



M&A in payments from the past to the future

Silvano Lenoci – Partner KPMG Advisory, Co-Head of Global Financial Services M&A

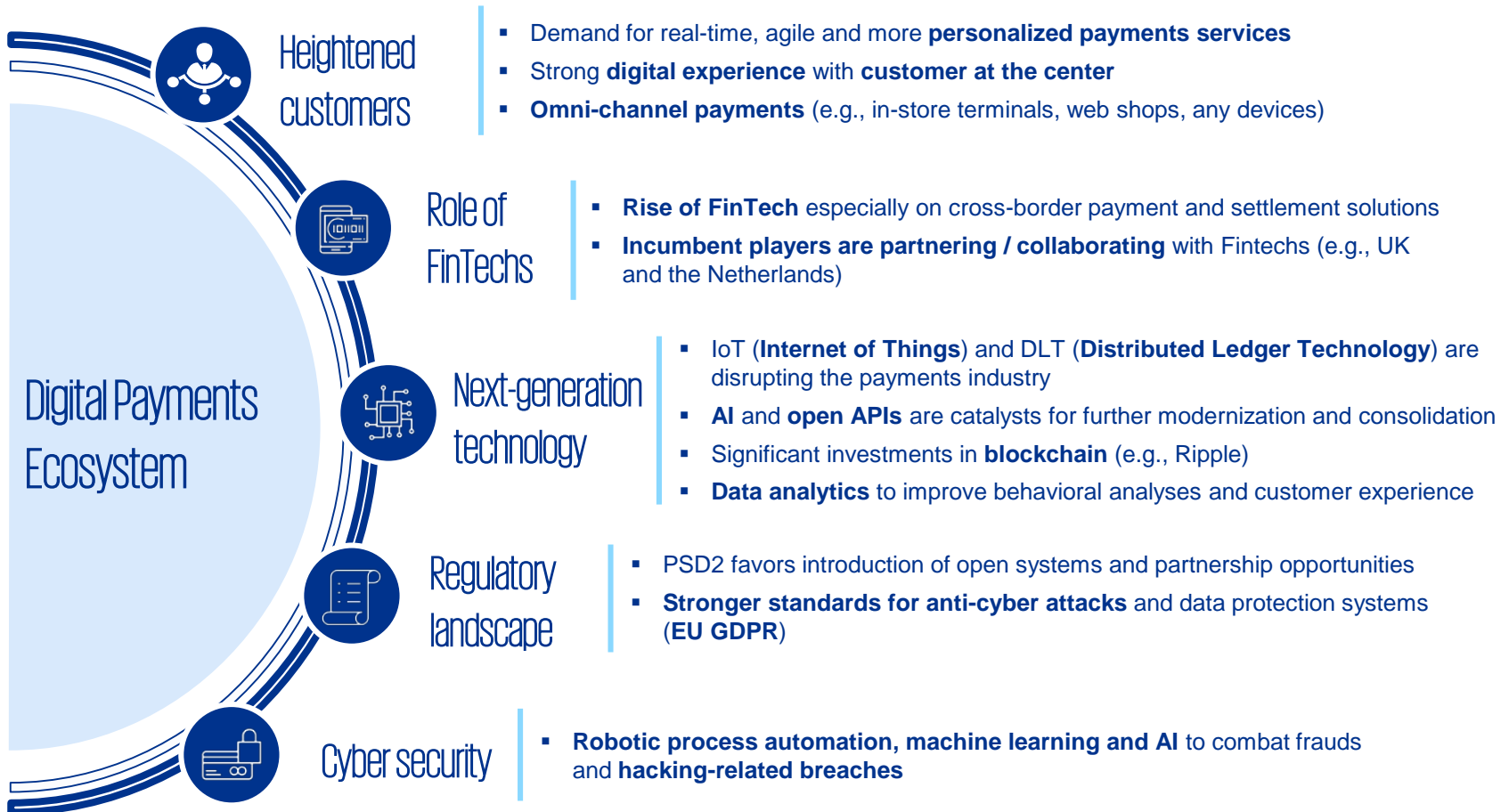
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Milan, November 8th, 2018

Sala Blu 1 – 10 a.m./11 a.m.

A new Ecosystem is emerging in the digital payments....

