mae's industry leadership and best-of-breed technology will enable them to further accelerate the automation of the mortgage origination workflow, which will benefit stakeholders across the production chain, including consumers.

SELECTED BANKING SOFTWARE TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Sep-20	Collenda (Germany)	S4Dunning (Netherlands)	Develops and offers cloud based credit management solutions	n/a	n/a	n/a	As part of Collenda, S4Dunning will continue to serve its loyal customers while expanding its ability to reach and serve new markets. Working closely with the Collenda team in Utrecht, Marcel Blanken and Jeroen Jansen, founders of S4Dunning, will continue to drive the business and cultivate its track-record of customer satisfaction.
Sep-20	Ohpen (Netherlands)	Davinci (Netherlands)	Provide cross-border loan and mortgages Software as a Service (SaaS)	n/a	n/a	n/a	Ohpen will hold assets under administration in the region of \$100b, becoming the only core banking engine to offer a full suite of products for challengers and incumbents.
Sep-20	Amadeus Capital Partners (UK)	Kontomatik (Poland)	Develops a software as a service platform that offers open banking applications for non-bank entities	n/a	n/a	n/a	The investment will allow Kontomatik to implement the company's business strategy independently and market its open banking-based services across Europe.

SELECTED BLOCKCHAIN TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Jul-20	Bankia Fintech Venture (Spain)	Finweg (Spain)	Develops digital payment solutions on block chain technology to facilitate the offer of services provided by the financial institutions in Spain, Latin America, and the United States	n/a	n/a	n/a	The acquisition will see the Bank collaborate with the fintech sector, which they believe is important to successfully address the challenges facing the financial sector today.
Aug-20	FTX Trading (US)	Blockfolio (US)	Designs and develops a mobile cryptocurrency portfolio tracking and management application for the cryptocurrency and blockchain industry	n/a	n/a	n/a	The combined company aims to build a new standard for quality in retail trading experiences, by leveraging Blockfolio's expertise and the power of blockchain.

SELECTED DATA AND TERMINALS TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Aug-20	MV Index Solutions (Germany)	BlueStar Indexes (US)	Provides indices and financial data to ETF issuers, index fund sponsors, and asset managers around the world	n/a	n/a	n/a	With this deal, the two specialist index providers are joining forces to provide indices and data for the global ETF, index fund and structured products industry. The company will have more than \$18 billion in licensed product assets tracking its combined index family, with clients in North America, Europe, the Middle East, Asia and Australia
Aug-20	KG Zeroin (South Korea)	E-Daily Info (South Korea)	Engages in construction of the infrastructure of financial information systems. The company provides global financial information analysis systems related to stocks, futures, options, bonds, foreign exchange, commodities and others.	n/a	n/a	n/a	KG Zeroin is a leading provider of investment media and information in South Korea, which has announced its acquisition of E-Daily Info, a similar provider of economic information. The deal will strengthen KG Zeroin's position as a financial media powerhouse in South Korea.
Aug-20	Harbin High-Tech (SHSE:600095) (China)	Shanghai DZH (SHSE:601519) (China)	Primarily operates as an Internet financial information service provider in China and internationally	385	n/a	n/a	The Harbin High-Tech group, based in Shanghai, China, is a major real-estate player in China. It has recently completed a part acquisition of Shanghai DZ, which provides investors with financial data and data analysis through SaaS.
Aug-20	CRB Group (US)	PeerIQ (US)	Provides institutional investors with tools to analyze, access, and manage risk in the peer-to-peer lending sector	n/a	n/a	n/a	CRB Group has completed its acquisition of PeerIQ, which provides the necessary tools and data for analysis of risk in the peer-to-peer lending sector. The acquisition will allow the company to strengthen its offering in P2P lending.
Sep-20	Generation Development Group (ASX:GDG) (Australia)	Lonsec Holdings (Australia)	Research firm, provides ratings to fund managers, superannuation funds, advisory groups, and platform	19	n/a	n/a	ASX-listed financial services player Generation Development Group is set to acquire a substantial stake in investment research and consulting business Lonsec. The acquisition will see Generation Development Group add Lonsec to its existing suite of businesses, which include selling life insurance policies and asset management, and another arm to its evolving business model.

SELECTED FINANCIAL SERVICES CONSULTING TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Jul-20	PragmaGO (WSE:PRF) (Poland)	Mint Software (Poland)	Provides software solutions and services for the financial sector specializing in software development in the field of B2B financial services.	n/a	n/a	n/a	Mint Software specializes in the software development for B2B financial services. Mint Software had been a client of PragmaGo for several years, and the acquisition will therefore allow PragmaGo to use their technology in house from now on and further enhance it.
Jul-20	Nostra Systems (Ireland)	Brandon Global IT (Ireland)	Provides information technology consulting services for hedge funds, community banks, and credit unions	n/a	n/a	n/a	The acquisition now brings Nostra's employee number to 130 and allows them to offer customers further expertise and specialist services. In addition to their offices in Lucan and Laois, they will now have an office in Galway and Dublin City Centre. Nostra and Brandon boast a 97% client retention rate and Nostra expect to complete another acquisition within the next 12 months.
Sep-20	Beyondsoft (Shanghai) (China)	Jiangsu Yayin Network Technology (China)	Provides information technology services in the areas of technology development, technical consulting, and technical services in the fields of computer science and technology for small and medium-sized banks.	15.81	n/a	n/a	Beyondsoft Corporation, the China-based provider of products, solutions and IT services for enterprise clients has acquired Jiangsu Yayin Network to enhance its services offering through specialized consulting in the financial sector.

