



Hampton

M&A market report 2H2022

Fintech





Fintech M&A continues solid two-year climb

Fintech M&A defies broader M&A slowdown

While global M&A has suffered in 2022, the Fintech sector saw M&A activity rise sharply this year, with 591 deals recorded in the first half of 2022. This represents a 46% increase on 1H2021 numbers, and a whopping 70% increase on pre-pandemic (1H2019) figures.

Meanwhile, valuations have remained steady: 1H2022 saw the trailing 30-month median revenue multiple reach 3.1x – broadly in line with the levels seen in the past two years. The trailing 30-month median EBITDA multiple came in at 14.2x, firmly within the 13x to 15x range monitored since 2015.

In this report, we review the Fintech M&A market by analysing, in detail, each of the subsectors below:

- Financial Management Solutions
- Payments
- Banking / Lending Technology
- Crypto & Blockchain
- Wealth & Capital Markets Technology

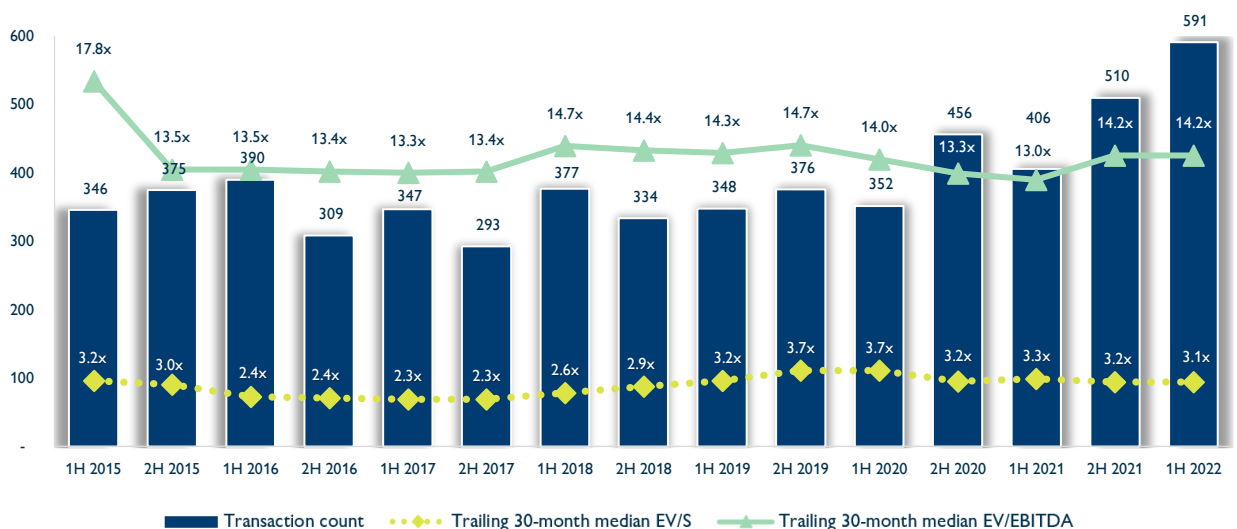
Non-tech M&A activity dips

The global M&A market saw a sizeable spike in 2021 across all industries, leading many analysts to question whether such highs would be short-lived. Their skepticism proved correct: early into 2022, broader market confidence deteriorated as several geopolitical and macroeconomic events made headlines, including post-pandemic inflationary pressures, armed conflict in Ukraine, broken supply chains, and central banks hiking interest rates in an attempt to curb inflation.

(Continued on page 12)

Driving this year's sharp increase in Fintech M&A are many deals in the Payments, Crypto & Blockchain, and Banking & Lending segments. Companies and technology included within each category are defined on page 6.

Total number of deals & valuation multiples in Fintech per half-year, 2015-2022



The above graph covers the period between January 2015 and June 2022. Throughout this Fintech M&A report, median "trailing 30-month" multiples plotted in the graphs refer to the 30-month period prior to and including the half year.

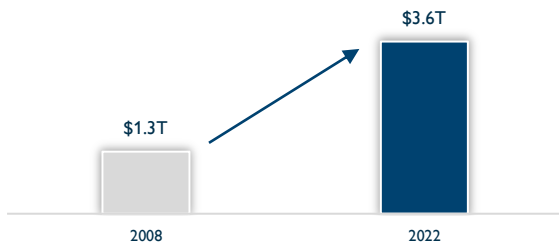


Fintech M&A will display resilience in a stormy market

A potential recession won't dampen Fintech M&A as it did in 2008

While global M&A has suffered in 2022, Fintech M&A is expected to remain robust despite concerns of a possible market downturn.

