

February 23, 2015

Financial Technology Partners LP

FTP Securities LLC

Transaction Profile:



acquires components of



and partners with



Courtesy of:



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www.ftpartners.com



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Google's acquisition of Softcard breaks down the prior barriers imposed by the major U.S. wireless carriers and will enable Google Wallet to be preinstalled across Android phones

Google is now much better positioned to compete with [Apple Pay](#)

Google's move quickly follows [Samsung's acquisition of LoopPay](#), announced just last week

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Google Acquires Components of Softcard and Partners with US Wireless Carriers

Transaction and Softcard Overview

Transaction Overview

- On February 23, 2015, Google announced that it had agreed to acquire components of Softcard's technology and intellectual property
 - Financial details of the transaction were not disclosed
 - None of Softcard's employees are joining Google as part of the deal ⁽¹⁾
- Google will use Softcard's technology to strengthen Google Wallet, Google's NFC-based mobile wallet solution
- Perhaps the most important part this 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
- As of the announcement date, Softcard customers can continue to tap and pay with the Softcard app
- Both Google's move and Samsung's acquisition last week of LoopPay have reduced some of the fragmentation in the mobile wallet space, which has served as a barrier to widespread consumer adoption of mobile payments

Softcard Overview

- | | |
|---------------|----------------|
| CEO: | Michael Abbott |
| Headquarters: | New York, NY |
| Founded: | 2010 |
- Softcard offers an application that enables consumers to use their smartphones to pay for purchases and use loyalty cards via contactless payment terminals using NFC technology
 - Softcard, formerly known as ISIS, was formed in 2010 as a joint venture among major telco carriers including AT&T, T-Mobile and Verizon
 - Users can add their American Express, Chase or Wells Fargo credit cards to their Softcard Wallet
 - Compatible with Android platform phones equipped with NFC and an enhanced SIM card with a secure element from the users' carrier; iPhone users are required to use the Isis Ready Case with a built-in NFC antennae
 - On September 9, 2014, the Company announced that it will actively work with Apple to integrate Softcard on the iPhone in 2015 – using a secure SIM-based hardware solution; given Google's acquisition of Softcard, this may now be less likely to occur

Source: Softcard website. Re/code website.

(1) Re/code website.

Google Acquires Components of Softcard and Partners with US Wireless Carriers

Selected Mobile Wallet / Payment Providers



Google was a pioneer in NFC-based mobile payments, but appeared to be fading from the scene; however, the 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 November 2013, Google switched to host card emulation (HCE) for Google Wallet, which allows Android devices to emulate cards and financial institutions to host payment accounts in the virtual cloud
- Provides for the mobile storage of credit and debit, loyalty, offers and gift cards
- Allows users to pay in-store, online and transfer money to anyone with an email address – the integration of Google Wallet with Gmail in May 2013 enabled users to send money through Gmail attachments at no charge
- Enables merchants to add their loyalty programs through the Wallet Objects API; allows sellers to acquire new users by showcasing their programs in the Google Wallet application



- 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



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

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Google Acquires Components of Softcard and Partners with US Wireless Carriers

Selected Online / Mobile Payment Providers (cont.)

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

Source: CSPnet.com.

(1) CSPnet.com, "MCX Unveils Mobile Payment Network", September 9, 2014.

Overview of FT Partners

Relevant FT Partners' Research: Apple Unveils Apple Pay – (click to view)



September 15, 2014

Financial Technology Partners LP
FTP Securities LLC

Apple Unveils Apple Pay
*Comprehensive Overview
and Implications*



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- 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 includes profiles on mobile payments companies along with a timeline of recent selected events in the online / mobile payments landscape

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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Financial Technology Partners LP
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MERCURY®
in its cash sale to

vantiv
for total consideration of approximately
\$2,000,000,000

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\$ 100,000,000+

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\$ 369,000,000

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NMI
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a portfolio company of

Advent International **BainCapital**

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Vista Equity Partners
from

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\$1,500,000,000

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

iPay Technologies
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\$ 300,000,000

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ePayments as a Service
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PARTNERS**
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lynk
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\$ 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 ■ **Equity Financing Deal of the Year**
■ Professional Services Deal of the Year, Above \$100mm
- 2012 ■ **Dealmaker of the Year**
■ Professional Services Deal of the Year, Above \$100 mm
- 2011 ■ **Boutique Investment Bank of the Year**
■ Deal of the Decade
■ *10 Deal of the Year Nominations Across 9 Categories*
- 2010 ■ **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 ■ **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 ■ **Equity Financing Dealmaker of the Year – Steve McLaughlin**
■ **Information Technology Deal of the Year**
■ **Financial Services Deal of the Year**
- 2006 ■ **Financing Professional of the Year – Steve McLaughlin**
■ *Financing Deal of the Year - Equity*
■ *Financing Deal of the Year - Debt*

Note: **Bold** represents awards that FT Partners has won, *italics* represents nominations.