

March 2, 2015
Financial Technology Partners LP
FTP Securities LLC
Transaction Profile:



acquires



Courtesy of:



Financial Technology Partners LP
555 Mission St., 23rd Floor
San Francisco, CA 94105
Tel: 415.512.8700

The Only Investment Bank
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www.ftpartners.com



Steve McLaughlin
Managing Partner
Tel: 415.992.8880
steve.mclaughlin@ftpartners.com

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PayPal Acquires Paydiant

Transaction Overview

Transaction Overview

- On March 2, 2015, PayPal announced that it had agreed to acquire Paydiant
 - Details of the transaction were not disclosed, but the purchase price is estimated at \$280 mm ⁽¹⁾
- PayPal plans to leverage Paydiant's technology platform used by big retail chains to help other merchants create their own mobile wallet apps
- The acquisition positions PayPal to potentially become a popular payment option in brick-and-mortar stores as well as an additional payment method for mobile apps
- The combination of PayPal and Paydiant will enable the scaling of the combined company's mobile wallet technology, offering value added benefits including: risk management, 24x7 customer support, loyalty points and private label card acceptance and an open payments platform that supports all mobile operating systems
 - PayPal's global reach expands into more than 200 markets and 162 million active digital wallets
- In addition to the Paydiant acquisition, PayPal also announced a plan to begin selling NFC-enabled versions of its PayPal Here card reader

Selected Quotes in Response to Paydiant Acquisition

BetaBoston

"The move to add the Newton-based company is a strategic play by PayPal to form a deeper connection with merchants, due to Paydiant's relationship with MCX. PayPal seemed to be losing ground in the race to own the payments space, with Apple, Google, and Samsung all developing their own payment systems."

TE

"Adding Paydiant will bring more point-of-sale volume on to PayPal's platform, and it will also give PayPal a more established route into tackling more of that large-merchant market, offering them the proposition of developing their own-branded mobile wallets and credit cards alongside other marketing programs like gift cards and loyalty cards."

StreetInsider.com
If you're not inside...you're outside

"Consumers repeatedly tell us they prefer to use a mobile payment solution offered by their trusted financial institution. PayPal recognizes that preference, and has thrown their support to a platform which empowers both financial institutions and retailers to provide mobile payments functionality in their own apps, in ways that best serve their members or customers."

Paul Fiore, CEO CUWallet

PayPal's acquisition of Paydiant follows a string of recent consolidation in the mobile wallet space including Google's acquisition of Softcard and Samsung's acquisition of LoopPay

Clearly, mobile wallet providers are bulking up in an attempt to better compete with Apple Pay

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Source: Re/code, VentureBeat, Gigaom, TechCrunch.

(1) Re/code

(2) PayPal

The acquisition of Paydiant and the introduction of NFC technology to PayPal Here card readers will enable PayPal to better compete with Apple Pay and Google Wallet while enabling clients to create and manage their own mobile wallet apps as well

PayPal Acquires Paydiant

Paydiant Overview

Overview	
CEO:	Kevin Laracey
Headquarters:	Newton, MA
Founded:	2010
<ul style="list-style-type: none"> Paydiant provides a cloud-based mobile wallet platform for retailers, banks and payment processors <ul style="list-style-type: none"> Paydiant's platform enables its partners to integrate technology agnostic, complete mobile wallet capabilities into their own mobile apps The platform works with existing smartphones, POS systems and payment terminals The mobile wallet functionality includes mobile payments, loyalty programs, coupons and e-receipts The technology allows smartphone users to either scan a QR code at retailers' existing POS system, or pay through NFC technology Paydiant has secured several strategic partnerships including Merchant Customer Exchange (MCX), which has been working to develop CurrentC, its mobile payment app 	

Selected Paydiant Partnerships	
MCX MERCHANT CUSTOMER EXCHANGE	barclaycard
SUBWAY	Capital One
CUWallet	FIS
pulse	orange leaf
vantiv	

