



# Sectorwatch: Mobile Point of Sale Solutions

July 2018

# Mobile Point of Sale Solutions

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# Overview

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7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

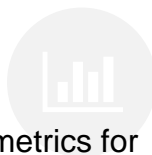
## Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



## Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



## Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



## Recent Deals

- The most recently announced deals in the sector



# Dashboard

## Revenue Growth Momentum

↓ -0.07

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

## Pricing / Gross Margin Momentum

↑ 0.6%

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin exceeds the average of the last 3 years gross profit margin by this amount, indicating supplier pricing power

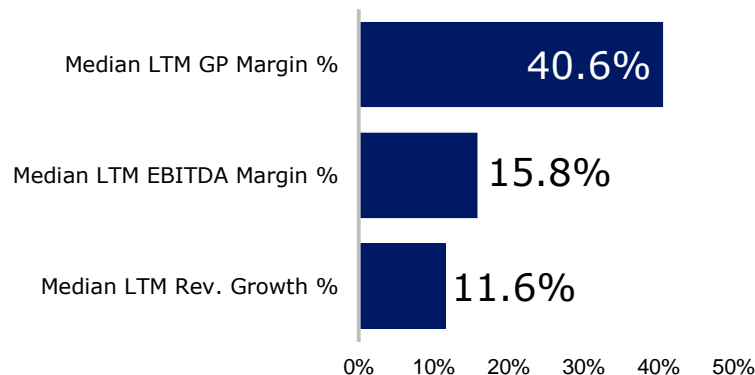
## Profitability Momentum

↓ -0.7%

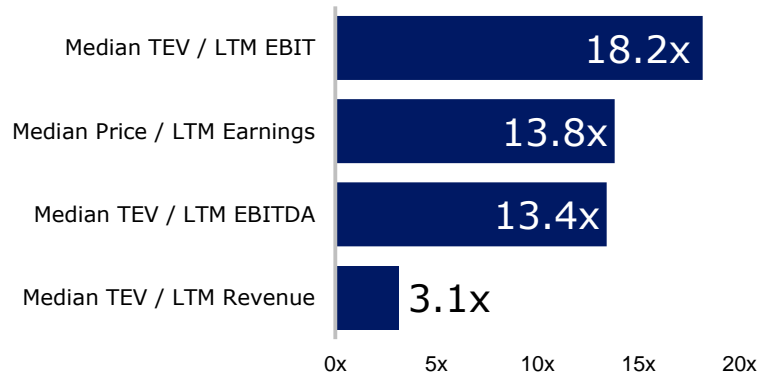
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

