



# **PAYMENT MARKET UPDATE**



# PAYMENT MARKET: KEY TAKEAWAYS



**Payment stocks have been volatile throughout 2023 with a strong rebound in Q4, but lag behind other FinTech verticals**



**Strategic buyers accounted for 72% of total payment M&A deals in 2023**



**Acquirers focus on more mature assets, characterized by massive increase in average deal value in 2023 to \$712m from \$219m in 2022**



**Payment accounted for 39% of total FinTech M&A activity in 2023**



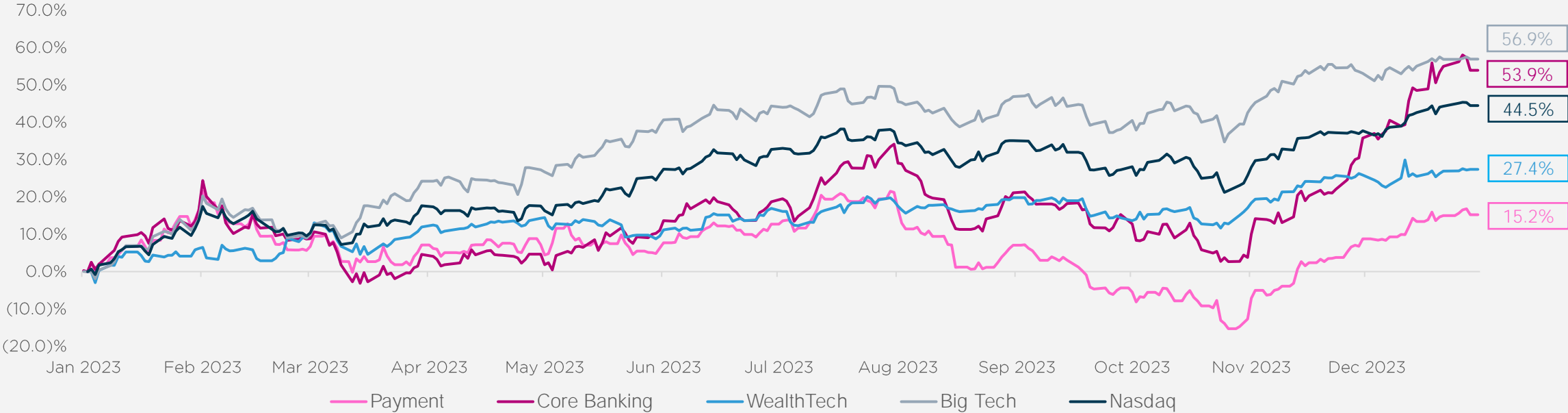
**Big Techs are focusing on global & local partnerships and security to increase their presence in the payment sector**