Global private capital dry powder



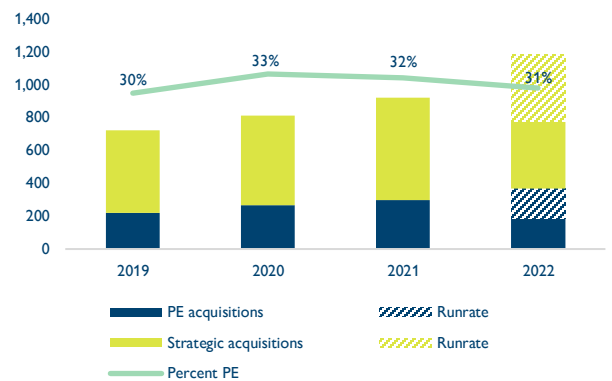
Analysts point to a determining difference between now and the 2008 recession: deployable private capital (buyout, VC, growth, real estate, etc.) has reached its highest ever level at \$3.6 trillion, representing around three times that of 2008. The availability of capital drives buyers and investors to increase their acquisitions at a time when their pockets are full and high-growth Fintech companies are being sold at affordable prices.

In addition, a survey conducted by Bain Capital shows that deals completed during recessions tend to deliver healthy returns, something executives learned in the wake of the 2008 financial crisis.

Share of PE fintech acquisitions stable since 2019

The number of private equity acquisitions of fintech targets has increased, while the share of PE acquisitions as a percentage of total number of deals remains in line with prior periods at 31%.

Share of private equity deals per year



Following recent turmoil across the broader tech sectors in Europe and North America, investors saw risk in deploying capital in Q2. Interest rate hikes also justified greater caution in making acquisitions. Such hesitation is dissipating, however, as PEs rush to utilise available capital to prevent inflation from eating into their purchasing power. Overall, 2022 PE investment into Fintechs is on track to outpace prior years.

Top recent Fintech acquirers organised by the geography of their latest target

North America	Europe	RoW



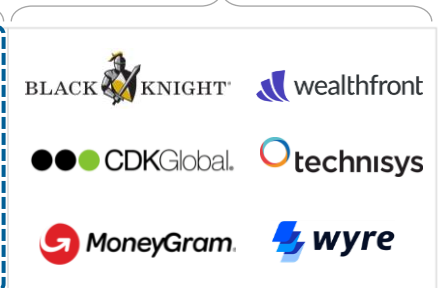
Top deals in Fintech

LARGEST DISCLOSED M&A DEALS OF 1H2022				
Date	Target	Acquirer	Subsector	EV (\$ billions)
May	BLACK KNIGHT™	ice	Real Estate	\$16.0
Jul	TMF GROUP	ADIA البنك الأهلي القطري The Qatar National Bank	Wealth Mgmt.	\$3.0
Feb	optimalblue™	BLACK KNIGHT™	Real Estate	\$2.9
Jun	Worldline TSS Business	APOLLO	Payments	\$2.5
Jun	EUROMONEY	astorg.	Capital Markets	\$2.0
Feb	MoneyGram	MADISON DEARBORN PARTNERS	Payments	\$1.8
Apr	wyre	Bolt	Payments	\$1.5
Jan	wealthfront	UBS	Wealth Mgmt.	\$1.4
Mar	Coincheck	Thunderbridge IV (SPAC)	Capital Markets	\$1.3
Mar	LSEG's BETA+ assets: BetaNXT, Maxit, Digital Investor	MOTIVE PARTNERS CLEARLAKE	Wealth Mgmt.	\$1.1
Feb	technisys	SoFi	Banking / Lending	\$1.1

While large transactions make the headlines, smaller deals constitute a majority of M&A activity

Vast majority of deals transacted at below \$100m

Only 5% of Fintech transactions announced value above \$100m





Top acquirers – past 30 months

The first half of 2022 saw Norway-based Visma graduate to top acquirer with 17 deals closed over the past 30 months, 6 of which in 1H2022. Visma has been expanding its geographic reach in the EMEA region by swiftly acquiring targets. Most recent targets operated in the Benelux region, Poland, Spain, Denmark, and Sweden.

American-based Payroc LLC inked 9 deals in the period, focusing mostly on various merchant solutions

and payment processors.













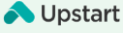
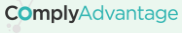















With 7 acquisitions, MRI Software, Global Software, and CBOE Global Markets, have also been highly acquisitive of Fintech targets.

Serial acquirers including Thoma Bravo, Main Capital Partners, Volaris (operating group of Constellation Software), and HG Capital continue to prove appetite for Fintech as they actively purchase vendors within the sector.

