



J&A Sell-Side M&A Report

Merchant Commerce Services and Technology (MCST) Sector M&A Transactions and Valuations

November 2024

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This report provides an analysis of M&A valuation multiples within the merchant commerce services and technology sector (MCST) from Q1 2020 to Q3 2024. Through metrics such as EV/revenue and EV/EBITDA, this analysis is a snapshot of market trends, valuation clusters, and notable outliers that reflect key industry dynamics. The report also explores capital markets activity and transaction types, providing insights into the distribution of investments, deal structures, and regional breakdowns.

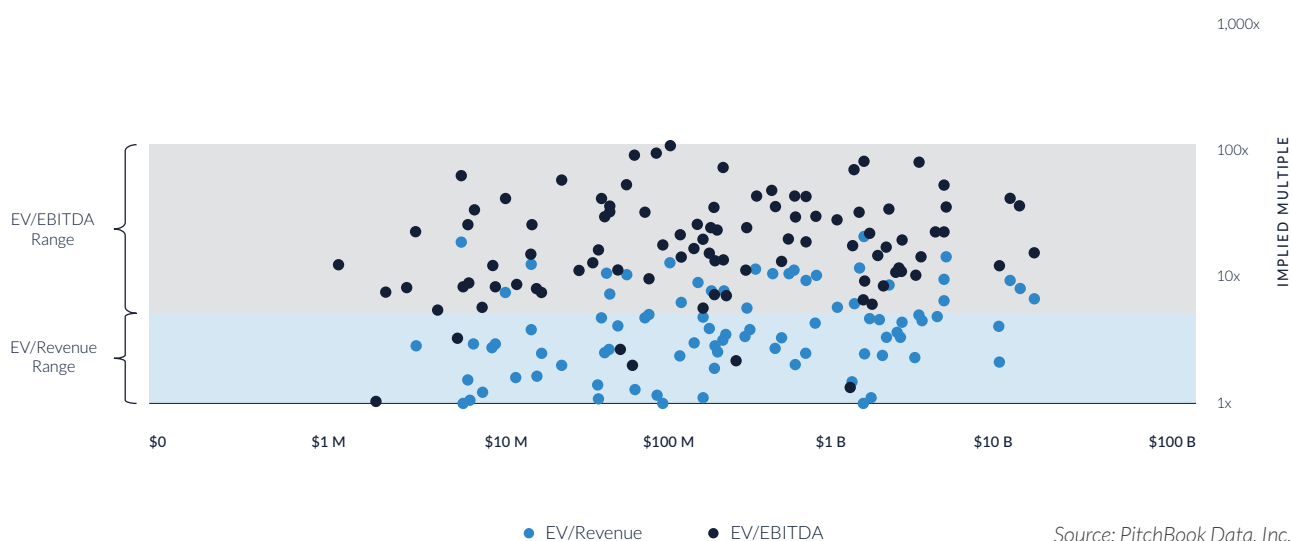
Case studies of key independent sales organization (ISO)-driven transactions illustrate strategic drivers of acquisitions, buyouts, and consolidations, emphasizing growth, geographic expansion, and innovation. ISOs, which connect small and medium businesses to payment processors, are essential in expanding access to financial services, fostering competition and supporting these businesses.

This report serves as a resource for advisors, entrepreneurs, and executives looking to enhance their understanding of M&A activity and valuation trends within the ISO and merchant commerce services space.

VALUATIONS

Valuation multiples in the MCST sector, measured by key metrics such as EV/revenue and EV/EBITDA, provide insights into market valuations by revealing industry trends, valuation clusters, and notable high-value outliers.

Transaction Valuation Multiples in the Merchant Commerce Services and Technology Sector Analysis (Q1 2020 – Q3 2024)



Note: The X- and Y-axes have been converted to a logarithmic scale to better visually represent the data.