SELECTED INSURETECH TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Jul-20	Thoma Bravo (US)	Majesco (US)	Provides cloud insurance software solutions for the business transformation of the insurance industry in the United States, Canada, Mexico, the United Kingdom, Malaysia, Singapore, Ireland, and India.	733	n/a	n/a	Thomas Bravo will work closely with Majesco's team and build upon their position as a leading driver of digital transformation within the insurance industry. Majesco's journey in helping insurance companies get to the cloud faster impressed Thomas Bravo and they intend to leverage their own operational experience to enhance its capabilities and support the continued growth of the business.
Jul-20	Sapiens International Corporation (NasdaqGS:SPNS) (Israel)	Delphi Technology (US)	Provides business software solutions to the healthcare professional liability industry	20	n/a	n/a	cPlay Plus will work with Repay to capitalise on the ever-increasing demand for AP automation solutions. The already high need for cPay Plus product has been amplified since the onset of the COVID-19 pandemic. Repay's extensive resources will enable cPay Plus to take advantage of demand and develop more complete B2B offerings for clients.
Aug-20	One Inc (US)	Invenger Technologies (US)	Digital payments platform leader for Property & Casualty insurance carriers	n/a	n/a	n/a	The acquisition of Invenger by One Inc will ensure continuity of service for customers of both companies, with the two teams working in close partnership to enhance existing platforms without disruption.
Aug-20	Roper Technologies (NYSE:ROP) (US)	Vertafore (US)	Cloud-based software provides agency management, compliance, workflow, and data solutions that simplify and automate the complex property and casualty ("P&C") insurance lifecycle	5,350	590	9	The acquisition of Vertafore is a great example of Roper's disciplined capital deployment strategy which focuses on durable, long-term cash flow compounding. More information featured in our deal snapshot.
Aug-20	MGA Systems (US)	NetRate Systems (US)	Supplies commercial lines submission, underwriting, rating, policy issuance, and data reporting and analysis solutions to the property and casualty insurance marketplace	n/a	n/a	n/a	The combined company will go to market as MGA Systems, with NetRate's ISO®-based rating application and MGA Systems' Insurance Management System (IMS) policy administration solution as its product suite.
Sep-20	Thomas H. Lee Partners (US)	Insurance Technologies (US)	Designs and develops sales and regulatory automation solutions to insurance and financial services industries.	n/a	n/a	n/a	THL will acquire a majority stake in Insurance Technologies from NexPhase Capital, InsTech will continue to be led by its Chief Executive Officer and the other members of its senior management team.

SELECTED INSURETECH TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Sep-20	Exact (Netherlands)	Benelux business of Unit4 (Netherlands)	Benelux business of Unit4 Bedrijfssoftware comprises business software branch that develops software for financial intermediaries and insurance brokers.	n/a	n/a	n/a	Exact, the Dutch producer of business software, announced its acquisition of Unit4 Benelux, serving the Dutch and Belgian accountancy, SME and corporate sectors. The acquisition brings together two leading Dutch players in business software.
Sep-20	Clearlake Capital (US)	Zywave (US)	Market-leading provider of cloud-based insurance distribution software, offering expansive digital solutions to strengthen and grow insurance businesses	n/a	n/a	n/a	This move will enable Zywave to both accelerate growth organically and increase their pace of acquisitions moving forward.
Sep-20	Allianz (Switzerland)	Sobrado Software (Switzerland)	Designs and develops broker software offering tender generation. The company is based in Zurich, Switzerland. As of September 29, 2015, Sobrado Software AG operates as a subsidiary of Swiss Life Holding AG.	n/a	n/a	n/a	With this investment, Allianz wants to advance digitalization in the brokerage business.

SELECTED LIFE AND PENSIONS ADMINISTRATION SOFTWARE TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Sep-20	iPipeline, Inc. (US)	WELIS, LLC (US)	Develops life and annuity illustration and administration software for the life insurance and annuity industry in the United States	n/a	n/a	n/a	iPipeline – a leading provider of cloud-based software solutions for the life insurance and financial services industry has acquired WELIS. The acquisition positions iPipeline as one of the largest providers of illustrations in the life insurance industry.

SELECTED PAYMENTS TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Jul-20	Repay Holdings Corporation (NasdaqCM:RPAY) (US)	cPay Plus (US)	Offers payments software and services to automotive, property management, and field services	16	n/a	n/a	The combined company will accelerate growth in Repay's B2B business, particularly in automotive and property management verticals.
Jul-20	Conductor Tecnologia (Brazil)	Muxi Tecnologia em Pagamentos (Brazil)	Develops technology solutions for the capture and automation of electronic transactions.	n/a	n/a	n/a	The acquisition is part of Conductor's initiatives to expand its product and service offering across the entire payment method chain in Brazil and also accelerate its international expansion.
Sep-20	CheckAlt (US)	U.S. Dataworks (US)	Develops and offers payments and integrated receivables software solutions	n/a	n/a	n/a	This move will strengthen CheckAlt's current integrated receivables product suite to include flexible insource technology. This is CheckAlt's third acquisition in six years.
Sep-20	Payroc (US)	Blackline Partners (US)	Doing business as eConduit, develops and offers software, which provides integrated payment services.	n/a	n/a	n/a	The eConduit technology will provide Payroc's integrated software partners and point of sale systems a unique, single cloud integration point to a global variety of payment terminals without a lengthy certifications process, access to sensitive data or PCI PA DSS requirements