Acquirers	Acquisitions in 30 months	Three most recent Fintech acquisitions
 VISMA	17	Declarando Asesores Freelancer accountancy & taxation management SaaS Grupo Calipso AI-based ERP, SCM and e-commerce SaaS Lyanthe Invoice processing software & BPO
 payroc	9	Worldnet TPS Payments acceptance & management SaaS Iroquois Merchant Services Card payment processing solutions and services Beanstalk Payment Technologies Payment processing & transactions routing SaaS
 mri REAL ESTATE SOFTWARE	7	Box and Dice Holdings Transactions management and accounting SaaS Trimble Real estate ERP SaaS Asset Management Technologies Lease & facilities management SaaS
 global software	7	Clausion Corporate performance management SaaS Legerity AI-based accounting rules SaaS and open APIs CALUMO Australia Business intelligence and corporate performance management SaaS
 Cboe Global Markets	7	Aequitas Innovations Financial exchange for business and consumers Eris Exchange Futures online exchange at www.erisx.com for businesses and consumers Chi-X Asia Pacific Electronic proprietary trading system exchanges and EDI software
 Hg Capital Trust plc	6	Serrala Group Payment processing & data management SaaS Riskalyze Platform that measures of client's risk tolerance for investment advisors Receipt Bank Accounts preparation and data extraction automation SaaS for businesses
 MAIN CAPITAL PARTNERS	6	BCS BV HR & payroll management SaaS Audimex Accounting SaaS & software Blika Solutions Tax & legal data management SaaS
 THOMABRAVO	6	Bottomline Technologies Financial services software Greenphire Clinical trial payments SaaS Calypso Technology Software and SaaS that manages lifecycles of trading instruments



Top trends in Fintech

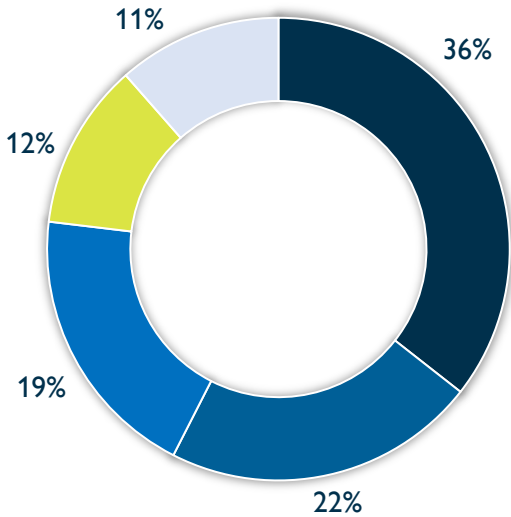
Trend	Details	Examples
Open API banking services surge	Open API banking – providing client’s banking data to third parties – is becoming increasingly prevalent. 64 million people are expected to be using open banking in 2024 – a fivefold increase on 2020.	 TRUELAYER  PLAID  YOLT  YAPILY
Crypto becomes mainstream; use of crypto card payments on the rise	Digital banks are increasingly offering crypto-compatible payment services. Blockchain technology market is expected to grow to \$23 billion by 2026.	 Revolut  coinbase  BlockFi  BINANCE
Contactless technology transforms payments	Contactless payment solutions are driving some of the largest innovations in payments. The onset of COVID-19 and social distancing measures continue to propel the trend.	 Google Pay  Apple Pay  SAMSUNG pay
Artificial intelligence further boosts Fintech	Researchers predict that artificial intelligence will become a defining technology for the industry, and that by 2026, the market will grow more than three times its current size.	 affirm  Upstart  ComplyAdvantage
Embedded finance applications on the rise	Customers too often don’t know which financial product they need. Payment and credit products embedded in checkout seamlessly satisfy the customer’s needs. The global market may reach \$7.2 trillion by 2030.	 stripe  clearpay  Clear.Bank
More players are becoming fintech super apps	Fintech “super apps” combine various services into a single app giving the user a fully rounded experience conveniently through a single interface. The trend is expected to continue for at least the next decade.	 Revolut  Bolt  monzo  Klarna.
Prevalence of virtual cards has strengthened the Payments subsector	Analysts predict that the global value of digital transactions will rise more than threefold in the next five years, from \$1.9 trillion in 2021 to \$6.8 trillion by 2026.	 venmo  stripe  WISE  Payoneer
Robotic process automation becomes critical driver for growth	Analysts see RPA as key to fintech success, expecting a c. 400% revenue growth for the industry by 2023. RPA is predicted to mostly impact the Financial Management Solutions and Capital Markets subsectors.	 cobase  OCBC Bank  KeyBank  BANK OF AMERICA