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The Digital payments sector is experiencing a progressive disengagement of banks from the “traditional” payments space and a growth acceleration through the digital revolution

...forcing operators to adapt and evolve

1. Traditional players



Traditional players are looking for consolidation and global scale



2. FinTech / Digital players



FinTech are emerging in cross-border payments, enhancing faster, instant payments



3. Banking players



Banks to turn into platform players, connecting providers and end-customers, to retain payments' role (e.g., e-commerce)



4. e-Commerce platforms



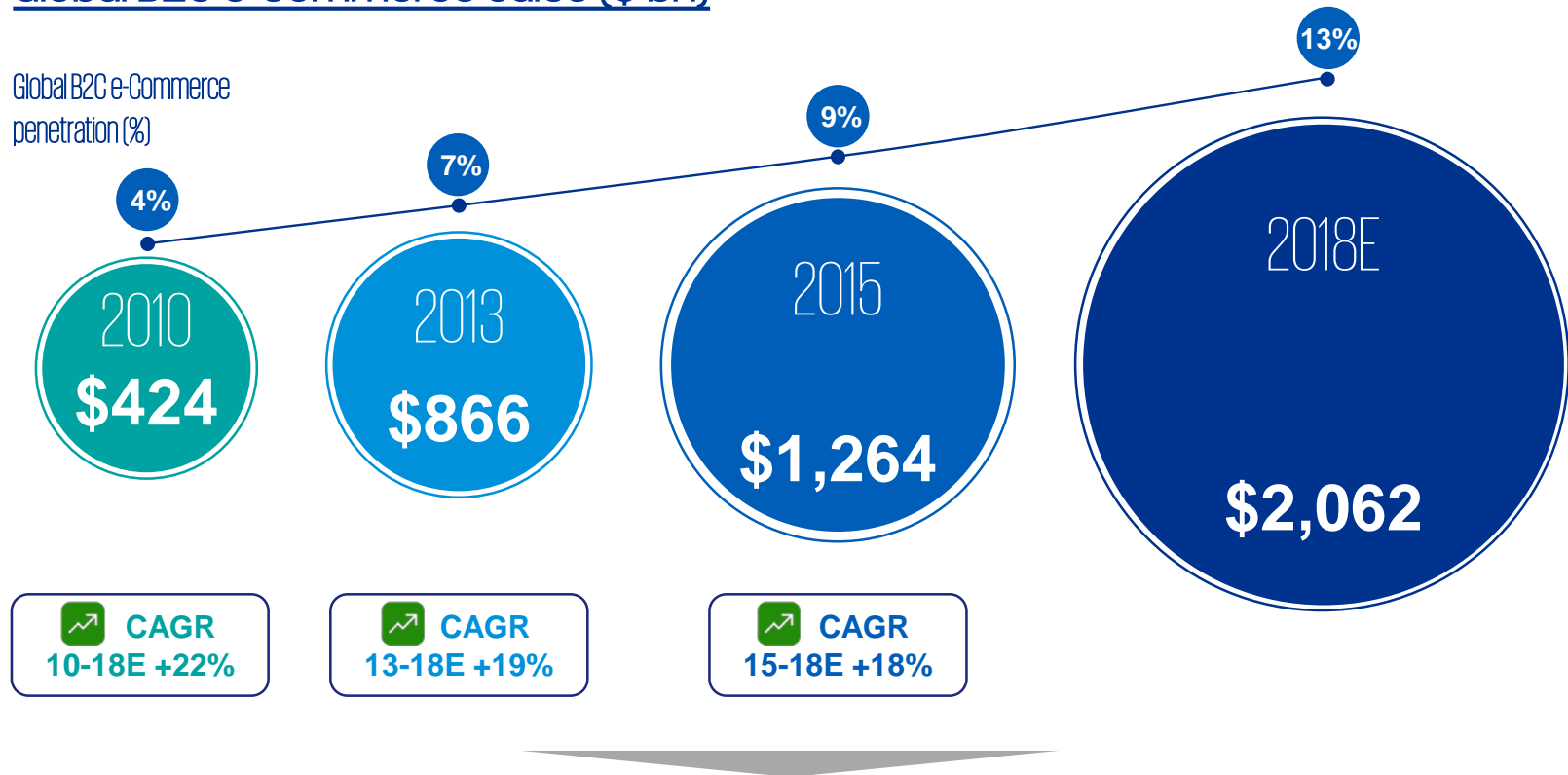
e-Commerce penetration to increase driven by interest of traditional players in acquiring / building platforms



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E-commerce is set to become the largest retail channel...

Global B2C e-Commerce sales (\$ bn)



The shift to e-Commerce is becoming a significant structural driver, globally

...leveraging on customer-centric solutions

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Seeking for scale in the e-commerce arena through several acquisitions and partnerships



Increasing demand for cross-border payment solutions due to the growing global e-commerce market



Deep focus on online and in-store merchant solutions



OPs Pivo Mobile



Offering direct payments, pay after delivery and instalments plans



Focus on next page



Focus on Klarna: a leader in hyper-personalized payment services



Pay over time

- Spread the cost of a **purchase over time** with low APR financing offers
- **6 to 36 month planned payment terms** are available to a reduced APR rate
- Flexible month-to-month: **no fixed term commitment**; the client can pay the balance in full or make the minimum monthly payment

Pay after delivery

- Consumer can receive products before paying
- **The client can pay up to 30 days after the purchase (Buy now Pay Later period)** with card or bank account, with no added interests