SELECTED REGTECH TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Jul-20	Flourish Ventures (US)	Hummingbird Regtech (US)	Develops a platform for managing anti-money laundering (AML) operations at banks, payment companies, cryptocurrency companies, lenders, marketplaces, and other financial services providers	8	n/a	n/a	Flourish invested in Hummingbird since its inception because it is a business at the intersection of two important trends accelerated by the pandemic – finance embedded in all our digital experiences and the digitisation of regulation. Flourish believes the Hummingbird team cracked the code for automation in AML where other firms have struggled.
Aug-20	Compliance Solutions Strategies (US)	AMFINE (France)	Provider of SaaS-based regulatory reporting services to European asset managers, asset servicers and insurers	n/a	n/a	n/a	The combination with AMFINE reinforces CSS's position as a leading RegTech solutions provider to the investment management market with a comprehensive global offering across fund reporting, transaction reporting, investment monitoring and compliance management.
Sep-20	Kaizen Reporting (UK)	MDM Compliance (UK)	Provide a shareholding monitoring and reporting solution to financial institutions who are exposed to disclosure requirements	n/a	n/a	n/a	The newly named 'Shareholding Disclosure Service' (SDS) will sit alongside Kaizen's existing reporting quality assurance services providing the controls firms need to ensure they effectively meet their reporting quality and control obligations.
Sep-20	Lucht Probst Associates (Germany)	Acarda (Germany)	Specialist for integrated, regulatory and automated data management and reporting solutions	n/a	n/a	n/a	The addition of Acarda will enable the LPA Group to enter the attractive digitalization and transformation business in asset management and increase its expertise and technical know-how in the field of automation.
Sep-20	SitusAMC (US)	LogicEase Solutions (US)	Designs, develops, and provides intelligent business solutions to financial services institutions	n/a	n/a	n/a	Real estate services and technology firm SitusAMC just acquired the parent company of compliance technology provider ComplianceEase, LogicEase. The acquisition has the goal for the acquirer of bringing greater automation and transparency to the residential market.
Sep-20	Finconomy (Germany)	MiFID-Recorder (Germany)	Develops Software as a service (SaaS) mobile application and online platform for recording audio and video conversations and calls	n/a	n/a	n/a	Market leader in regulatory taping and recording Finconomy will expand its capabilities in hybrid advisory solutions in the wealth and asset management segment.
Sep-20	MarketAxess Holdings (Nasdaq:MKTX) (US)	Regulatory Reporting Hub (from Deutsche Boerse) (Germany)	Pan-European reporting and compliance platform that enables buy- and sell-side clients to meet their regulatory obligations and transparency requirements across multiple regulations	n/a	n/a	n/a	The acquisition of the Regulatory Reporting Hub will help to further expand and enhance these services across a broader European client base, particularly in Germany, France and the Nordics.

SELECTED REGTECH TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Sep-20	Cleversoft (Germany)	Business Forensics (Netherlands)	Designs and develops risk, fraud, and compliance management software	n/a	n/a	n/a	The acquisition of BusinessForensics marks the second step in cleversoft's buy and build strategy after the combination with the risk and regulatory reporting expert SecondFloor in 2019. This acquisition enables cleversoft to significantly strengthen its software suite along the compliance lifecycle by providing increasingly important functionalities to their customers as governmental scrutiny is putting more pressure on financial institutions to comply with KYC/AML regulations.

SELECTED RETAIL INVESTMENT TECHNOLOGY TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Jul-20	Mendoza Ventures (US)	Senso.ai (Canada)	Develops a cloud-based predictive portfolio management platform for the retail banking industry	3	n/a	n/a	Mendoza Ventures' financial commitment combined with their vast network in both the US technology and financial services space will fuel Senso's growth into the US market to solve a problem which every financial institution needs right now due to a spike in activity across their marketing channels. The combined company will build the future client experience in the financial services space.

SELECTED TRADING AND RISK MANAGEMENT SOFTWARE TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Sep-20	Just2Trade (US)	High Frequency Trading assets of Lightspeed Financial Services Group (US)	High Frequency Trading assets of Lightspeed Financial Services Group comprises Lightspeed's high frequency business and low latency execution technology	n/a	n/a	n/a	Just2Trade has acquired the high frequency assets of Lightspeed Financial Services Group in order to add high frequency trading services to its day trading offering.
Sep-20	Deutsche Börse (XTRA:DB1) (Germany)	Quantitative Brokers (US)	Buy-side, independent provider of advanced execution algorithms and data-driven analytics for global futures, options, and interest rate markets	n/a	25	n/a	The leading fintech company is well integrated into the buy side value chain. Its growing global client base will add further momentum to Deutsche Börse's buy side focused initiatives.
Sep-20	IPGL (UK)	Digital Debt Capital Markets (UK)	Develops and offers agora, a software solution to digitize the end-to-end life cycle of a bond	6	n/a	n/a	The new funding will be used to develop the business by hiring critical staff for marketing, user support and further software development.
Sep-20	BELLIN (Germany)	Much-Net (Germany)	Leading treasury risk and financial instrument software and services provider	n/a	n/a	n/a	This move will further strengthen and extend BELLIN's valuation and risk management offering. The acquisition will enable customers to benefit from the full suite of valuation and risk management options integrated in their treasury management system – from risk management staples to highly specialized solutions.
Sep-20	B3 (BOVESPA:B3SA3) (Brazil)	BLK Sistemas Financeiros (Brazil)	Engages in the creation and development of software and algorithms for capital markets and financial derivatives in Brazil	n/a	n/a	n/a	Brazilian stock exchange operator B3 SA - Brasil Bolsa Balcão completed the acquisition of the remaining 25% stake in technology firm BLK Sistemas Financeiros.
Sep-20	Jumio (US)	Beam Solutions (US)	Develops transaction monitoring and case management functionalities	n/a	n/a	n/a	Jumio will integrate Beam's AML screening and transaction monitoring services into its KYX Platform to detect financial crime and streamline regulatory compliance.

SELECTED OTHER TRANSACTIONS

DATE	BUYER	TARGET	DESCRIPTION	DEAL SIZE (\$'m)	TARGET REVENUE (\$'m)	REVENUE MULTIPLE (x)	TRANSACTION RATIONALE
Jul-20	Eze Castle Integration (US)	Alphaserve Technologies (US)	Provider of infrastructure technology and digital IT services	n/a	n/a	n/a	The addition of Alphaserve broadens Eze Castle's product offering and strengthens its ability to service clients with innovative and robust technology. The combination of the two firms solidifies Eze Castle's position as a leader in end-to-end technology solutions for the financial and professional services industries.
Jul-20	Gresham Technologies (LSE:GHT) (UK)	Inforalgo Information Technology (UK)	Develops cloud-hosted straight-through-processing (STP) and intelligent automation software solutions for financial institutions	4.7	1.8	n/a	The acquisition of Inforalgo extends Gresham's Clareti portfolio of cloud services with over 80 adaptors enabling rapid integration to exchanges, ECN's and multi-lateral trading facilities, and regulatory reporting venues alongside existing Clareti bank integration and financial messaging capabilities.