Source: KPMG, Juniper Research, Finextra, Fintech Magazine



Data breakdown – geography and subsector

Breakdown of number of deals by subsector in 1H2022

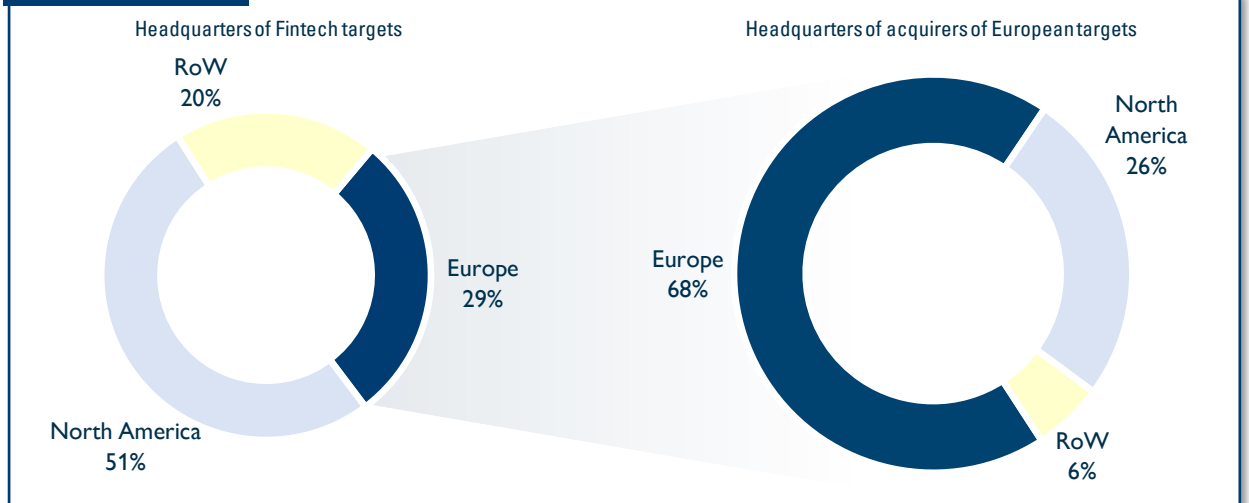


- **Financial Management Solutions**
 Revenue management, financial budgeting, billing, payroll, accounting, invoicing, and financial planning software
- **Payments**
 Point of sale transactions, innovative payment methods, digital money transfers, and payment processing
- **Banking / Lending Technology**
 Loan origination, credit scoring, credit analytics, collections, B2B & B2C & P2P lending
- **Crypto & Blockchain**
 Cryptocurrencies, decentralised finance, digital assets, blockchain technology, and marketplaces revolving around digital currencies
- **Wealth & Capital Markets Technology**
 Trading and investing software for retail and institutional investors, robo-advisors, personal budgeting and saving software

In the first half of 2022, 36% of all Fintech deals targeted a firm in the Financial Management Solutions segment and 22% related to Payment solutions. Interestingly, Wealth & Capital Markets Tech now only represents 11% of all deals, whereas it was the most important subsector a few years ago, accounting for one third of fintech M&A activity.

Just over 50% of all deals in the past 30 months targeted a North American firm. European targets were involved in 29% of the transactions during the same period. While over two-thirds of these were purchased by acquirers on the same continent, 32% of the European fintech sellers ended up transacting intercontinentally.

LAST 30 MONTHS





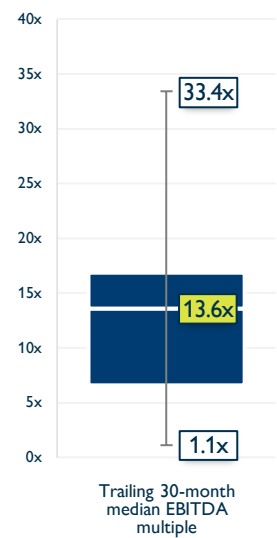
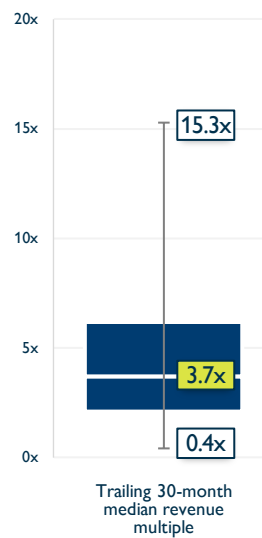
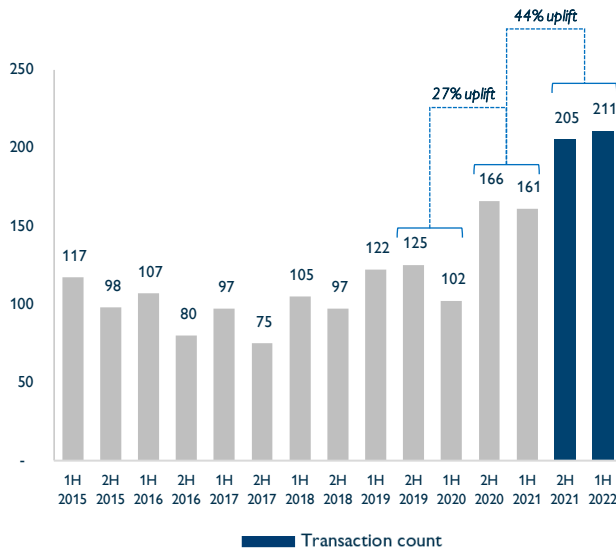
Financial Management Solutions

Subsector overview

The Financial Management Solutions segment has continued to experience a surge in M&A activity, with a record 211 deals recorded in 1H2022 and 416 in the past year. This is a 44% increase from the prior 12 months.