## Operating Metrics



## Valuation



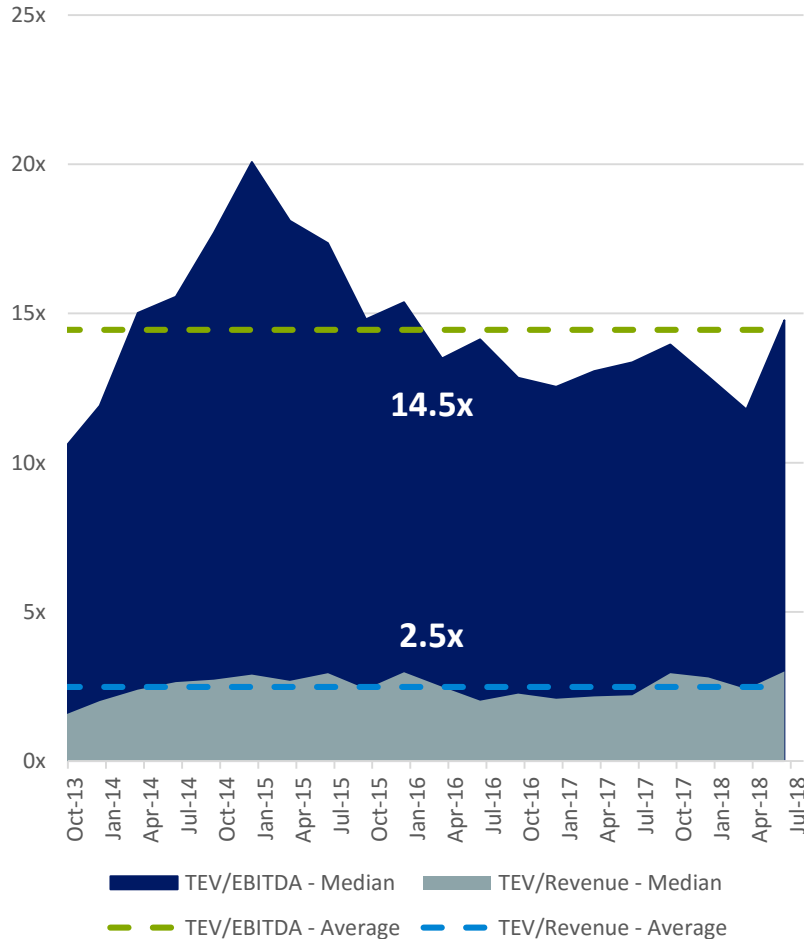
# Public Basket



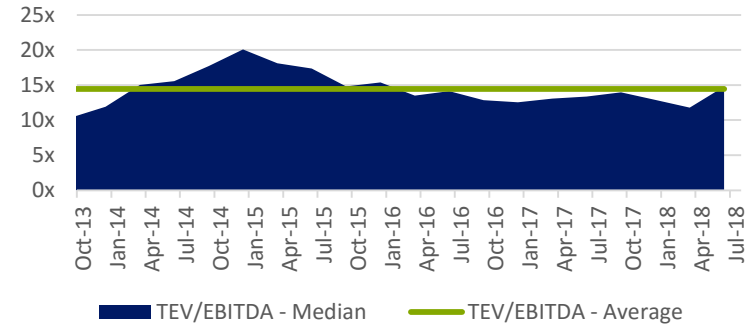
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
LSI Software S.A.	10	14	38%	27%	17%	0.8	4.5	-	NA
GK Software SE	246	116	15%	27%	6%	2.2	35.7	1,011	115
PAX Global Technology Limited	253	460	23%	41%	16%	0.6	3.5	1,514	304
GHL Systems Berhad	274	64	-5%	43%	19%	4.5	22.9	-	NA
USA Technologies, Inc.	914	128	40%	28%	8%	7.1	95.0	91	1,409
VeriFone Systems, Inc.	3,256	1,819	-3%	41%	12%	1.8	14.8	5,600	325
ACI Worldwide, Inc.	3,690	1,002	-1%	55%	16%	3.7	23.4	3,979	252
Ingenico Group - GCS	7,580	3,014	9%	41%	20%	2.6	12.8	7,744	389
Square, Inc.	26,383	2,421	35%	38%	-1%	10.9	0.0	2,338	1,036
First Data Corporation	42,207	8,331	6%	63%	35%	5.1	13.4	22,000	379
<b>Average</b>	8,481	1,737	16%	40%	15%	3.9	22.6	4,428	526
<b>Median</b>	2,085	731	12%	41%	16%	3.1	14.1	1,926	352

share price as of 13Jul18

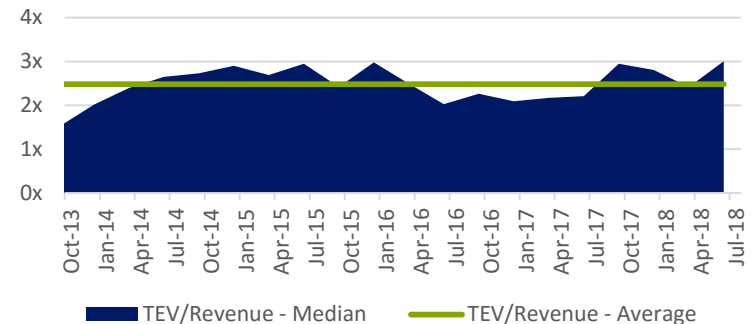
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