MCX / CurrentC
<ul style="list-style-type: none"> MCX is Paydiant's largest partnership, providing its mobile wallet platform for the development of MCX's payment app, CurrentC, to challenge Apple Pay <ul style="list-style-type: none"> CurrentC makes it easier for shoppers to use payment methods including bank accounts or store-branded cards that are cheaper for retailers to process compared to traditional credit and debt cards The MCX consortium includes Walmart, Target, Sears, Wendy's, Exxon and CVS among others PayPal is now well positioned to deliver a merchant-friendly solution to MCX members and can work with members to get a solution into the market quickly

Previous Equity Financings		
Date	Size (\$ mm)	Lead Investors
09/10/13	\$15.0	NORTH BRIDGE General Catalyst Partners StageOne Taking Startups to the Next Level
07/10/12	12.0	NORTH BRIDGE General Catalyst Partners StageOne Taking Startups to the Next Level
02/21/11	7.6	NORTH BRIDGE General Catalyst Partners

Source: Paydiant website, Pymnts.com, Boston Business Journal, TechCrunch.

PayPal Acquires Paydiant

PayPal Overview

Overview



President: Dan Schulman
Headquarters: San Jose, CA
Founded: 1998

- PayPal enables individuals and businesses to securely, easily and quickly send and receive payments online and through a broad range of mobile devices
- The technology platform is designed to help businesses of all sizes manage their cash flow, invoice clients and pay bills, and to reduce the need for merchants to receive and store sensitive customer financial information
- PayPal does not charge merchants setup fees and offers a standard service with no recurring monthly fees; online processing does not require merchants to purchase specialized hardware
- The Company has over 160 mm active registered accounts, enabling consumers and businesses to accept and make payments in more than 100 different currencies
 - PayPal processes about 11.5 mm payment transactions daily, representing \$624 million in payments every day
- PayPal's reported revenue of \$7.9 bn in 2014, growing 19% from the previous year, with \$419 mm in net income

Selected Acquisitions

Announce Date	Target	EV (\$ in mm)
12/17/13	 StackMob Powering Mobile Applications	na
11/06/13	 LOOP COMMERCE	\$12
11/26/13	 Braintree	800
07/17/12	 card.io	na
07/07/11	 ZONG	240
04/28/11	 Fio	na
11/07/08	 BillMeLater®	945
02/08/08	 FraudSciences	154
10/10/05	 VeriSign	370

PayPal Acquires Paydiant

Selected Online / Mobile Wallet Providers



Google was a pioneer in NFC-based mobile payments, but appeared to be fading from the scene; however, its Softcard acquisition and partnership with the major wireless carriers should breath new life into Google Wallet

- Google launched its NFC-based wallet in 2011 and folded Google Checkout into it; in August 2012, the Company announced that the Google Wallet Offering was updated to a cloud-based system
- In Nov. 2013, Google switched to host card emulation (HCE) for its wallet, which allows Android devices to emulate cards and financial institutions to host payment accounts in the virtual cloud
- On February 23, 2015, Google announced that it had agreed to acquire components of Softcard's technology and intellectual property, which it will use to strengthen Google Wallet
- Perhaps the most important part of the Softcard transaction, Google also announced an agreement with the biggest US wireless carriers (AT&T, T-Mobile and Verizon) to have Google Wallet preinstalled on all of their Android phones, making it a much stronger challenger to Apple Pay



- In September 2014, Apple unveiled Apple Pay, Apple's new way to make payments using iPhones at the point-of-sale or within apps
- The Apple iPhone 6 and Apple Watch product lines are NFC-based and utilize a secure element in the phone to store the users' sensitive payment information
- When the user holds the device over an NFC terminal, the NFC controller in the device routes all of the data from the reader directly to the secure element; after the transaction is complete, an application can query the secure element directly for the transaction status and notify the user
- User can add a card to Passbook by uploading it from their existing iTunes account or by taking a picture of their Visa, MasterCard or American Express card with the Apple iSight camera

PayPal Acquires Paydiant

Selected Online / Mobile Wallet Providers (cont.)