Pay now by card

- Consumers pay directly with credit or debit card
- Securely saves consumer payment information for **one-click purchases in the future**
- All major card brands accepted
- **Personalized services** to loyal shoppers

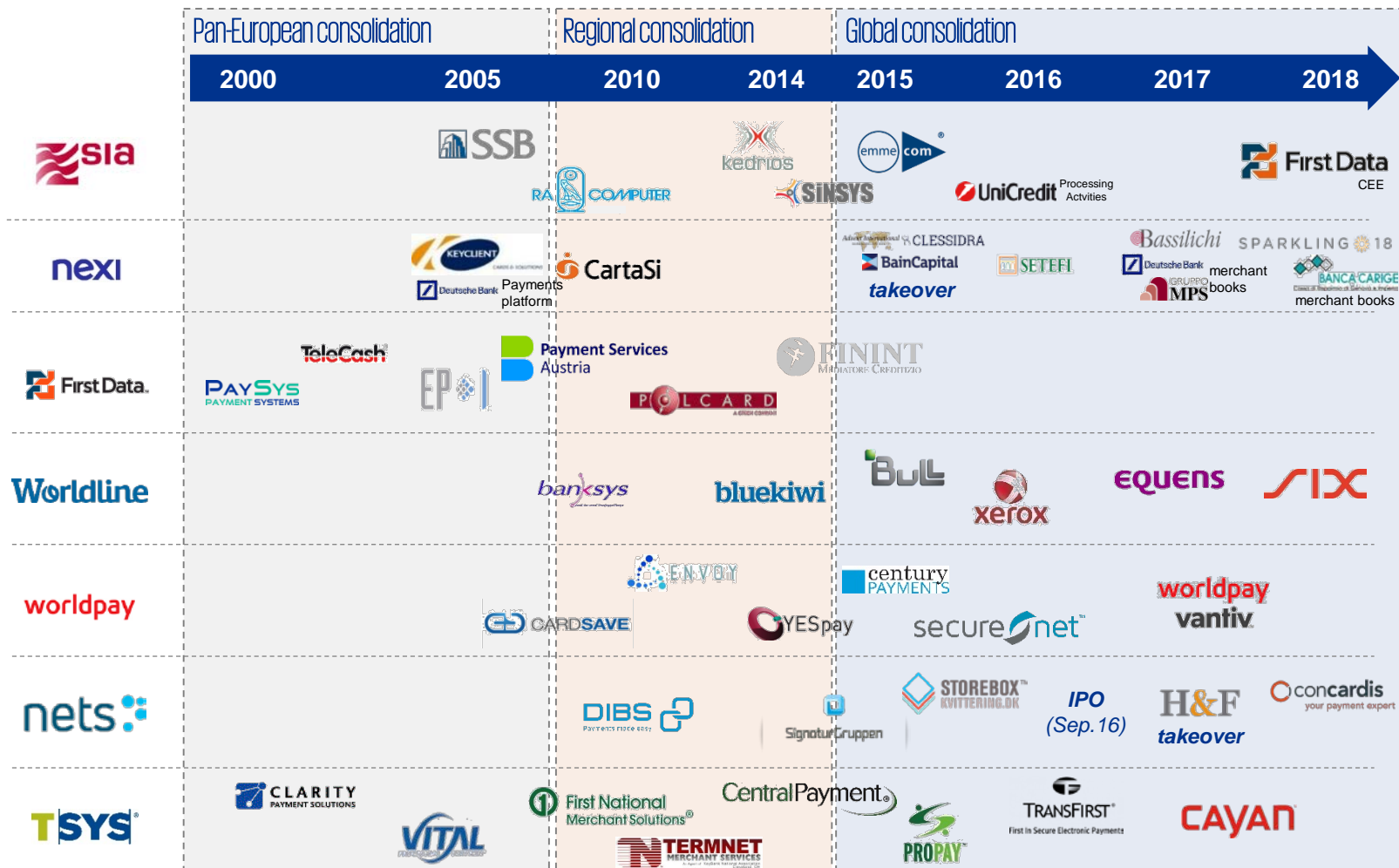
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M&A as a catalyst for consolidation













































Most of the consolidation cases have been to acquire new technology...

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...and achieve optimal scale while enriching the product / service offering