PUBLIC COMPS HIGHLIGHTS

6.9x

Avg. EV/Revenue CY2020E

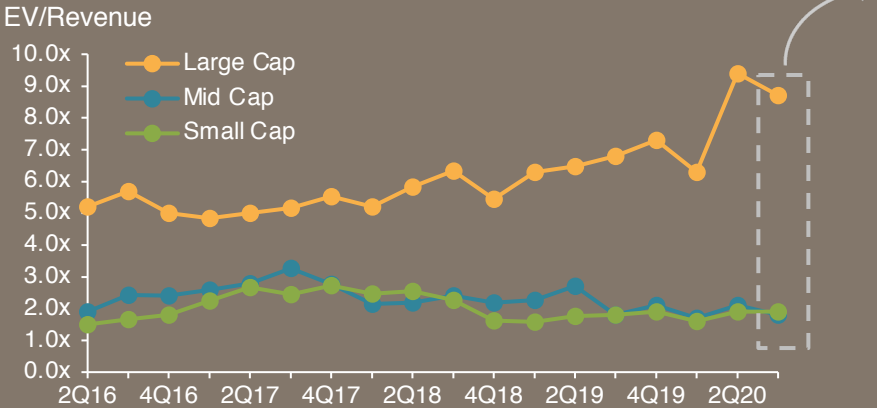
18%

Avg. Revenue Growth CY2019

78%

% Recurring Revenue

Historic Revenue Multiples



Large Cap

8.7x

Avg. EV/Revenue

17%

Avg. Revenue Growth

81%

% Recurring Revenue

Mid Cap

1.8x

Avg. EV/Revenue

12%

Avg. Revenue Growth

82%

% Recurring Revenue

Small Cap

1.9x