MCX remains largely an unknown in the mobile wallet wars as it has yet to deploy its offering

Meanwhile, MCX member merchants (which include many of the largest retailers in the U.S.) are prohibited from working with other mobile wallet providers at the POS so MCX's lack of deployment, at least for now, serves as a barrier to broader consumer adoption of mobile payments

MCX MERCHANT
CUSTOMER
EXCHANGE



- MCX is a digital wallet platform created by retailers led by Walmart, 7/11 and Target with the intention of simplifying and securing their customers' shopping experience
- In September 2014, MCX launched CurrentC, its mobile payment network
- The mobile application works with most existing POS and payment terminals, allowing merchants of all sizes to enter the mobile payments movement
- Consumers will be able to gain access to the entire CurrentC network through the CurrentC app or through participating merchants' mobile applications that utilize the CurrentC functionality⁽¹⁾
- User information will be stored in its cloud vault – the app uses a token placeholder to facilitate transactions
- At full scale, the application will be accepted in more than 110,000 merchant locations across the country and offer merchant loyalty programs and instant coupon savings



- LoopPay's patented Magnetic Secure Transmission (MST) technology turns in-store payment terminals where consumers would normally swipe a credit card into contactless readers
 - Works at approximately 90% of retail locations globally; no special equipment needed to accept payments with LoopPay-enabled smartphone or other devices
- Cards can be securely stored on the phone in the mobile wallet through a dongle device
- LoopPay supports 10,000+ issuers, thousands of credit and debit cards along with most gift, loyalty, private label, prepaid and campus cards
- Technology can be embedded in numerous form factors including charge cases for iPhones, most Android phones, fobs, and watches for less than \$1
- On Feb. 18, 2015, Samsung Electronics announced that it had agreed to acquire LoopPay, making it a foundation of Samsung's mobile wallet offering

PayPal Acquires Paydiant

Selected Online / Mobile Wallet Providers (cont.)



- LevelUp is a mobile payment and loyalty platform built to help businesses take advantage of the shift to mobile payments; over 14,000 businesses use LevelUp to accept mobile payments and run their customer rewards programs
- On September 9, 2014, the Company revealed an integration into Apple's Passbook and support for NFC and enhanced smartwatch device support in LevelUp's new scanners
- LevelUp supports the following mobile platforms and technology: Apple, Android, Windows Phone, NFC, QR Code, iBeacon, smartwatches, Apple Passbook and Google Wallet
- Raised \$21mm in financing in 2012 – the Company is backed by Google Ventures, Balderton Capital, Highland Capital Partners, DreamIT Ventures, Bantam Group, Continental Investors and Transmedia Capital



- Starbucks launched its mobile card payment app in early Spring 2009
- The Company's QR code-based mobile card app enables users to pay at the register by scanning their unique QR code and earn rewards
- Users can upload their Starbucks gift card to the app or load their mobile card with their credit or debit card
- Customers continue to embrace Starbucks' mobile application in increasing numbers
- Starbucks' CEO, Howard Schultz, considers the digital platform to be instrumental in building brand loyalty
- The Company reports over 13 mm active users of the mobile app in North America as of December 2014
- Mobile payments account for over 16% of all transactions in the U.S. company operated stores; Starbucks processes over 7 mm mobile transactions on average in the U.S. per week

Overview of FT Partners

Relevant FT Partners' Research: Apple Unveils Apple Pay, eBay to Spin Off PayPal – (click to view)



- FT Partners provides insight into the technology behind Apple Pay, how it works and how the Payments Industry reacted to the news
- Includes proprietary interviews with CEOs of LevelUp, JudoPay and Marqeta
- Also include profiles on mobile payments companies along with a timeline of recent selected events in the online / mobile payments landscape



- FT Partners provides details around eBay's planned spin-off of PayPal including the rationale and motive behind the spin-off, a summary of the history and relationship between eBay and PayPal and financial summaries of both companies
- Also includes reaction to the announcement from PayPal's founders and eBay shareholders

FT Partners regularly publishes research highlighting the most important transactions, trends and insights impacting the global Financial Technology landscape. Our unique insight into FinTech is a direct result of executing hundreds of transactions in the sector combined with over 13 years of exclusive focus on Financial Technology.