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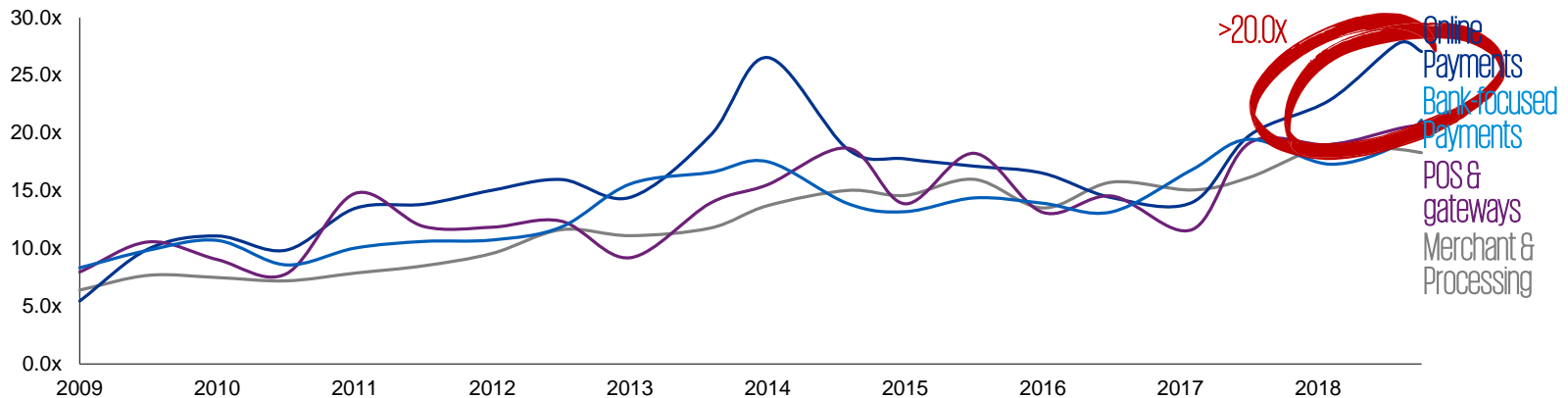
	Company	2018E EBITDA margin (%)	Norm. EV/EBITDA (x)		Relevance to			
			2018E	2019E	Issuing	Acquiring	Processing	POS&ATM
Online Payments	 PayPal  adyen  wirecard  SafeCharge	27.5%	18.9x	16.3x				
Merchant acquiring & Processing	 Square  First Data.  TSYS  Worldline  EVO PAYMENTS  worldpay  nexi  SIA  global payments  cielo  evertec	34.0%	14.5x	12.9x				
Bank-focused Payments	 FIS  AllianceData.  fiserv.  jack henry & associates inc.  ACI  Bottomline Technologies	16.9%	10.3x	9.0x				
POS and gateways	 ingenico GROUP  NCR  CARDTRONICS  Euronet WORLDWIDE  Verifone  DIEBOLD NIXDORF  GHL	30.8%	17.0x	15.5x				

Source: Information data provider as of October 25th, 2018

M&A activity was sustained by high trading valuations...



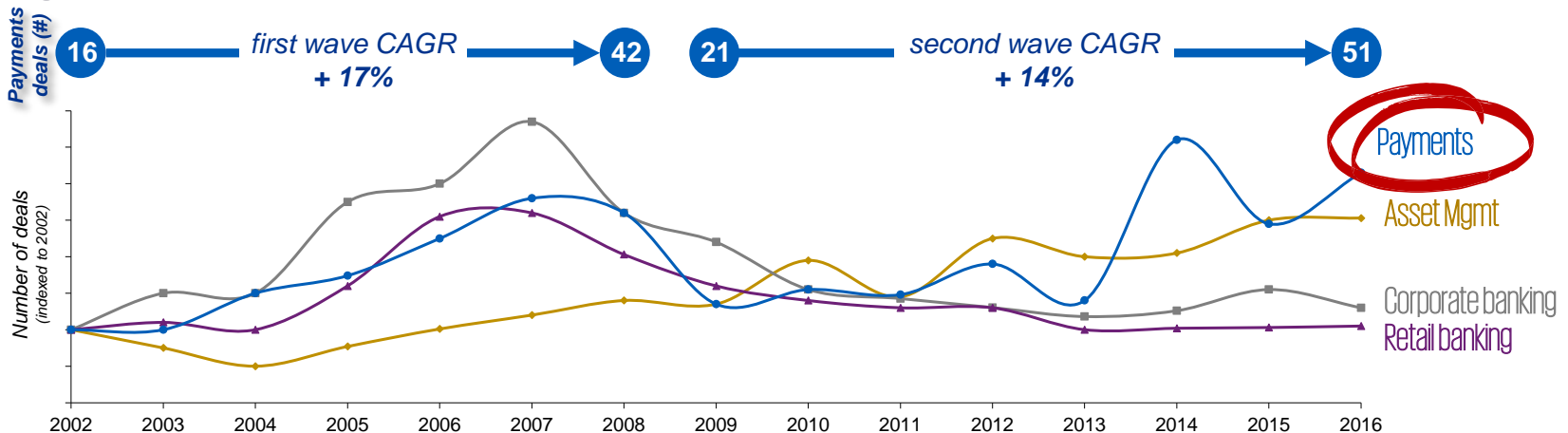
Market momentum of digital payments - LTM EV/EBITDA