EV / REVENUE

MEAN

4.6 X

MEDIAN

3.3 X

MINIMUM

0.2 X

MAXIMUM

21.7 X

EV / EBITDA

MEAN

25.2 X

MEDIAN

17.3 X

MINIMUM

0.8 X

MAXIMUM

115.9 X

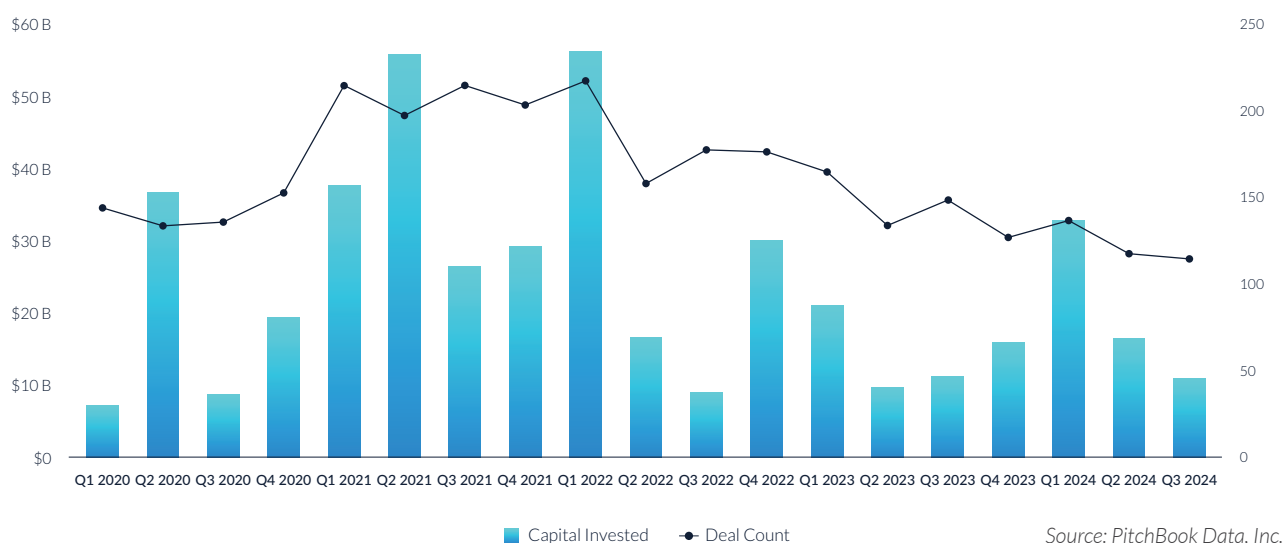


- The valuation multiples are derived from a sample set of private and public M&A transactions within the MCST and related sectors. The data was collected on November 6, 2024.
- As enterprise values increase beyond \$1 billion, the range of implied multiples narrows, with most larger companies showing lower and more consistent EV/revenue and EV/EBITDA multiples. This may indicate that as companies scale, they reach more stable valuations relative to their revenue and EBITDA.
- There are multiple examples of high EV/EBITDA multiples (over 60x), even for companies with enterprise values ranging from \$10 million to \$1 billion. This indicates that, in certain cases, buyers see significant scalability potential within their ecosystem. Such high multiples suggest an expectation that these targets can generate exponentially greater cash flow in the near term, often driven by the scalability of payments technology. These outliers highlight the variability of factors influencing valuations for smaller, high-growth companies.

CAPITAL MARKETS ACTIVITIES

This section outlines capital market transaction activities for M&A deals in the MCST sector. The sample includes acquisitions both domestically and internationally, covering direct MCST transactions as well as related deals, offering a thorough overview of this diverse and rapidly evolving market.