Avg. EV/Revenue

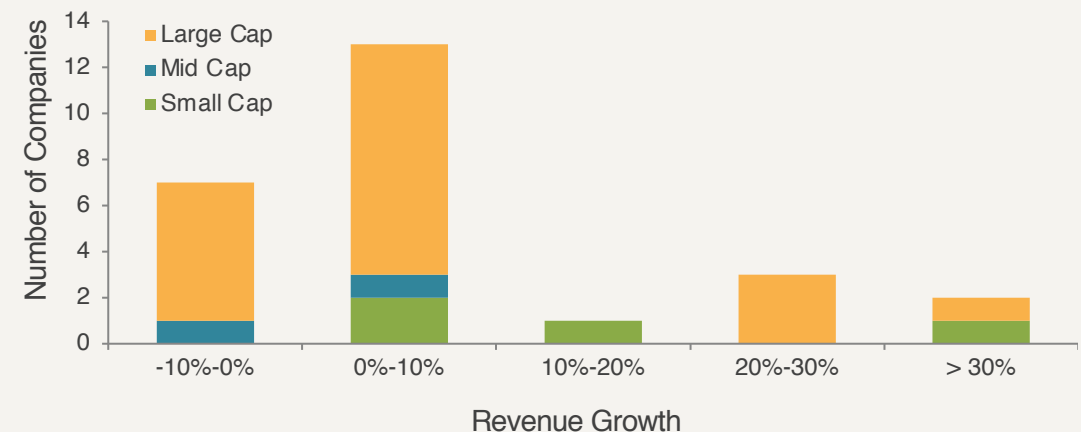
23%

Avg. Revenue Growth

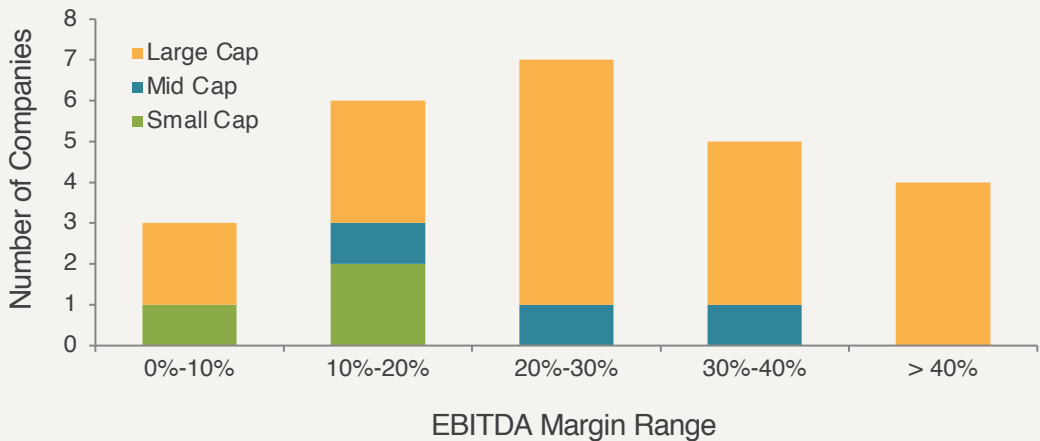
69%

% Recurring Revenue

Revenue Growth Distribution

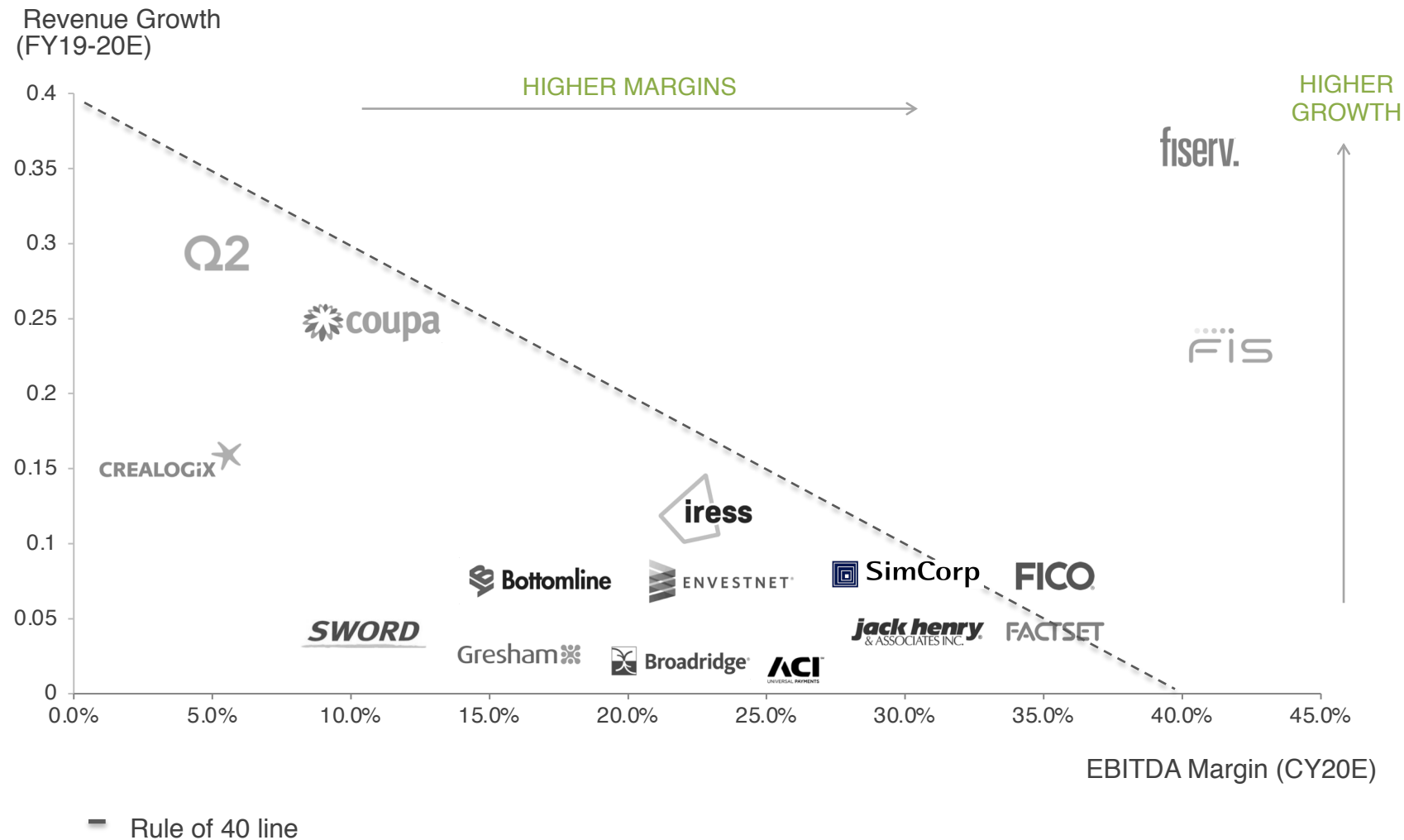


EBITDA Margin Distribution



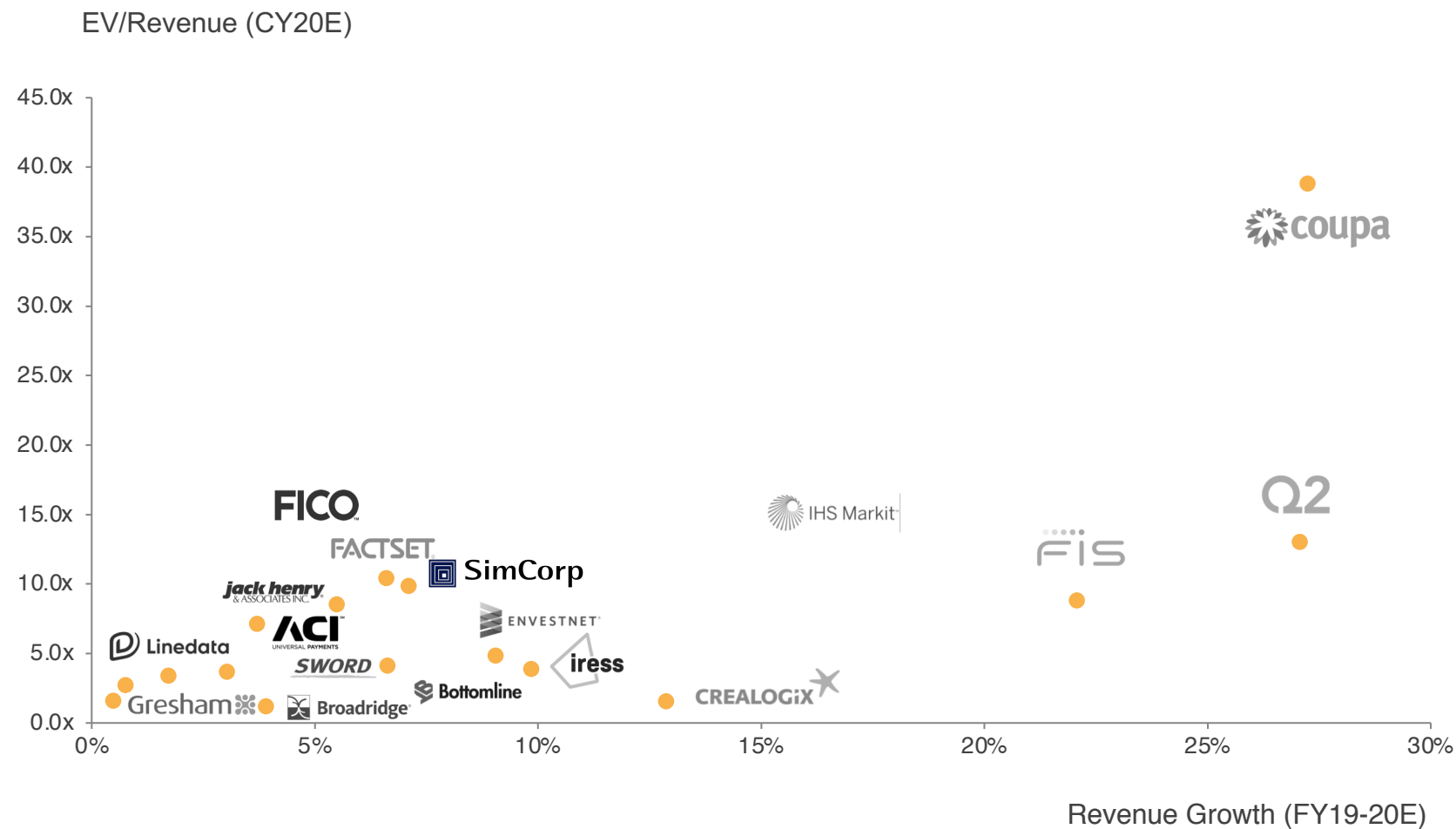
PERFORMANCE QUADRANTS

The Rule of 40 is a recognised measure of health for SaaS companies, which