The trailing 30-month median revenue multiple

reached a recent high of 3.7x in 1H2022 – a level unseen since 2015. Half of the disclosed transactions were valued between 2.1x and 6.3x revenue. The trailing 30-month median EBITDA multiple came in at 13.6x, with half of the disclosed transactions valued between 6.6x to 16.9x EBITDA.



Robotic Process Automation capabilities become a key growth driver for Fintechs

Software development companies with a focus on finance are creating software robots that mimic human actions to streamline and quicken repetitive tasks such as data entry, management of financial information, generation of financial reports, handling of insurance claims, and evaluation of business risks.

Robotic Process Automation (“RPA”) will be a key determinant of Fintech players’ success; analysts predict growing demand for RPA and 400% revenue growth in the industry by 2023.

In January 2022, US-based OMEGA Processing Solutions – a provider of AI and RPA-based transaction processing, payroll solutions, dashboards

and analytics – was acquired by US-based Celero Commerce for an undisclosed amount. The acquisition highlights buyers’ increasing interest in targets with key RPA and financial management SaaS capabilities.

Celero provides payment processing and management SaaS, and its acquisition of OMEGA marks its second acquisition in 2022 and eighth acquisition since 2018.



Source: Finextra, Juniper Research, Digital Transactions



Payments

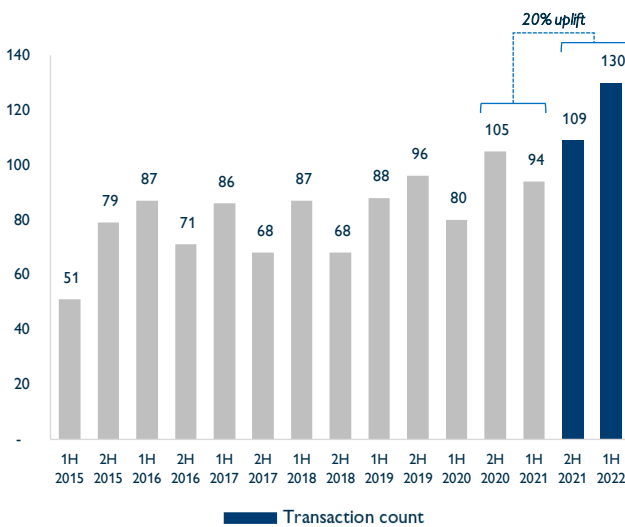
Subsector overview

The Payments subsector has seen reasonable growth especially in the past 12 months. In 1H2022, the number of deals in the space rose with a total of 130 deals inked, representing a 19% increase relative to the prior half-year period. The 12-month period deal volume reached a record high of 239 deals, showing a 20% increase year-over-year. The payments category is the second largest Fintech subsector and continues to attract investor interest.

Though the market benefitted greatly from a boost at the height of Covid-19, certain players especially within the Buy Now Pay Later (“BNPL”) category have

recently faced major headwinds. These challenges are evident from its slightly depressed valuation multiples. Transactions in 1H2022 closed at lower average revenue and EBITDA multiples in comparison to its previous 24-month average.

The trailing 30-month median revenue multiple stood at 2.9x with half of the disclosed transactions valued at a multiple between 1.6x and 5.5x. Meanwhile, the trailing 30-month median EBITDA multiple came in at 14.8x, with half of the disclosed deals showing an EBITDA multiple between 7.4x and 17.4x.



BNPL evolves, gradually becoming mainstream, but key players are facing headwinds

The online BNPL trend that allows users to spread payments into interest-free installments has seen huge popularity, particularly with Gen Z and millennials. On the business side, online merchants cite BNPL as having improved customer acquisition, customer loyalty, and average order value. Across Europe, adoption has been robust: 74% of European retailers now offer the service at checkout.

Yet, criticism of BNPL mounts as more people worry it encourages young consumers to become embroiled with debt. Companies now fear that regulators may implement strict requirements limiting operations. Key players, Klarna and Affirm, recently saw their shares drop 85% and 77% respectively. Still, as the market evolves, analysts foresee growing opportunities for M&A activity as BNPL becomes mainstream.