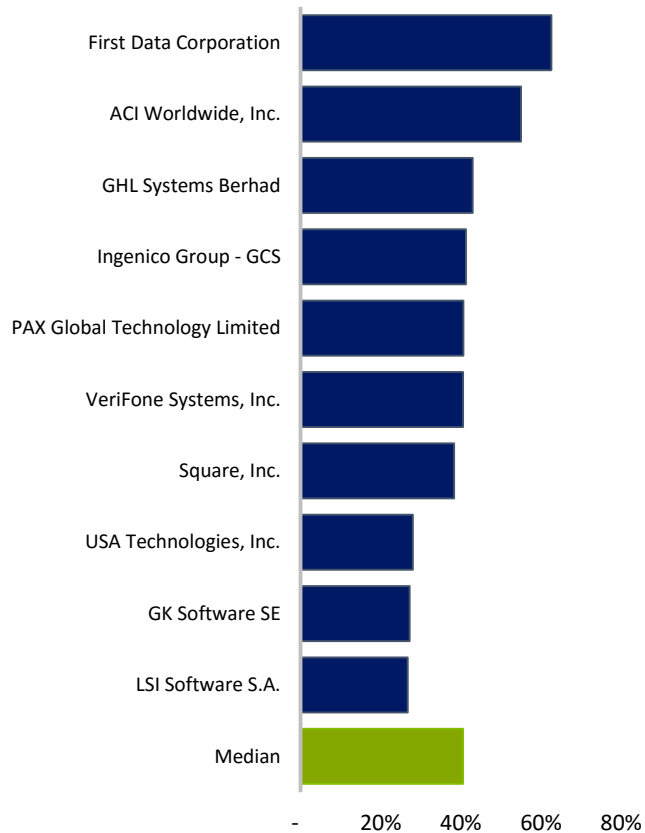
## Public Revenue Multiples over Time



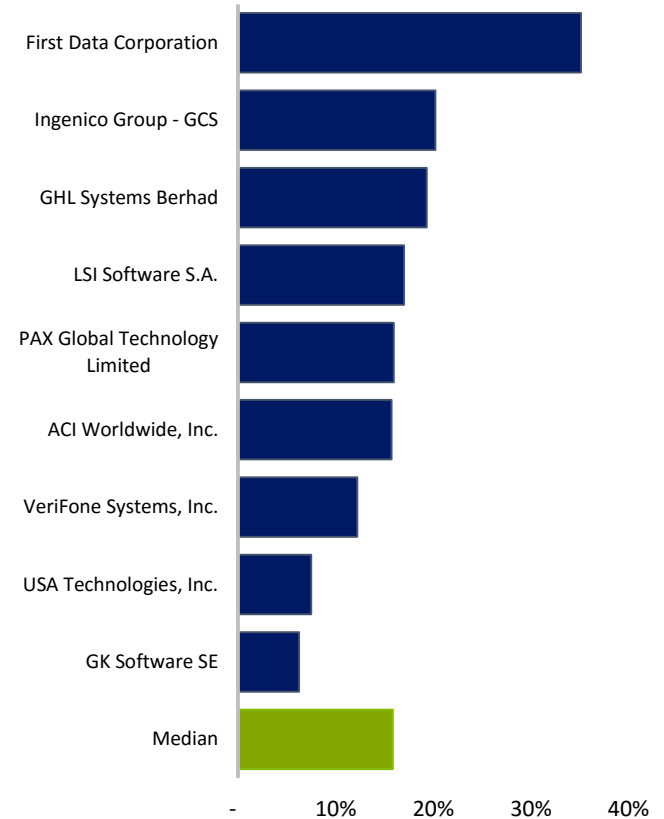
# Operational Metrics



LTM Gross Profit Margin %