**The payment market landscape is still highly fragmented and ripe for further consolidation**

# PAYMENT STOCKS EXPERIENCED A ROBUST RECOVERY IN 2023, BUT ARE STILL LAGGING BEHIND OTHER FINTECH VERTICALS

## Share Price Performance in 2023







**PAYMENT**

**CORE BANKING & LENDING**

**WEALTHTECH**

**BIG TECH**

# IN 2023, MAJOR PAYMENT DEALS WERE DOMINATED BY STRATEGIC BUYERS

Target	HQ	Description	Buyer	Rationale	Deal Date	Deal Value (€m)	EV/REV	EV/EBITDA
		Mobile and online payment company facilitating payments and enable credit for customers with instant approvals.		Adding payzer to WEX will provide exciting new offerings to their customers.	Nov-23	250	-	-
		Electronic payment and banking services company delivering payments solution to Omni commerce merchants.		GTCR will accelerate Worldpay's growth through innovation and strategic acquisitions expanding its footprint.	Sep-23	12,700	12.5x	(27.5x)
		Global payment platform intended to allow merchants to accept payments in any market.		Rapyd will consolidate its position as a leading payment company, continuing its trajectory towards and IPO.	Aug-23	610	-	-
		Cloud-based payment processing platform designed to impact people's lives positively all over the globe.		Through the acquisition of Pismo, Visa can better serve its clients with more diversified products and services.	Jul-23	1,000	-	-
		Peer-to-peer payment processing platform intended to offer global money transfer services across the world.		MDP will help MoneyGram accelerate its growth strategy and expand their network.	Jun-23	1,800	1.3x	12.6x
		Financial services provider specializing in card issuing, acquiring and processing, as well as other payment and credit services.		The deal will help CLAL expand its value proposition for businesses and the consumer.	Mar-23	687	-	-
		Payment processing company catering to SMEs, multinationals and organizations in the US and EU		Globalpayments gets access to acquiring and software products, which will improve the company's position.	Mar-23	4,000	7.4x	25.8x
		The company offers a platform that helps companies to sell and collect products and services worldwide.		Strengthen Nexi's presence in Europe and further expand its merchant acquiring operations.	Feb-23	300	-	-
		Paya is a provider of integrated payment and frictionless commerce solutions.		Help Nuvei's strategy to become a key payment provider with stronger position eCommerce, integrated payments and B2B.	Feb-23	1,300	4.6x	21.8x
		The company's technology offers modern credit cards for digital brands with embedded banking experiences.		Combined organization will strengthen Marqeta's credit capabilities and enhance its leadership in modern card issuing	Feb-23	222	-	-



**Access to new markets** e.g., Nexi's acquisition of Paycomet, (spanish based) and Global Payments acquisition of EVO Payments.



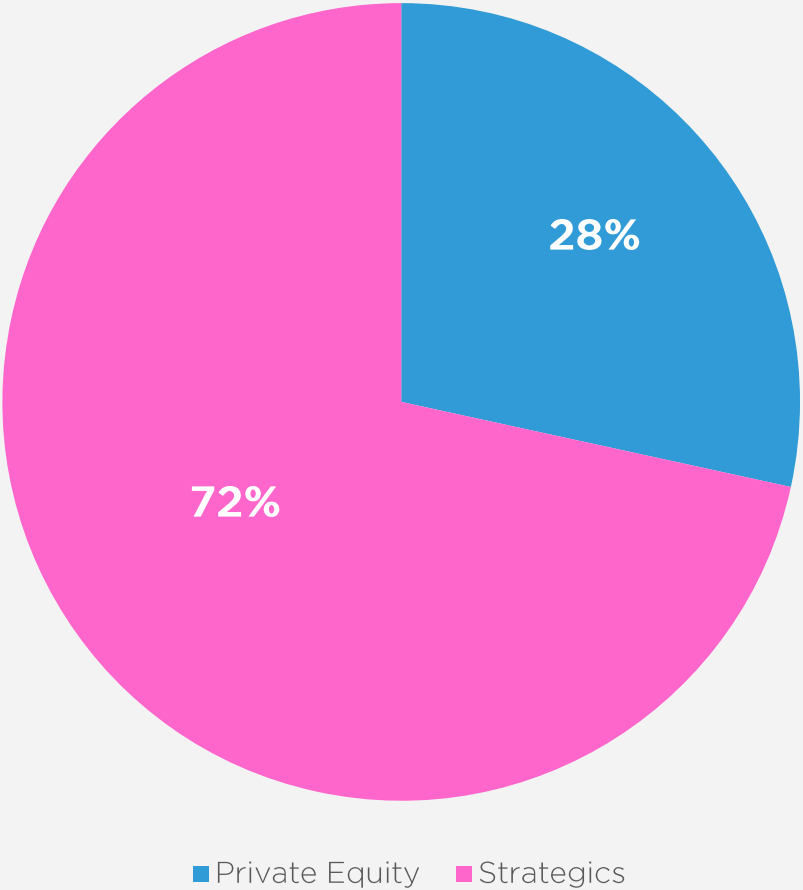
Acquisition of **new technology** to maintain a competitive edge e.g., American Express' acquisition of Nipendo.