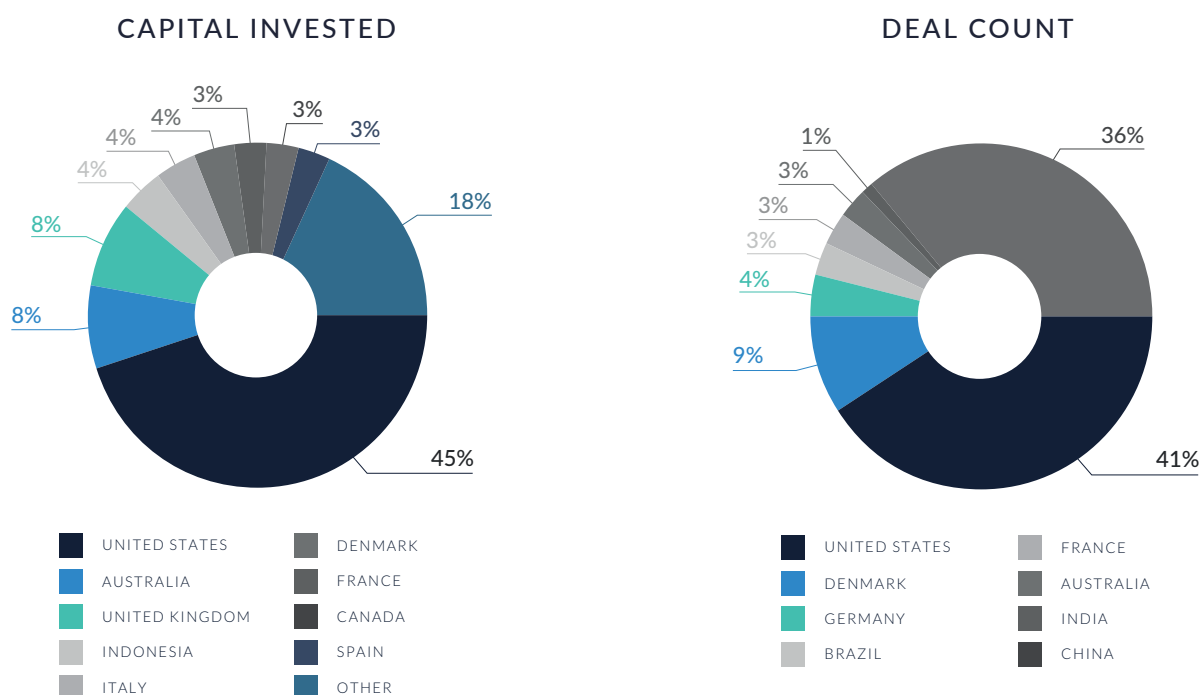
Announced M&A Transactions in the Merchant Commerce Services and Technology Sector (Q1 2020 – Q3 2024)



- Between Q1 2020 and Q3 2024, over \$446 billion was invested in the MCST sector across 3,045 M&A deals, averaging around \$146 million per transaction. Investment peaked in Q2 2021 and Q1 2022, exceeding \$50 billion both quarters, driven by favorable market conditions.
- The overall deal count shows a gradual downward trend, dropping from a peak of 216 deals in Q1 2021 to 114 deals by Q3 2024. While higher interest rates contributed to this decline, M&A activity in the sector proved more resilient due to the profitability of the individual assets, indicating a trend toward industry consolidation with fewer but larger transactions over time.
- The largest capital deployment occurred in Q1 2022, with 50% of the quarter's total investment attributed to Block's (NYSE: SQ) approximately \$28 billion acquisition of Afterpay, completed on January 31, 2022.

Additional analysis examined the geographic origin of each M&A deal, as shown in the graphs below, reveals that while most investments came from US investors they were deployed both domestically and internationally.

Breakdown of Announced M&A Transactions in the Merchant Commerce Services and Technology Sector by Country (Q1 2020 – Q3 2024)



Source: PitchBook Data, Inc.