states that Revenue Growth % and EBITDA Margin (profitability) should ideally add up to roughly 40%.



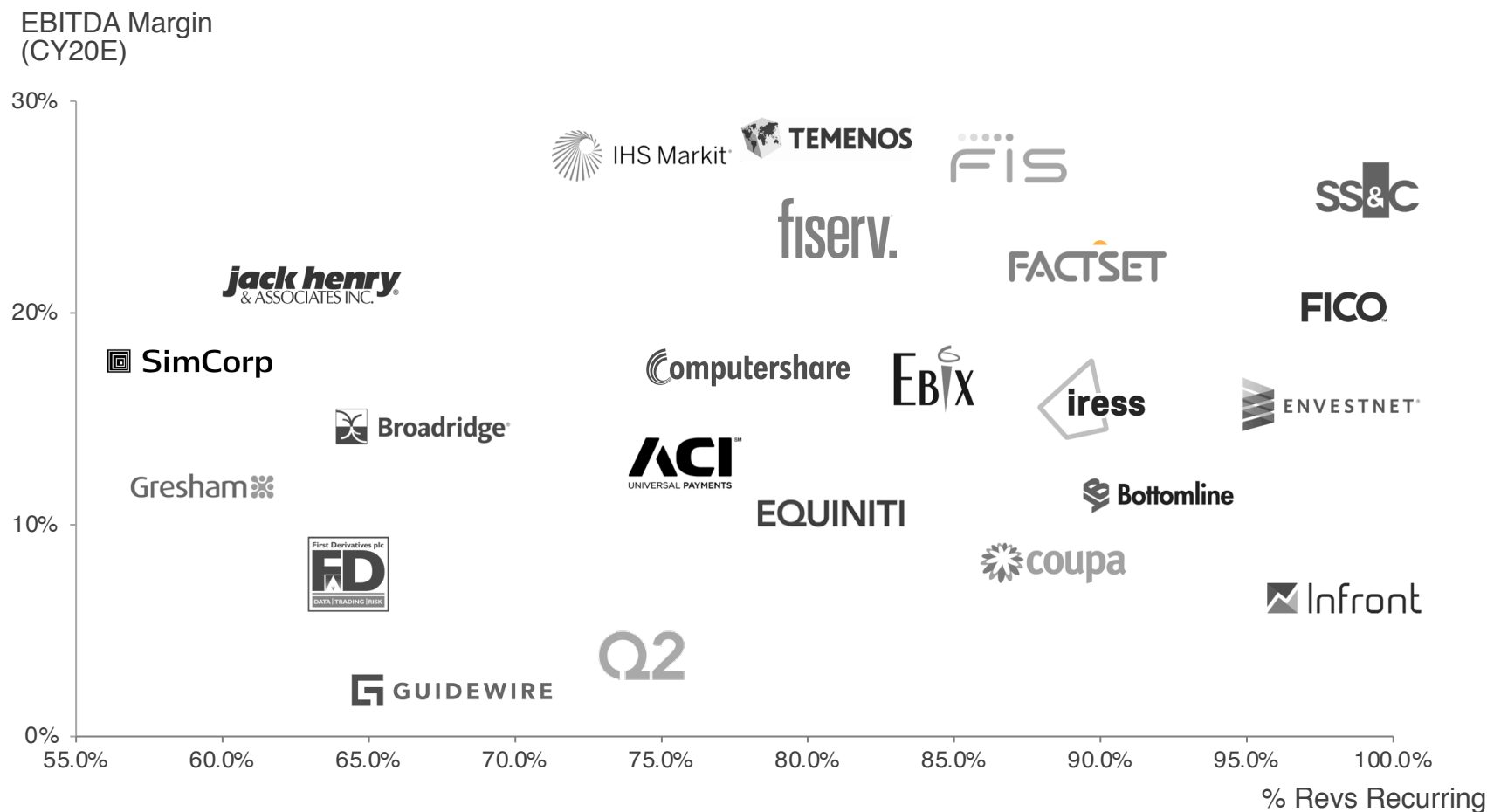
REVENUE GROWTH AS A VALUE DRIVER

Revenue growth continues to be one of the most important drivers for higher valuations. The companies exhibiting the highest expected revenue growth this year are Q2ebanking, FIS and ACI.