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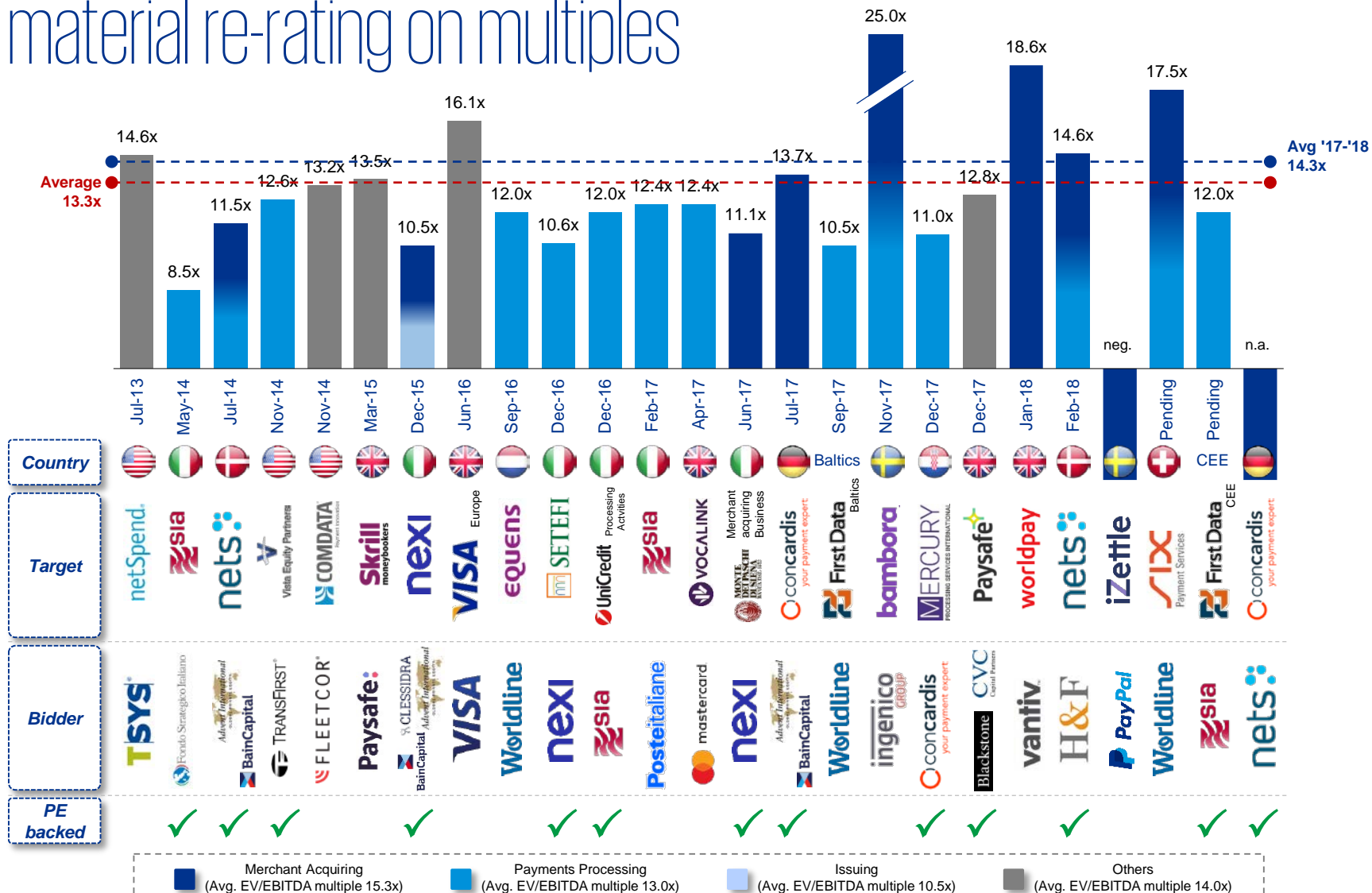


Trend of Payments M&A deals (2002-2016)



...and strong resilience of the fundamentals, leading to a material re-rating on multiples