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Overview of FT Partners

Leader in Financial Technology Investment Banking

Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its role as
strategic and financial advisor to

MERCURY®
in its cash sale to

vantiv™
for total consideration of approximately
\$1,650,000,000

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\$ 900,000,000

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in its growth financing with

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£6,000,000

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twitter

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FOREIGN EXCHANGE SERVICES
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Initial Public Offering
valuing the equity at approximately
A\$480,000,000

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Financial Technology Partners LP
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with additional participation from

MasterCard **Bain Capital Ventures** **Allegiant Airline**
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\$70,000,000

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sage
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\$ 325,000,000

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in its Strategic Investment by

TSYS®
for total consideration of approximately
\$ 100,000,000+

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in its cash sale to

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\$ 369,000,000

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NMI
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for a total valuation of nearly
\$ 200,000,000

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WorldPay
a portfolio company of

Advent International **BainCapital**

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in its cash sale to

Vista Equity Partners
from

WCAS
\$1,500,000,000

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**jack henry
& ASSOCIATES INC.**
in its acquisition of

iPay Technologies
for total consideration of approximately
\$ 300,000,000

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YAPSTONE™
ePayments as a Service
in its minority investment led by

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PARTNERS**
For total consideration of approximately
\$ 50,000,000

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THE WAY TO PAY™
in its
\$177,000,000
Initial Public Offering
valuing the equity at approximately
\$ 650,000,000

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in its sale to

TSYS®
\$ 100,000,000+

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lynk
in its sale to

**The Royal Bank
of Scotland**
for cash consideration of approximately
\$ 525,000,000

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Overview of FT Partners

Award-Winning Investment Banking Franchise Focused on Superior Client Results



M&A Advisor
Awards

- | | |
|------|--|
| 2014 | <ul style="list-style-type: none"> ■ Equity Financing Deal of the Year ■ Professional Services Deal of the Year, Above \$100mm |
| 2012 | <ul style="list-style-type: none"> ■ Dealmaker of the Year ■ Professional Services Deal of the Year, Above \$100 mm |
| 2011 | <ul style="list-style-type: none"> ■ Boutique Investment Bank of the Year ■ Deal of the Decade ■ <i>10 Deal of the Year Nominations Across 9 Categories</i> |
| 2010 | <ul style="list-style-type: none"> ■ Upper Middle Market Deal of the Year, Above \$500 mm ■ IT Services Deal of the Year, Below \$500mm ■ Cross-Border Deal of the Year, Below \$500mm |
| 2007 | <ul style="list-style-type: none"> ■ Dealmaker of the Year – Steve McLaughlin ■ Business to Business Services Deal of the Year ■ Computer and Information Technology Deal of the Year, Above \$100mm ■ Financial Services Deal of the Year, Above \$100mm |



- | | |
|-----------|---|
| 2006-2008 | ■ Steve McLaughlin consecutively ranked (2006, 2007 and 2008) among the top Bankers in Financial Technology |
|-----------|---|



Middle Market
Financing Awards

- | | |
|------|--|
| 2008 | <ul style="list-style-type: none"> ■ Equity Financing Dealmaker of the Year – Steve McLaughlin ■ Information Technology Deal of the Year ■ Financial Services Deal of the Year |
| 2006 | <ul style="list-style-type: none"> ■ Financing Professional of the Year – Steve McLaughlin ■ <i>Financing Deal of the Year - Equity</i> ■ <i>Financing Deal of the Year - Debt</i> |