**Revenue diversification** as companies seek to diminish their reliance on a singular revenue stream e.g., Nuvei acquisition of Paya.

# STRATEGIC BUYERS ACCOUNT FOR 72% OF ALL PAYMENT M&A DEALS IN 2023




## Share of All Payment M&A Deals in 2023



## Comments




### STRATEGICS

In 2023, strategic buyers M&A activity surged as companies proactively diversified income streams to cope with a challenging economic environment. Focus areas were:

-  Scaling up and identifying strategic growth levers for long-term revenue sustainability
-  Acquiring new tech, combining product and process to increase competitiveness
-  Expand into new geographies to access new markets

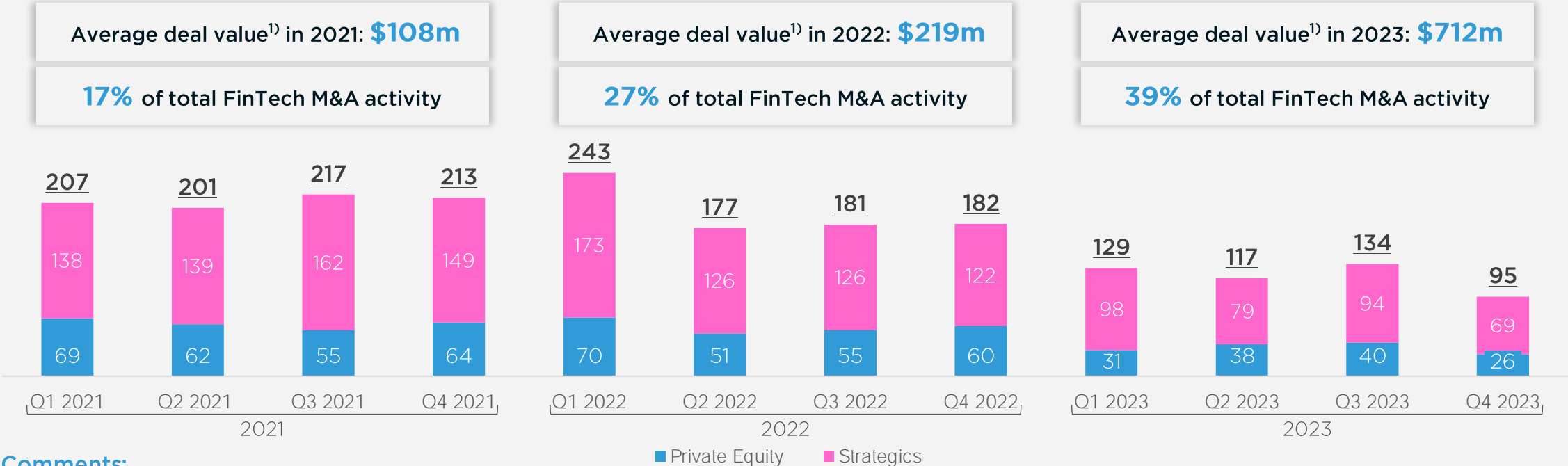
### PRIVATE EQUITY

In 2023, private equity M&A activity grappled with challenges. Those challenges were:



-  High-interest rates, prompting cautious maneuvering across sectors, especially in asset valuation
-  Inflation sparking financial market volatility and uncertainty
-  High geopolitical tension in Europe and the Middle East

# DESPITE A 39% DECREASE IN DEAL COUNT IN 2023, AVERAGE DEAL VALUE IN 2023 MORE THAN TRIPLED VS. 2022, REACHING \$712M

## Payment Deals Count and Average Deals Value<sup>1)</sup> 2021 - 2023



### Comments:

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 The decrease in deal count can be attributed to a heightened focus on target profitability and product strengths. Prevailing macroeconomic and geopolitical conditions are affecting market confidence. In 2023, Payment M&A deals represented 39% of overall FinTech deals
- 
 Significant increase in average deals value was driven by strong activity from strategic buyers and focus on inorganic growth.