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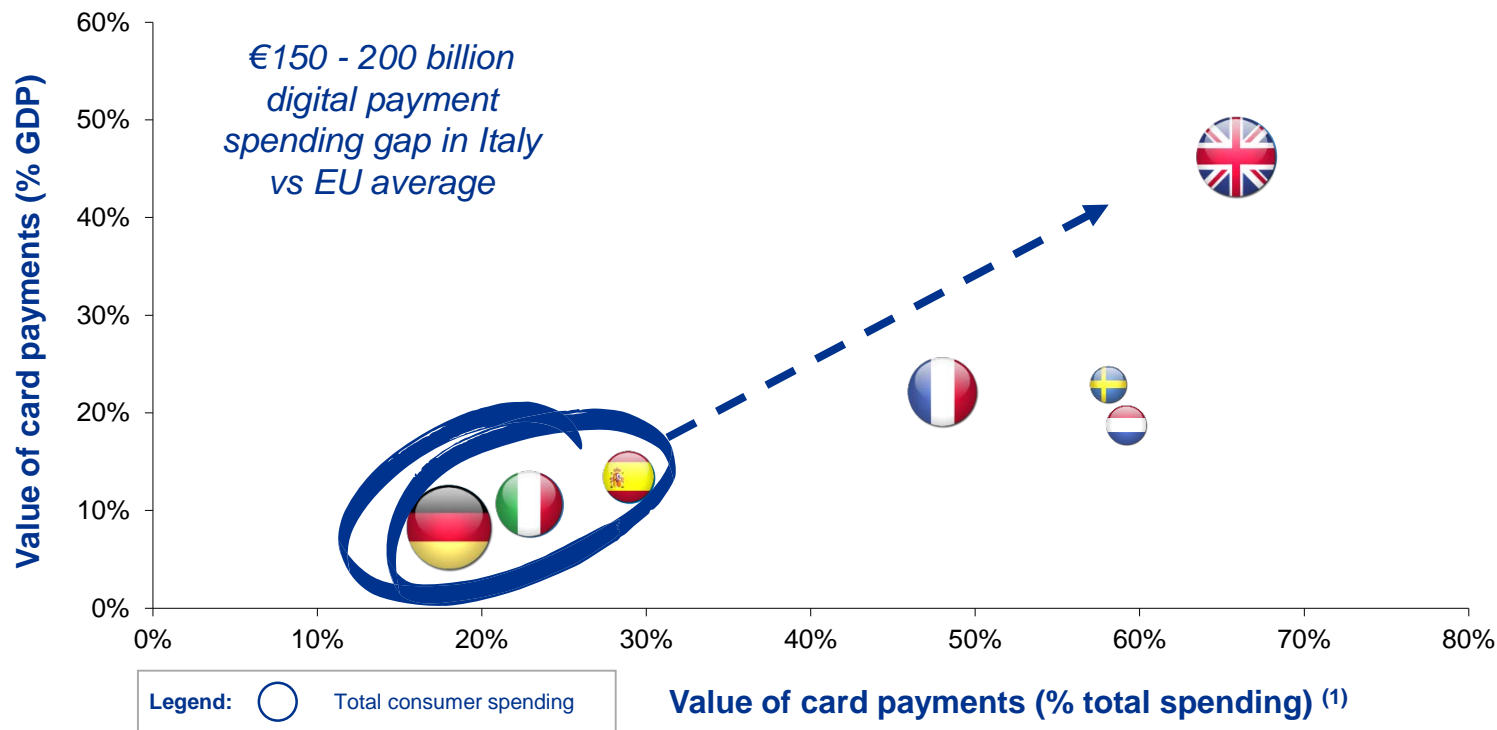




The Digital Payments in Italy

The Italian Payments market is still under-penetrated compared to best-in-class EU countries...

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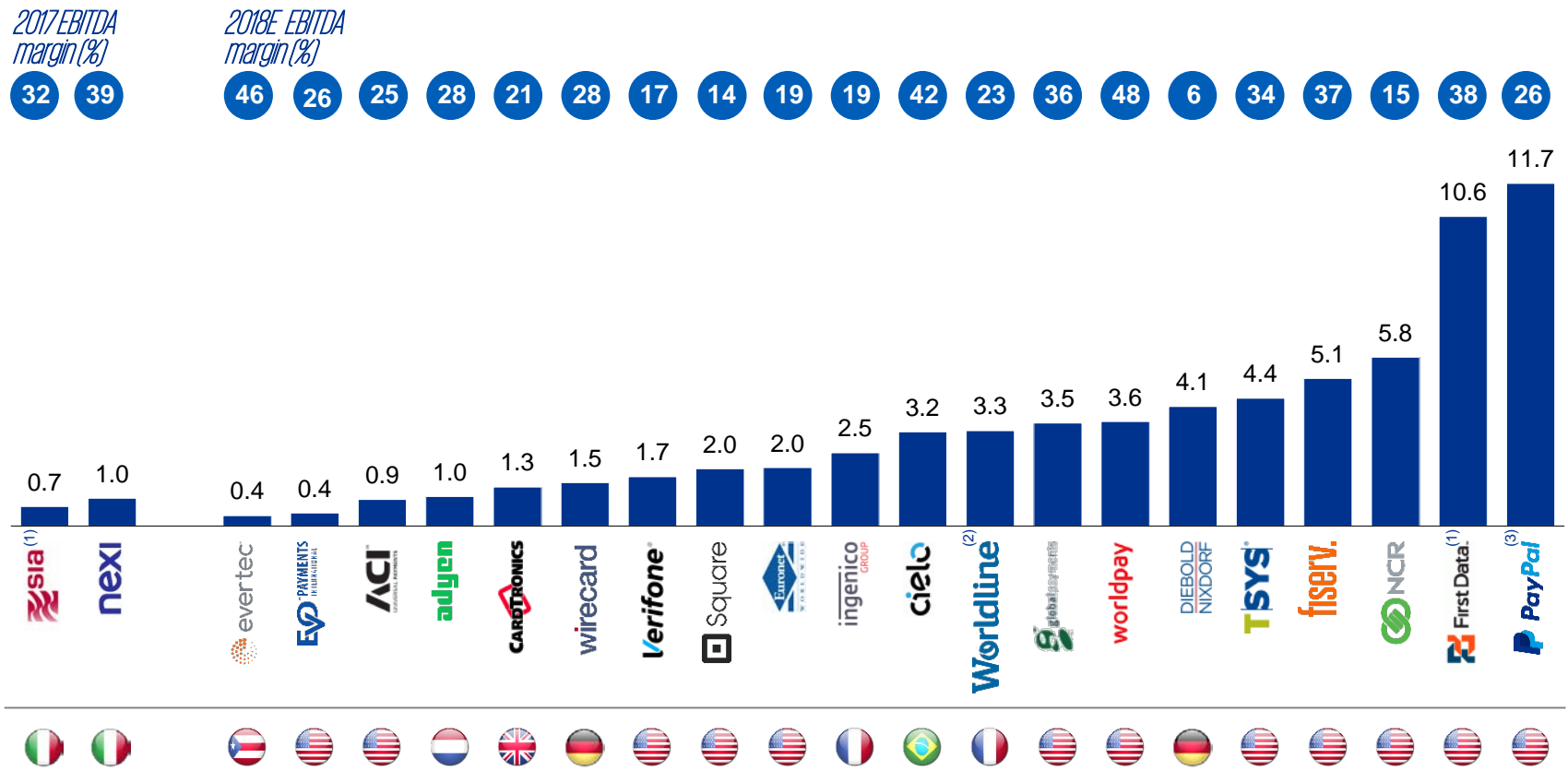
Card payments penetration in Italy is relatively low with a potential gap to fill equal to approx. €150 - 200 billion (vs EU average)