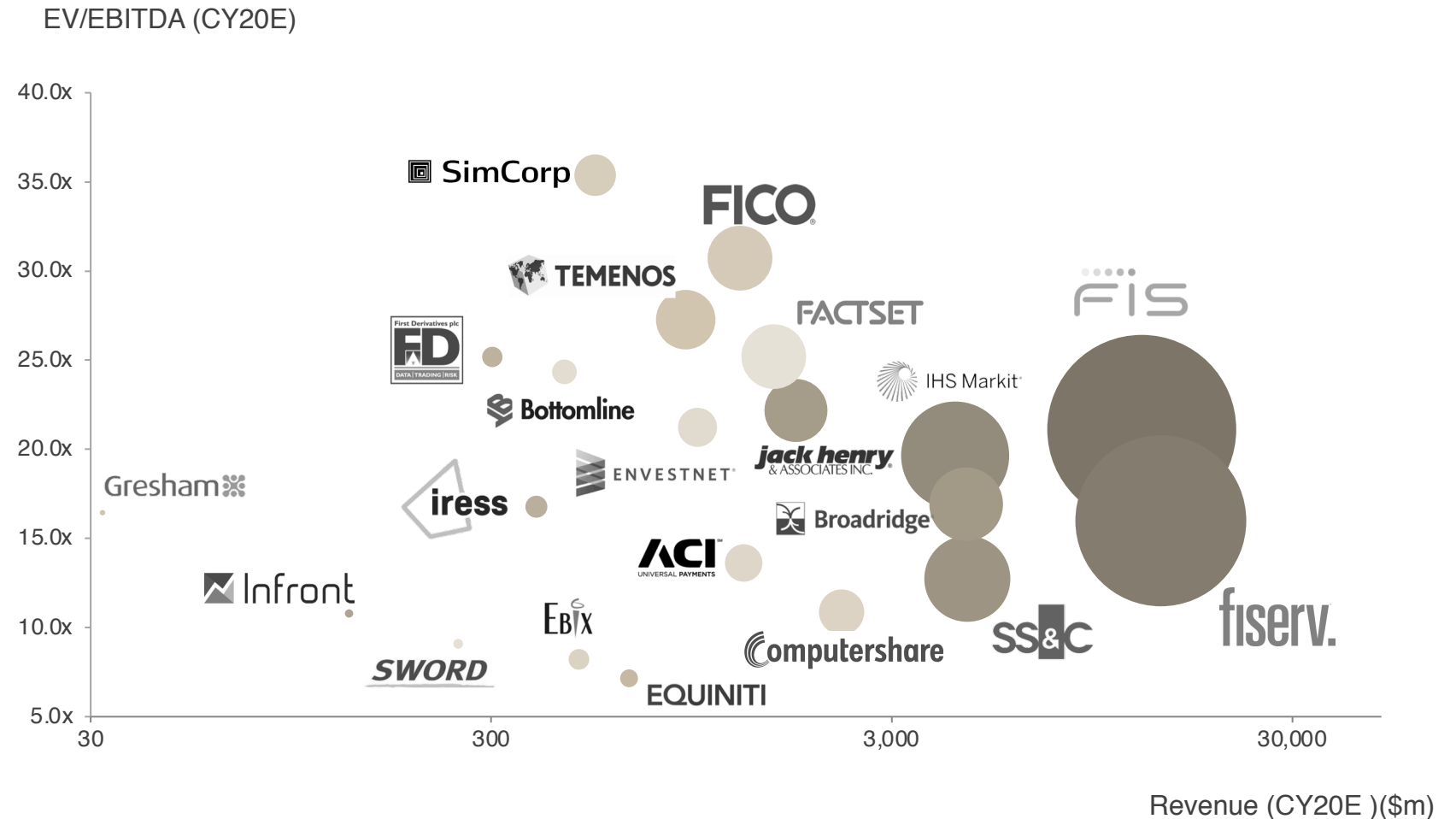
RECURRING REVENUE AS A DRIVER OF OPERATING MARGINS

Recurring revenues as a percentage of total revenues is an increasingly popular metric driving valuations. Companies of the likes of SS&C, FICO, Infront and MSCI have more nearly 100% recurring revenues, while at the bottom of the range sit First Derivatives, Jack Henry & Associates and Gresham with recurring revenues of only little above 60% of total revenues.



SCALE AS A VALUE DRIVER

The size of revenue is too an important driver of higher valuations. The companies exhibiting the highest expected enterprise value this year are FIS and Fiserv, while the highest expected EBITDA multiples this year are expected to be achieved by Crealogix and MSCI.