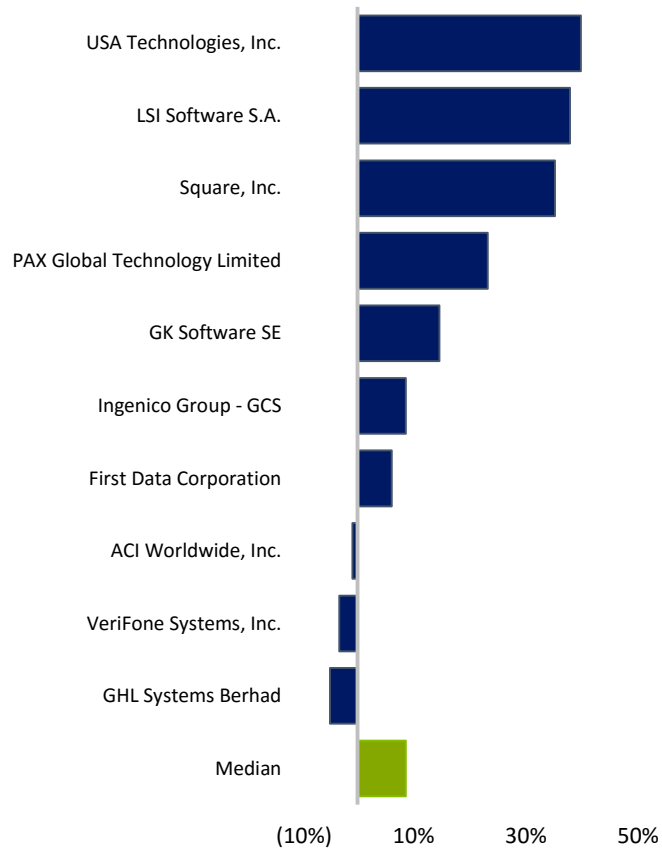
LTM EBITDA %



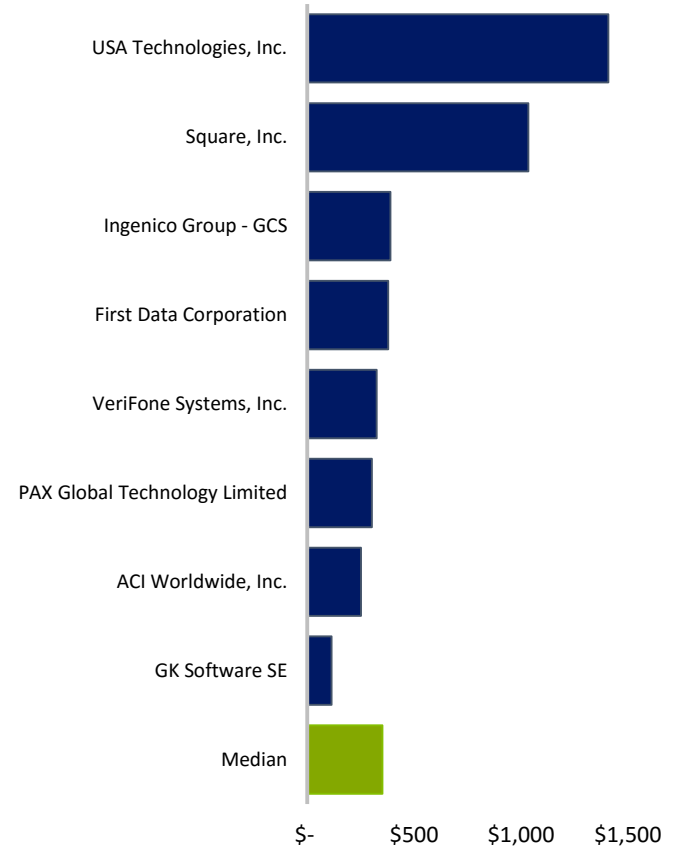
# Operational Metrics



## LTM Revenue Growth %



## LTM Revenue per Full Time Employee x 000's