# BIG TECHs HAVE MADE A DEEP MOVE INTO PAYMENT IN RECENT YEARS. CURRENT STRATEGY IS FOCUSED ON GLOBAL & LOCAL PARTNERSHIP AND SECURITY

## Expansion Strategies



**Accelerating partnerships** with FinTechs or banks to **offer embedded services**



Strong focus on **security and trust** to combat fraudulent activities and identity theft, and safeguard user data

## EXAMPLES



- **Apple** unveiled new features in 2023: **recurring payments** and **automatic top-ups** within **Apple Pay**. In addition, Apple launched a **savings account** in partnership with Goldman Sachs. Regardless of the recent partnership termination, Apple is looking for other partners, clearly highlighting the importance of **payment in Apple's strategy**. **Apple Pay generated \$4bn in revenues** in 2023.
- Furthermore, Apple expanded its capabilities by acquiring **Credit Kudos for \$150 million (EV/Rev: 25-30x)**, enabling **access to credit rating information** and accelerating its push into the '**Buy Now, Pay Later**' (BNPL) sector.



- **Google** is **accelerating its global expansion** with more **partnerships with financial institutions**. Recently, Google partnered with **Axis Bank** enabling users to extend loans via Google Pay. This partnership marks Google's entry into the **Indian lending market**, Asia's second biggest market. In 2023, **Google Pay processed about 4 billion transactions monthly**.

## We do not anticipate Big Techs applying for Bank Licenses due to:



Difficulty to Maintain License



Regulatory Burden



Additional Infrastructure and Operational Commitments

# PAYMENT DEALS ENTAIL A LEVEL OF RISK DUE TO THE HIGH REGULATORY COMPLIANCE AND SCRUTINY INVOLVED

## Examples for Difficult and Failed Transactions

JPMORGAN  
CHASE & CO.



  
vivawallet

- **JP Morgan acquired vivawallet** in 2022 for **\$800m** as part of their push into the payment market
- **Tensions were reported** one year after the acquisition
- **Two board members**, handpicked by JP Morgan, **resigned due to friction** related to slow implementation and access to a \$100 million loan
- JP Morgan has encountered a **rocky path with its new red-hot \$800 million acquisition** and collaboration in **danger of falling through**

KKR



unzer

- **KKR acquired unzer in 2019 for \$668m** at the peak of the payment sector boom
- In 2022, unzer was **finned due to weak anti-money laundering controls**. The company is now monitored by the German regulators with subsidiaries **unable to onboard new clients**
- Once branded as one of the fastest-growing full-service payment providers in Europe, unzer is now under intense scrutiny
- In 2023, **KKR transferred its majority stake to a group of creditors**