Source: S&P451, Fintech Magazine, CNBC

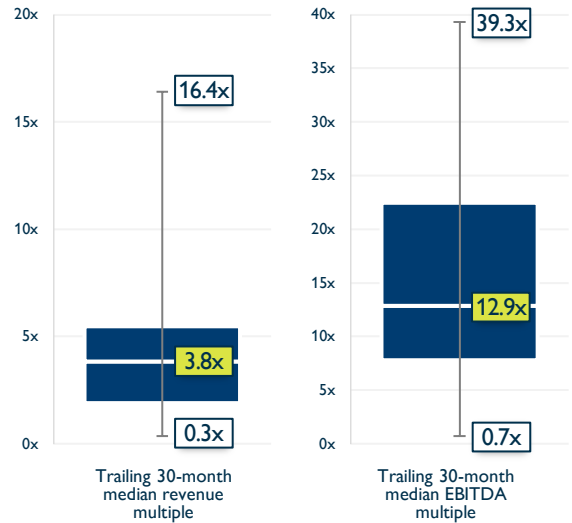
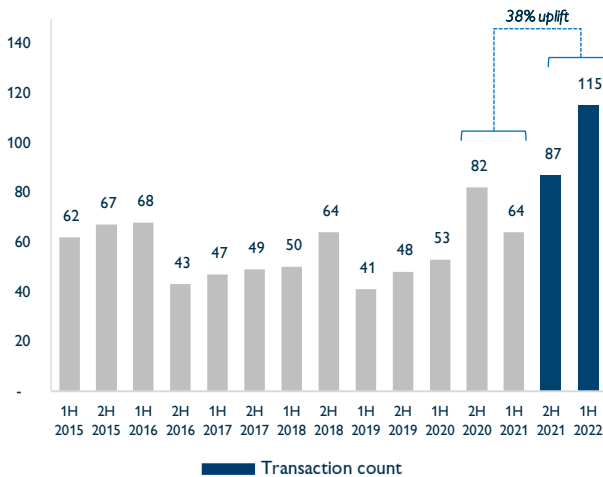


Banking / Lending Technology

Subsector overview

The Banking / Lending Tech segment continues to attract investor attention with a strong 115 deals recorded in the space in 1H2022. The total number of deals recorded over the past 12 months amounted to a record of 202 transactions, indicating a 38% rise year-over-year.

The trailing 30-month median revenue multiple stood at 3.8x in 1H2022, with half of disclosed multiples between 1.9x and 5.5x. Meanwhile, the trailing 30-month median EBITDA multiple came in at 12.9x, with half of disclosed deals valued at an EBITDA multiple between 7.8x and 22.5x.



Open banking APIs gradually replace traditional banking's rigid customer data systems

In May 2022, Yapily Limited acquired finAPI, a provider of open banking, data intelligence, KYC and payment SaaS worldwide. Yapily has focused its efforts on official API integrations covering thousands of banks. With its acquisition of finAPI, Yapily consolidates its position in Germany and Europe.

The European PSD2 regulation, effectively in force since September 2019, requires banks to offer APIs so that customer data can integrate more effectively with third-party services (under user consent). Users are beginning to realise the benefits of working with open data as smooth information exchange improves user experience and quality of financial services. Open banking APIs are expected to transform the market,

allowing users to pay for goods and services in a single swipe or receive a loan decision in seconds.

Open banking features are expected to have 64 million users by 2024, a five-fold increase relative to 2020. McKinsey believes that only 10% of the potential of open banking has been revealed so far. It is a promising financial technology with large volumes of mergers and acquisitions expected in the space.