Notes (1) defined as card payment transactions excluding commercial transactions divided by total consumer spending.

Source: Nexi Capital Offering Memorandum; Economist Intelligence Unit, Euromonitor International Consumer Finance 2018 Edition; Statistical payments ECB – 2017.

...with Italian leading Payments companies still sub-scaled vis-à-vis global peers

2017 Sales (€ bn)



Notes: (1) Pro-forma for First Data CEE transaction; (2) Pro-forma for SIX Payments acquisition; (3) Pro-forma for iZettle acquisition.

Sources: Nexi Capital Offering Memorandum, publicly available information and information data provider as of October 25th, 2018

The Italian Digital Payments sector is evolving...

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Market



Italian market still under-penetrated although customer behaviors are shifting towards the "digital"

23%⁽¹⁾ vs 43% EU avg

Players



Leading domestic Issuing & Acquiring player driving consolidation

62%⁽²⁾ mkt share



Leading Italian processing player with a unique international footprint



New FinTech players are entering the market



Notes: (1) Card Payments Penetration defined as card payment transactions excluding commercial transactions divided by total consumer spending; (2) Based on value of payment card transaction on a pro forma basis at year ended 2017 and excluding PagoBancomat

...primarily driven by PE investments and FinTech initiatives...

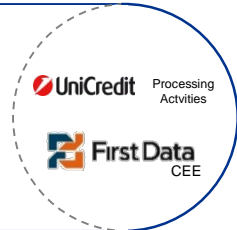
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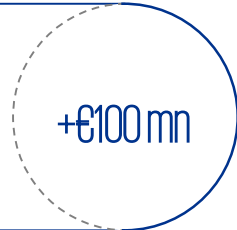
- Takeover by Bain Capital, Advent Int. and Clessidra in 2015 for ~€2.15 bn
- Domestic growth and expansion achieved through several **M&A activities** in 2005-2017 period (overall investments for approx. €3.5 bn since 2015)
- **Group reorganization** in 2018 leading to the creation of the Italian leading pure payments player



- Takeover by **cdp** (through Fondo Strategico Italiano) in 2014 and subsequently by **Posteitaliane** in 2017
- Strengthening of its **international strategic positioning** through target acquisitions in the European digital payments market



- Last investment round (July 2018) of ~€10 mn reserved to **COPPER STREET CAPITAL** leading to a **pre-money valuation of ~€100 mn**
- Next round is expected to take place in 2019 targeting a maximum of €50 mn