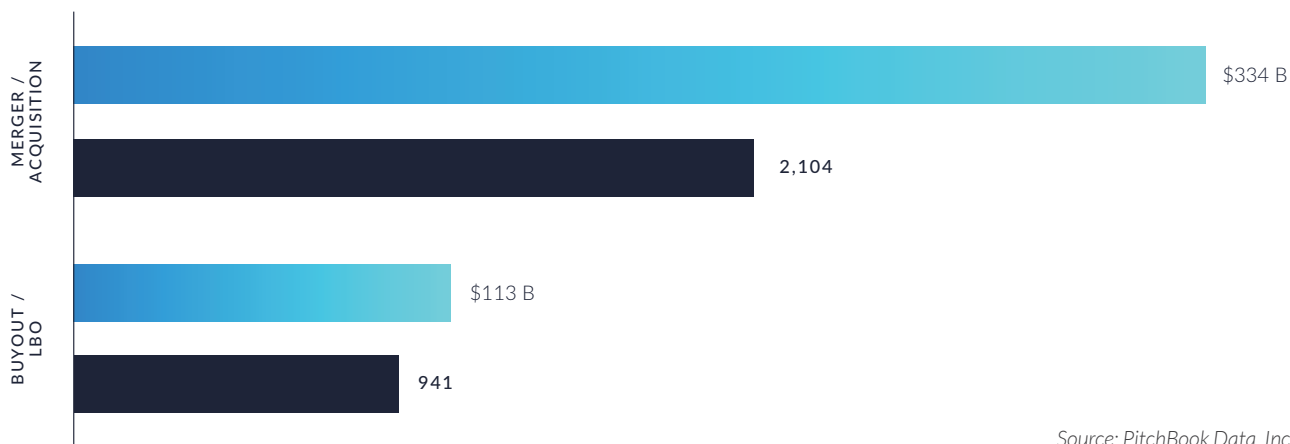
- The United States leads in the MCST sector transactions, with \$200 billion in capital invested across 1,252 deals, accounting for 45% of total capital deployed and 41% of all deals within the period. This indicates that the United States is the primary hub for M&A activity in the sector.
- With 8% of the capital invested, Australia is the second-largest investor. Its relatively smaller share compared to the United

States might indicate a less mature market or smaller scale of transactions, but it still plays a notable role, possibly due to its stable economy and growing fintech sector.

- Overall, the United States leads both in deal count and capital invested, while the UK and Australia show strong participation. Other countries show growing activity in emerging markets and smaller regions, contributing to a more diversified global market.

The following graph illustrates the distribution of M&A transactions by deal type, highlighting a dominant focus on M&A control transactions, followed closely by leveraged buyouts (LBOs) during this period.

Breakdown of Announced M&A Transactions in the Merchant Commerce Services and Technology Sector by Deal Type (Q1 2020 – Q3 2024)



Source: PitchBook Data, Inc.

- The M&A category shows the largest capital investment of approximately \$334 billion, and the highest deal count of 2,104 transactions, highlighting strong financial commitments and the popularity of acquisitions in the MCST sector, likely driven by growth opportunities and market share expansion.
- Buyouts and LBOs rank as the second most preferred deal type among investors throughout this period, attracting over \$113 billion across 941 transactions and highlighting their appeal for high returns through strategic control and operational improvements.
- The dominance of M&As in both deal count and capital invested points to an industry trend toward strategic growth through acquisitions rather than financial restructuring, reflecting the sector's focus on expanding capabilities and market share.

M&A TRANSACTIONS CASE STUDIES

The final section reviews 3 significant ISO-driven M&A transactions within the MCST sector, focusing on strategic acquisitions and investments that are reshaping the competitive landscape. Key transactions include Global Payments' acquisitions of EVO Payments and Total System Services, as well as GTCR's leveraged buyout of Worldpay. These deals underscore M&A strategy, such as geographic expansion, technology integration, and the drive for strategic autonomy, highlighting the ongoing consolidation and growth in the payments sector.



CASE STUDY 01 EVO PAYMENTS



EVO Payments, prior to its integration into Global Payments, was an Atlanta-based payment technology and services provider that offered a wide range of merchant commerce services and technology solutions to businesses, enabling them to accept electronic payments securely and efficiently across various platforms.