Source: TechCrunch



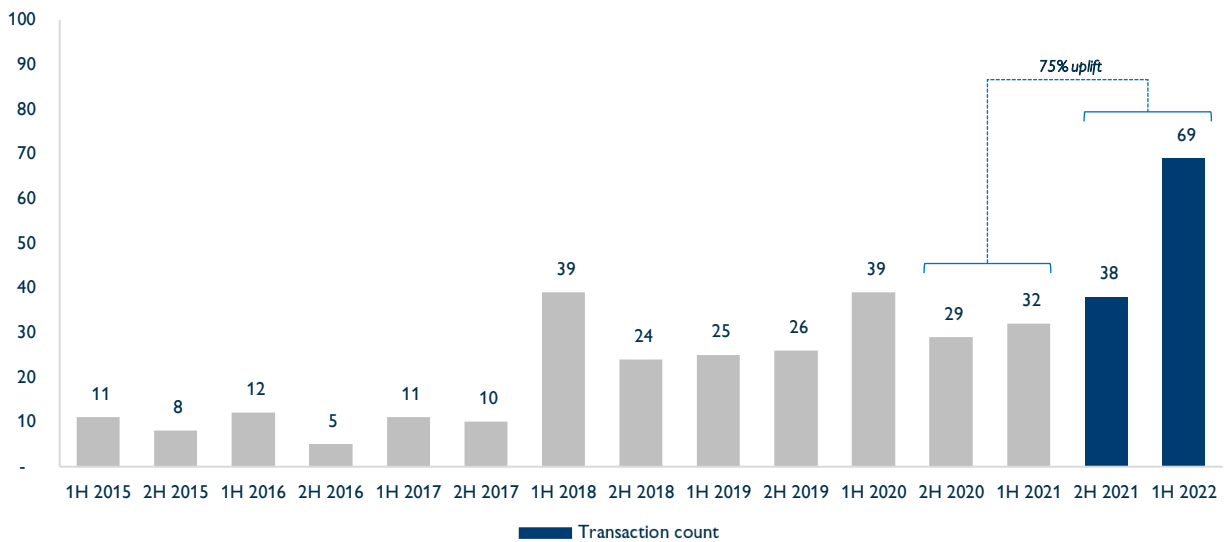
Crypto & Blockchain

Subsector overview

The Crypto & Blockchain segment experienced a significant jump in the number of deals in the past 12 months, with a total of 107 transactions recorded, representing 75% growth year over year. In the latest period 1H2022, a record number of 69 transactions were logged, representing a 82% increase over the prior period.

The improved transparency offered by distributed ledger technology and growth in venture capital investments are key factors driving the growth of the market.

The Cryptocurrency market size is expected to grow at a CAGR of 7.1% to \$2.2 billion by 2026.



Digital assets increasingly proliferate in the metaverse

The online realm of the metaverse now occupies the attention of companies and investors worldwide. The operation of the metaverse, however, is fully reliant on blockchain technology for recording transactions, often as part of a decentralised public database known as an encryption-secured ledger.

As blockchain technology enables monetisation in the metaverse, companies are now piling in to create a wide array of digital assets. In February, investment firm Republic Realm paid a record \$4.3 million for land in Sandbox, currently the largest metaverse platform. Similarly, technology enterprises are expanding their online platforms allowing people to work, play, and

socialise. In May 2022, US-based Descrypto Holdings acquired OpenLocker, a provider of an online NFT trading portal and marketplace for \$11 million. OpenLocker enables the sale and trading of racing prospect collections. The transaction is the latest in a string of investment activity within the cryptocurrency space as the metaverse becomes monetisable and the popularity of NFTs increasingly propel the adoption of crypto.



Source: Morgan Stanley, Marketsandmarkets

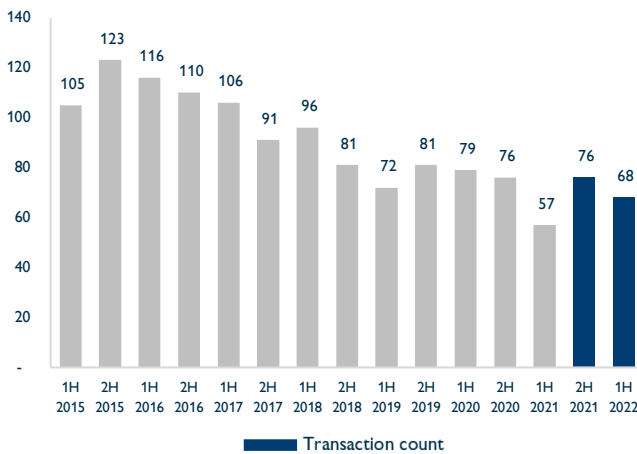


Wealth and Capital Markets Technology

Subsector overview

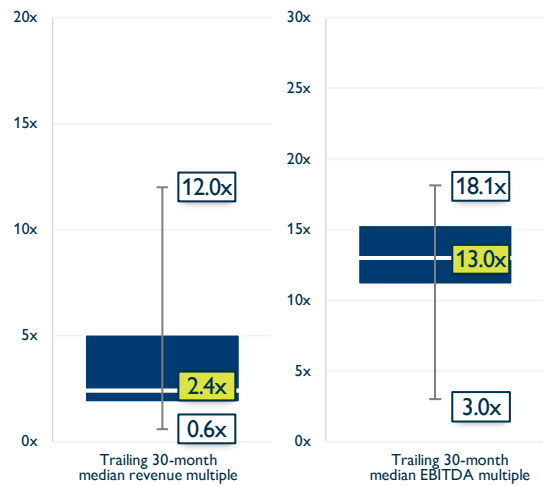
M&A activity within the Wealth and Capital Markets Tech subsector has remained relatively stable since 2020 but has seen a gradual slowdown in recent years as the market grows mature and less fragmented.

The segment saw 68 transactions in 1H2022, and a total of 144 transactions over the latest 12-month period.



The trailing 30-month median revenue multiple stood at 2.4x, with half of all disclosed deals valued between 1.8x to 5.1x.

Meanwhile, the trailing 30-month median EBITDA multiple was 13.0x, with half of all disclosed deals valued between 11.1x to 15.4x.



The rise of the retail investor: capital markets become increasingly appealing to consumers

With covid came a surge in retail investment activity: the emerging investor class propelled trading platform revenues from \$4 billion in 2017 to \$11 billion in 2020. This growth has shown no sign of stopping.