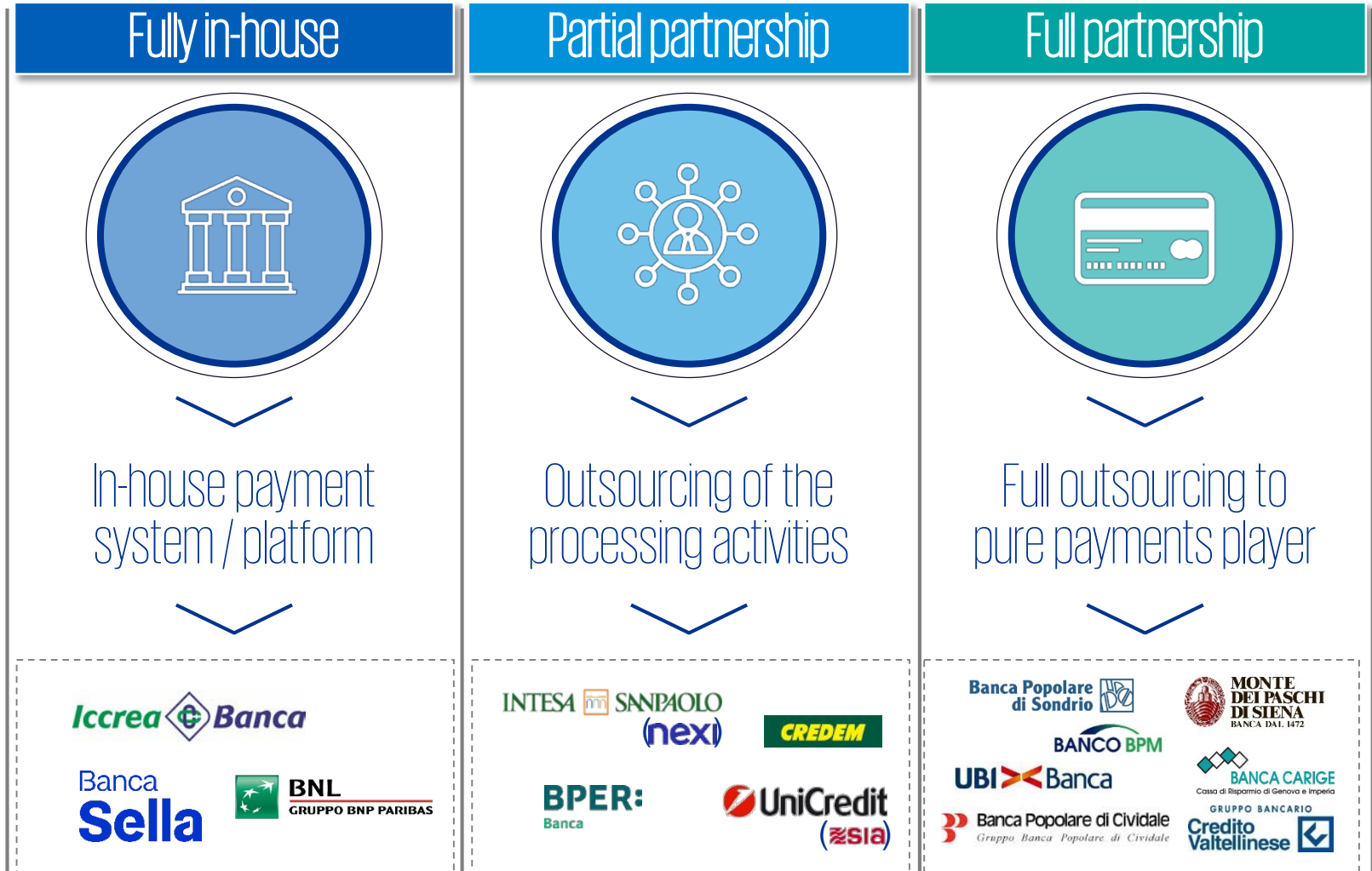


- **Postepay S.p.A.** integrates activities of PosteMobile and sits on approx. 4.1 mn PosteMobile's Sims, ~26.2 mn cards and e ~2.5 mn digital wallets
- Poste Italiane / Postepay's new strategic positioning in the domestic payment market is also driven by investments in its **e-commerce platform**



...while traditional banks are shifting towards a full partnership model

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Final remarks

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1. Global consolidation

- ➔ Global digital payments sector is expected to further consolidate in the near future (e.g., Wirecard and Ingenico as potential targets)
- ➔ The market rumours potential consolidation in Italy aimed at creating a "true" Digital Payments player with European scale

2. Banks' role

- ➔ Traditional banks will become platform players, owning the relationship with customers and facilitating the connection with digital payments providers
- ➔ Major European banks are leveraging on open APIs to securely open their systems and allow fintech and other third-parties to create VAS that can be integrated with the bank offerings

3. e-Commerce

- ➔ The e-commerce industry has already successfully adopted the platform model (+20% CAGR in B2C e-commerce sales over the last 5 years)
- ➔ Largest payment operators are looking to partner with payment and delivery platforms (e.g., PayPal, Nets, ACI, Permira-backed Klarna) leveraging on customer-centric solutions

4. FinTech

- ➔ Cross-border payments, instant payments and money transfers are set to become the "new normal"
- ➔ Fintech initiatives will drive more and more innovation



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your attention



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