TRANSACTION TYPE	DEAL DATE	ACQUIRER
ACQUISITION	MARCH 24, 2023	GLOBAL PAYMENTS
ENTERPRISE VALUE	EBITDA MULTIPLE	
\$4 BILLION	38 X	

TRANSACTION STRUCTURE

EVO Payments was acquired by industry peer Global Payments in a cash transaction valued at \$4 billion. Global Payments purchased the outstanding equity of EVO for \$34 per share, translating to an enterprise value of \$4 billion. This purchase price represented a premium of approximately 24% over EVO's closing price market capitalization the day prior and 40% over its 60-day average market capitalization as of July 29, 2022.

MARKET AND CUSTOMER SEGMENTS COMBINATION

EVO Payments and Global Payments target a wide array of market segments, including retail, hospitality, e-commerce, and B2B sectors, providing integrated payment solutions and value-added services across various industries. Their customer segments encompass small to medium-sized businesses, large enterprises, financial institutions, and technology partners, enabling them to deliver tailored MCST solutions that meet diverse needs. The horizontal acquisition resulted in the integration of EVO Payments' market and customer segments into Global Payments' operations.

ACQUISITION STRATEGIC RATIONALE

The acquisition of EVO Payments allows Global Payments to significantly expand its market presence by entering high-growth international markets such as Poland, Germany, and Chile, while solidifying its foothold in established regions like the United States and the UK. By integrating EVO's accounts receivable automation software with its existing B2B solutions, Global Payments is offering a comprehensive suite of technology-enabled payment solutions to around 4.5 million merchant locations and over 1,500 financial institutions. Additionally, the merger is expected to generate significant synergies through enhanced operational efficiencies, further positioning Global Payments as a leader in the competitive payments industry.

KEY INTANGIBLE ASSETS



Proprietary Software
and Integration



Customer
Relationships



Brand Reputation
and Market Position



Market
Expansion



Enhanced Product
Offering



Synergies and
Cost Savings

TRANSACTION RATIONALE



CASE STUDY 02

WORLDPAY



Worldpay is a global payment processing company providing secure transaction services for businesses of all sizes, offering solutions for in-store, online, and mobile payments across various industries.

TRANSACTION TYPE	DEAL DATE	ACQUIRER
LBO	FEBRARY 1, 2024	GTCR
ENTERPRISE VALUE	REVENUE MULTIPLE	
\$13 BILLION	UNDISCLOSED	

TRANSACTION STRUCTURE

GTCR, a private equity firm, acquired a 55% majority stake in Worldpay through a \$13 billion leveraged buyout, increasing the company's enterprise value to \$19 billion. Using \$9 billion in debt financing, GTCR aimed to maximize its returns by leveraging borrowed funds and Worldpay's future cash flow to service the debt, a typical strategy in leveraged buyouts. The transaction left FIS with a 45% minority stake as Worldpay entered its next phase under GTCR's ownership.

MARKET AND CUSTOMER SEGMENTS COMBINATION

Worldpay targets a diverse range of customer and market segments, including e-commerce, mobile payments, and cross-border transactions, while serving small and medium-sized businesses and large enterprises across industries such as retail and hospitality. The acquisition by GTCR enhanced this focus by providing more than \$1 billion in additional equity capital to support expansion into high-growth regions and sectors with substantial potential for growth in electronic payments and cross-border transactions, as well as the development of advanced payment technologies.

ACQUISITION BUSINESS CASE

Worldpay gains greater strategic autonomy by separating from FIS, enabling it to respond more effectively to market demands and focus specifically on the rapidly growing payment solutions sector. GTCR's commitment of more than \$1 billion in additional equity capital will support Worldpay's initiatives to expand into high-growth markets and enhance its technology offerings, including the development of new payment products and digital capabilities. As a standalone entity, Worldpay can streamline operations, eliminate redundancies, and optimize its structure to reduce inefficiencies and costs. Leveraging GTCR's expertise in operational improvements and best practices, Worldpay can enhance areas like cost management, customer service, and product innovation, ultimately boosting profitability and long-term sustainability by becoming more agile and competitive in a fast-evolving market.