# PAYMENT MARKET OUTLOOK FOR 2024

1	<b>A2A</b>	<ul style="list-style-type: none"><li>• Account-to-Account (A2A) payments are expected to see substantial growth, especially in markets like India, Brazil, and China, where digital wallets often utilize A2A systems</li><li>• This growth is likely driven by advancements in open banking, instant payments, and increased merchant adoption, making these payments faster, more cost-effective, and less susceptible to fraud</li></ul>
2	<b>Digital Wallets and Identity</b>	<ul style="list-style-type: none"><li>• Global growth of digital wallet and identity apps is projected at 86%. In Europe, the Commission proposed the EU ID Wallet (eIDAS2), enabling stores to use credentials and select ID attributes. In the US, Apple is leading digital wallet innovation with the recent integration of digital driving licenses to Apple Wallet</li><li>• The rise of digital payments is driving significant growth in biometric authentication and digital security measures</li></ul>
3	<b>Expansion of BNPL</b>	<ul style="list-style-type: none"><li>• BNPL market is expected to bounce back after a difficult 2022 and 2023 with high interest rates. Anticipated interest rate reductions in 2024 are set to invigorate the market, fostering heightened customer spending</li><li>• The enhanced integration of BNPL solutions into both online and brick-and-mortar stores is expected to propel usage, attracting new audiences</li></ul>
4	<b>Further Market Consolidation</b>	<ul style="list-style-type: none"><li>• During 2024 further consolidation is expected to remain high, driven by growth of cashless transactions and companies' expansion into new payment services such as local payments methods and embedded products</li><li>• In addition, as legacy players are continuing their digitalization, they are also focused on more tailored solutions, thereby fueling additional acquisitions</li></ul>
5	<b>Security and Fraud Prevention</b>	<ul style="list-style-type: none"><li>• This is a critical issue and market participants are adopting more sophisticated technology that enables security and fraud prevention measures</li><li>• AI-powered systems are emerging to safeguard transactions and detect anomalies and prevent fraud</li><li>• In late 2023, 62% of businesses said reducing payment fraud and increasing security is an urgent concern</li></ul>

# THE PAYMENT MARKET LANDSCAPE IS STILL HIGHLY FRAGMENTED AND RIPE FOR FURTHER CONSOLIDATION

## PAYMENT LANDSCAPE

The Payment landscape has become very crowded with over 1,500 companies. We have mapped out a select number of players and assigned them to specific areas of the value chain, such as portfolio management. Some companies also offer solutions for more than one component of the value chain.



# OUR PAYMENT TEAM

## GLOBAL EXPERTISE WITH LOCAL PRESENCE



### EXTENDED PAYMENT TEAM

- Thomas Huerlimann**  
Senior Advisor  
(Switzerland)
- Mohit Pareek**  
Principal  
(Los Angeles)
- Anton Donauer**  
Associate  
(Munich)
- Stefan Krause**  
Senior Advisor  
(Germany)
- Antoine Pigneux**  
Associate  
(Paris)
- Mathieu Gratzmüller**  
Analyst  
(Munich)
- Nicolas Huss**  
Senior Advisor  
(France)
- Mathilde Deschamps**  
Associate  
(London)
- David Batchelor**  
Senior Advisor  
(USA)
- Pablo Lundershausen**  
Associate  
(Munich)

# GLOBAL REACH COMBINED WITH LOCAL PRESENCE

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## NEW YORK

950 Third Avenue, 20th Floor  
[newyork@drakestar.com](mailto:newyork@drakestar.com)

T. +33 1 58 18 39 00

## LONDON

16 Berkeley Street, Mayfair  
[london@drakestar.com](mailto:london@drakestar.com)

T. +44 20 7112 7777

## PARIS

11 Avenue Delcassé  
[paris@drakestar.com](mailto:paris@drakestar.com)

T. +33 1 58 18 39 00

## MUNICH

Ludwigpalais, Ludwigstr. 8  
[munich@drakestar.com](mailto:munich@drakestar.com)

T. +49 89 1490 265 25

## SAN FRANCISCO

50 California Street, Suite 1500  
[sf@drakestar.com](mailto:sf@drakestar.com)

T. +1 415 400 6698

## LOS ANGELES

1100 Glendon Avenue, Suite 905  
[losangeles@drakestar.com](mailto:losangeles@drakestar.com)

T. +1 310 696 4001

## BERLIN

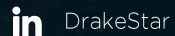
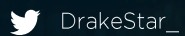
Friedrichstrasse 171  
[berlin@drakestar.com](mailto:berlin@drakestar.com)

T. +49 30 30366 – 2856

## DUBAI\*

Emirates Financial Towers  
[dubai@drakestar.com](mailto:dubai@drakestar.com)

T. +971 4325 4662



\* Partner Offices



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