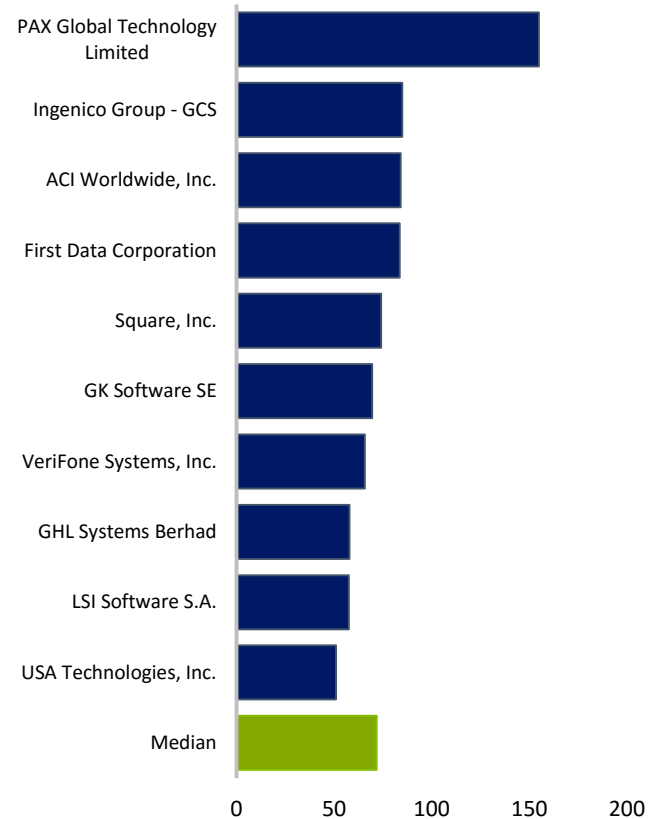
# Operational Metrics



## Accounts Receivable Turnover



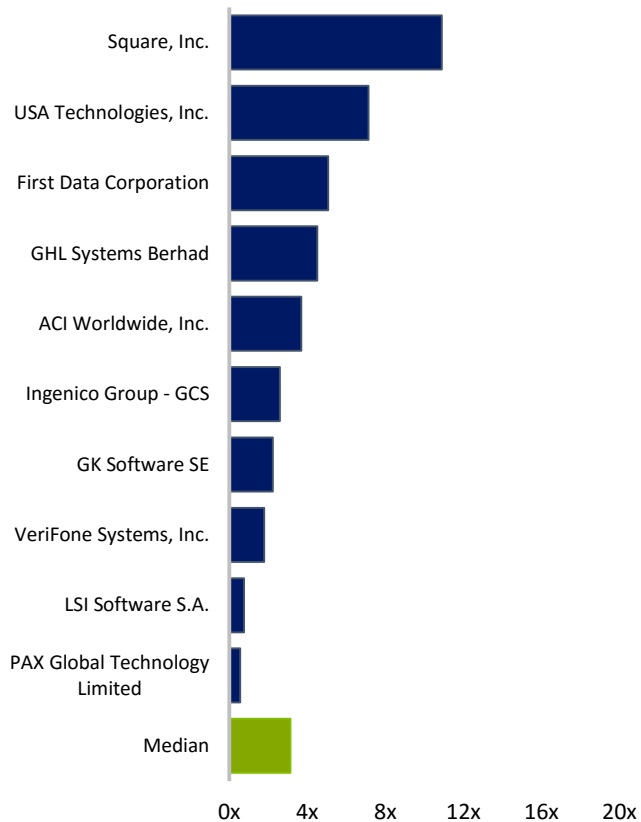
## Average Days Sales Outstanding



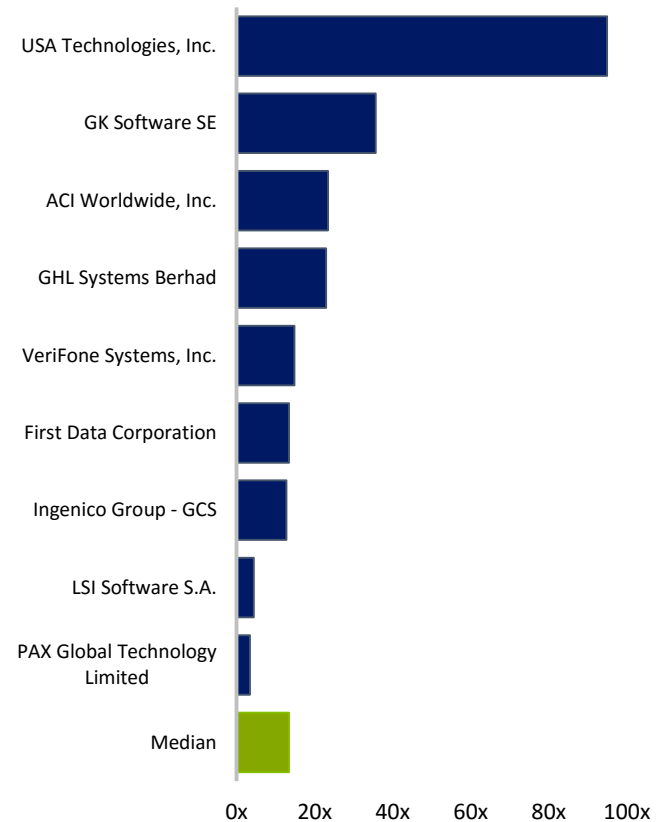