KEY INTANGIBLE ASSETS



Intellectual
Property



Projected
Growth



Customer
Relationships

TRANSACTION RATIONALE



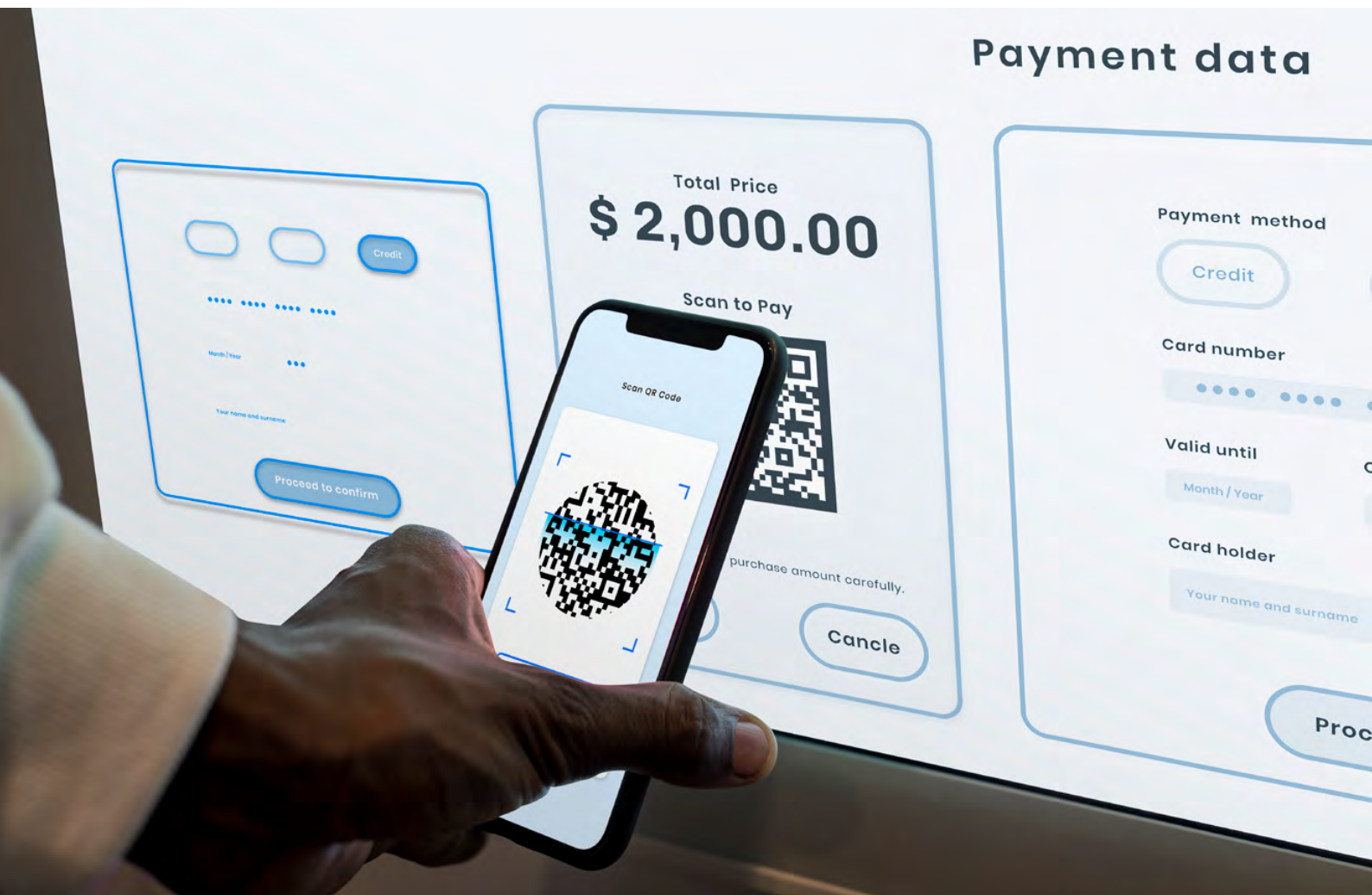
Operational Efficiency
and Cost Reduction