Consumer-focused trading platforms have become less costly, and more user friendly, but also because:

- Fractional investing features allow investors to seamlessly purchase even fractions of shares
- AI-based investment recommendations by robo-advisors help amateur investors make decisions
- Access to a variety of ESG, value-based, and sector-specific funds allow investing that matches perfectly with an investor's preferences

In January 2022, NinjaTrader acquired Tradovate, a leading online futures brokerage firm and trading services, for \$115 million. Tradovate offers futures-related trading software and mobile applications for active retail traders under a commission-free trading model. The deal is expected to help make futures more mainstream and ensure that the growing demand of the trading community is met.



Source: Finextra



Robust global M&A expected to slow, but not in 2022

(Continued from page 1)

Inflation rates rise and a recession looms

Inflation rates have risen to 40-year highs in countries across North America and Europe amid mounting fears of an impending recession. While economists do not foresee a recession striking in 2022, persistently high inflation and increasing interest rates may substantially dampen consumer spending in the new year, making a recession increasingly likely in 2023.

Gloomy outlook unlikely to stifle M&A activity “in the near term”

The expected impact of the current economic climate on M&A is counterintuitive. Although worries of a possible recession has escalated, appetite for deal making has hardly disappeared according to an elaborate survey conducted by KPMG. In fact, quite the opposite. 80 percent of executives signaled their appetite for deals is stronger than in 2021. 61 percent indicated they expect M&A activity in their sector to increase over the next 12 months.

Despite the highly unstable market, the fundamental drivers of M&A remain in place. Companies use M&A to remain competitive, expand, acquire new capabilities, enter new markets, and dispose certain assets to cut costs and sharpen their focus. Such operational initiatives remain as vital, if not more,

during recessionary periods. Indeed, if a recession does occur, economists foresee a decline of deal activity. Currently though, companies have been using M&A to prepare themselves for a transformed economic atmosphere. They intend to acquire competitive capabilities through acquisitions before interest rates rise even further and dispose of non-core assets to cut unnecessary costs before the economy considerably declines.

A more encouraging outlook for tech M&A

Buyers' strong appetite for technology acquisitions has remained strong in 1H2022. As competitive pressures increase in a battle for market share, the ever-growing need for digital transformation and technological advancements has fueled M&A activity. Covid-19 intensified such competitive pressures in the sector and a looming recession has enticed technology companies to act quickly.

Technology businesses such as software and internet companies can scale easily, allowing them to quickly reap the benefits from M&A activity (e.g., realising improved customer reach, product breadth, and enhanced data). Analysts expect a robust level of technology M&A activity to continue and potentially accelerate in the near term.





Conclusion & contacts

M&A relating to financial management, payments, banking, lending, crypto, defi, digital assets, trading and investing, broadly categorised as Fintech, has maintained its record levels of activity and high valuations during these uncertain times.

Despite record inflation, supply chain and geo-political risk, and concerns of a recession – or perhaps precisely because of these factors – deal-making in Fintech has been particularly robust in 2022 thus far: we tracked nearly 600 acquisitions in 1H2022 – the highest volume for a six-month period on record.

Many Fintech companies raised significant investment capital recently. Some will grow and mature to serial acquirers in their niches. Many other Fintechs will be sellers in what continues to be an attractive M&A market.

Analysts foresee a continued rise in related M&A as increasing numbers of private Fintech companies run out of money needed to fuel and maintain their operations. Their options will be to (i) raise capital from venture capital firms (although VCs have become increasingly selective amid heightened uncertainties); (ii) sell to private equity or strategic acquirers; or (iii) entirely shut down business operations.

These options make a sale appear attractive.

At the same time, public companies with massive capital and PE with large amounts of dry powder, well financed late-stage high-growth private companies, and traditional financial services companies who look to remain relevant, are on the lookout for good assets in the sector.

These two sides of the equation are bound to increase overall M&A activity in the Fintech sector.



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Principal Partner

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Selection of Hampleton transactions

 <p>raised growth capital from THE CARLYLE GROUP</p> 	 <p>acquired by FACT-FINDER® GENUI</p>	 <p>merged into finshape backed by PortfoLion</p>	 <p>acquired by DESCARTES</p>	 <p>acquired by VIA equity</p>	 <p>acquired by FICO</p>
<p>Leading holistic omnichannel digital commerce software solutions provider in the DACH region</p>	<p>Developer of eCommerce personalisation technology solutions, utilising ML software solutions that anticipate wants of customers</p>	<p>Digital banking software for retail, corporate and investment management banks in Central and Eastern Europe</p>	<p>Automation of processes originating from online orders. Collection of order information, and management of financial data for invoicing</p>	<p>Tech-empowered software and consultancy services vendor in Finland focusing on banks and insurance companies.</p>	<p>Standardised and individual solutions against financial and white-collar crime and for risk management and monitoring, analysis, and reporting</p>

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- ✦ Artificial Intelligence
- ✦ Autotech & Mobility
- ✦ Cybersecurity
- ✦ Digital Commerce
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