SECTOR VALUATION METRICS

Company	Share Price Local 30-Sep-20	Market Cap (\$m) ⁽¹⁾	Net Debt (\$m) ⁽²⁾	Enterprise Value (\$m)	Revenue	EV/Revenue		EV/Revs	EV/EBITDA		Revenue Growth		EBITDA Margin		% Revs
					CY20E (\$m)	CY2019	CY2020E	Recurring	CY2019	CY2020E	CY2019	CY2020E	CY2019	CY2020E	Recurring ⁽³⁾
Selected Large Cap															
FIS	147.2	91,212	19,764	110,976	12,613	10.7x	8.8x	10.3x	31.2x	21.1x	22.7%	22.1%	34.4%	41.7%	85%
Fiserv	103.1	69,007	21,749	90,756	14,076	8.9x	6.4x	7.7x	26.6x	16.0x	74.9%	38.2%	33.5%	40.3%	83%
IHS Markit	78.5	31,275	5,014	36,289	4,315	8.2x	8.4x	11.3x	22.7x	19.6x	10.1%	-2.8%	36.3%	42.8%	74%
MSCI	356.8	29,840	1,752	31,592	NA	20.3x	NA	NA	36.3x	NA	8.6%	8.0%	55.9%	NA	96%
Coupa	274.2	18,881	16	18,897	487	49.9x	38.8x	43.8x	NM	NM	49.7%	27.2%	-9.6%	10.9%	89%
SS&C	60.5	15,589	7,410	22,998	4,629	5.0x	5.0x	5.0x	13.0x	12.7x	35.4%	-0.1%	38.2%	39.0%	100%
Broadridge	132.0	15,201	1,635	16,836	4,598	3.8x	3.7x	5.5x	17.9x	16.9x	3.8%	3.0%	21.1%	21.6%	67%
FactSet	334.9	12,723	271	12,994	1,521	8.9x	8.5x	9.6x	26.1x	25.2x	4.1%	5.5%	34.2%	33.9%	89%
Jack Henry	162.6	12,461	(144)	12,317	1,728	7.6x	7.1x	11.5x	23.0x	22.2x	9.3%	3.7%	33.0%	32.1%	62%
FICO	425.4	12,336	698	13,034	1,253	11.1x	10.4x	10.4x	41.1x	30.7x	16.0%	6.6%	26.9%	33.9%	100%
Temenos	124.1	9,982	1,022	11,004	917	11.3x	12.0x	14.8x	30.1x	27.3x	15.6%	-5.6%	37.7%	44.0%	81%
Guidewire	104.3	8,704	(673)	8,031	737	11.0x	10.9x	15.1x	NM	NM	3.2%	-1.6%	5.2%	3.7%	72%
Morningstar	160.6	6,894	320	7,214	NA	6.1x	NA	NA	21.1x	NA	15.6%	NA	28.9%	NA	67%
SimCorp	835.5	5,328	45	5,372	545	10.6x	9.9x	17.1x	33.7x	35.4x	12.6%	7.1%	31.4%	27.9%	58%
Q2 Holdings	91.3	4,881	338	5,218	401	16.5x	13.0x	18.1x	NM	NM	30.9%	27.1%	-11.5%	5.6%	72%
Computershare	12.2	4,740	1,635	6,374	2,247	2.8x	2.8x	3.6x	9.6x	10.9x	-3.2%	-2.2%	28.7%	26.1%	78%
Envestnet	77.2	4,149	585	4,734	982	5.3x	4.8x	5.0x	46.0x	21.2x	10.8%	9.1%	11.4%	22.7%	97%
ACI	26.1	3,041	1,314	4,355	1,280	3.5x	3.4x	4.4x	16.5x	13.6x	24.6%	1.7%	21.0%	25.0%	77%
Bottomline	42.2	1,884	(4)	1,880	457	4.4x	4.1x	4.5x	38.2x	24.3x	4.8%	6.6%	11.4%	16.9%	92%
IRESS	9.6	1,326	176	1,502	389	4.2x	3.9x	4.3x	16.1x	16.8x	1.9%	9.8%	26.3%	23.0%	90%
First Derivatives	33.2	1,180	101	1,281	302	4.3x	4.2x	6.8x	25.5x	25.2x	5.9%	-0.8%	16.7%	16.9%	62%
Average						10.2x	8.7x		26.4x	21.2x	17%	8%	24%	27%	81%
Total (Large Cap)		360,634	63,020	423,654											
Selected Mid Cap															
Ebix	20.6	637	686	1,322	497	2.3x	2.7x	3.2x	7.4x	8.2x	16.6%	-14.5%	30.7%	32.4%	83%
Equiniti	1.1	537	448	984	662	1.4x	1.5x	1.9x	5.9x	7.2x	0.1%	-6.6%	23.5%	20.8%	80%
Sword	31.8	355	(60)	295	248	1.2x	1.2x	NA	9.7x	9.1x	17.9%	3.9%	12.8%	13.1%	NA
Average						1.6x	1.8x		7.7x	8.2x	12%	-6%	22%	22%	82%
Total (Mid Cap)		1,529	1,073	2,602											
Selected Small Cap															
Linedata	25.9	201	101	302	191	1.6x	1.6x	1.9x	5.8x	NA	-7.2%	0.5%	27.5%	NA	84%
Crealogix	119.0	181	(5)	175	113	1.7x	1.6x	3.3x	NM	NM	3.6%	12.9%	-1.4%	0.8%	47%
MSG	2.2	110	(17)	94	NA	0.5x	NA	NA	23.7x	NA	3.4%	NA	2.3%	NA	20%
Gresham	1.1	98	(11)	87	32	2.7x	2.7x	4.5x	20.8x	16.4x	23.9%	0.8%	13.2%	16.5%	61%
Infront	20.0	93	120	213	132	2.5x	1.6x	1.6x	22.8x	10.8x	149.1%	56.6%	11.0%	14.9%	98%
Profile Software	3.9	54	(12)	42	NA	2.4x	NA	NA	8.7x	NA	8.0%	NA	27.6%	NA	70%
63 Moons	68.4	43	(178)	(135)	NA	NM	NA	NA	6.0x	NA	-19.9%	NA	-70.4%	NA	98%
Dion	NA	NA	62	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	74%
Average						1.9x	1.9x		14.6x	13.6x	23%	18%	1%	11%	69%
Total (Small Cap)		780	61	778											
Sector Total		362,942	64,154	427,034		7.7x	6.9x	9.0x	21.7x	18.6x	18%	8%	19%	24%	78%

(1) Excludes treasury shares

(2) Net financial debt minus marketable securities and collaterals.

(3) Recurring revenues (renewing licences, maintenance, subscriptions, SaaS etc) where reported for last full year

(4) NM - Not meaningful and NA - Not available

Quick Facts

- Partner-centric firm focused on providing advisory services to sellers and buyers in M&A projects across the globe
- Deep domain expertise across software, services and data intensive sectors, with a focus on FinTech, HRTech and Human Capital
- Our Partners have advised on 100+ transactions with values up to £130m; the majority (70%) of our engagements result in cross-border transactions
- International presence with offices in London, San Diego and Buenos Aires
- Proven track record of successful long-term advisory relationships positioning clients for premium transactions using current insights into the relevant strategic investors

Selected Transactions

 FinTech	 FinTech	 FinTech	 FinTech	 FinTech
 Has been acquired by: 	 Has been acquired by: 	 Has acquired: 	 Has been acquired by: 	 Has been acquired by: 
Goldenhill International M&A Advisors	Goldenhill International M&A Advisors	Goldenhill International M&A Advisors	Goldenhill International M&A Advisors	Goldenhill International M&A Advisors

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