Capital for
Growth Initiatives



Strategic
Autonomy



CASE STUDY 03

TOTAL SYSTEM SERVICES



Total System Services (TSYS), prior to its acquisition, was a US-based ISO and global payment processing company that provided a comprehensive suite of payment solutions, such as merchant services, credit card processing, and fraud prevention, serving businesses, financial institutions, and government entities.

TRANSACTION TYPE	DEAL DATE	ACQUIRER
ACQUISITION	SEPTEMBER 18, 2019	GLOBAL PAYMENTS
ENTERPRISE VALUE	REVENUE MULTIPLE	
\$22 BILLION	18 X	

TRANSACTION STRUCTURE

The transaction was structured as a combination of cash and stock, with Global Payments offering cash payment and shares for each TSYS share. The deal was partially financed through debt, and following the acquisition Global Payments shareholders retained an 80% stake in the merged entity.

MARKET AND CUSTOMER SEGMENTS COMBINATION

The acquisition of TSYS by Global Payments expanded its customer base by integrating TSYS's relationships with financial institutions, banks, and large retailers, while enhancing its merchant services offering. This strategic move reflects a trend in the payment processing industry where larger players acquire ISOs to strengthen their merchant network, expand technology capabilities, and broaden their geographic footprint, ultimately strengthening Global Payments' presence in both merchant acquiring and issuer processing markets.

ACQUISITION STRATEGIC RATIONALE

The acquisition created a leading global payments technology company by combining Global Payments' merchant acquiring expertise with TSYS's strength in issuer processing. This strategic merger significantly expanded the company's portfolio of services, strengthening its ability to serve both merchants and financial institutions. The combined entity enhanced its global reach, particularly in international markets, while diversifying its offerings across payment processing, digital banking, and cloud-based solutions. Additionally, the merger enabled operational efficiencies, integrating the companies' technological platforms and back-office functions. This strategic move strengthened its competitive position in the digital payments space, with opportunities for growth, innovation, and access to new customer bases.

KEY INTANGIBLE ASSETS



IP and Payment
Platforms



Customer
Relationships



Brand Reputation
and Market Trust



Global Market
Reach



Expansion of
Service Offerings



Cost Synergies and
Operational Efficiencies

TRANSACTION RATIONALE



The findings in this report underscore the growth and consolidation trends within the merchant commerce and technology sector, with M&A activity fueled by a strong focus on strategic expansion and market share acquisition. Valuation multiples reveal that larger companies tend to achieve stable valuations, while smaller firms with high-growth potential exhibit significant variability. The analyzed case studies showcase how companies leverage acquisitions to expand market presence, diversify product offerings, and enhance operational efficiency. Overall, the trends highlighted in this report indicate that the payment processing industry remains an attractive space for investment, with opportunities for growth and innovation amid ongoing consolidation.

SOURCES

GLOBAL PAYMENTS BUYS EVO AT A PREMIUM -
PAYMENTS DIVE



PRESS RELEASE: ACQUISITION - GLOBAL PAYMENTS



GTCR'S ACQUISITION OF A MAJORITY STAKE IN WORLDPAY -
LOYENS LOEFF



FIS SELLS 55% STAKE IN WORLDPAY TO GTCR IN US\$11.7
BILLION DEAL - FINTECH SINGAPORE



PRESS RELEASE: MERGER - GLOBAL PAYMENTS



PITCHBOOK DATA



JAHANI & ASSOCIATES

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