# Valuation



TEV / LTM Revenue



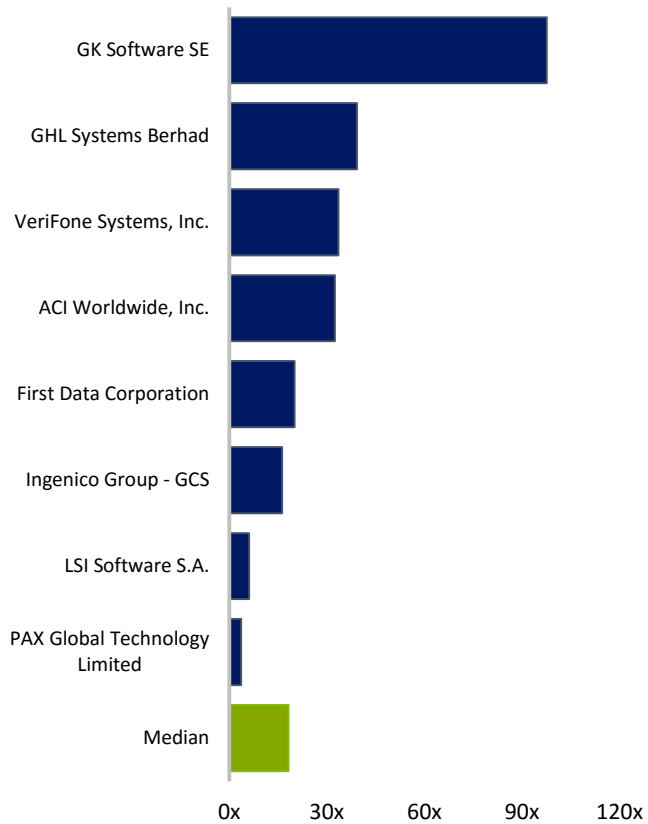
TEV / LTM EBITDA



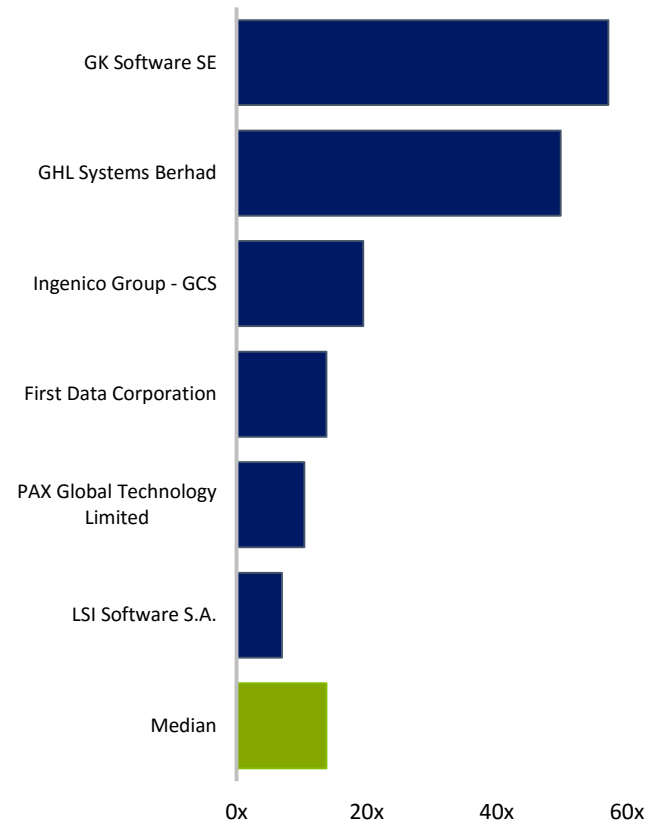
# Valuation



## TEV / LTM EBIT



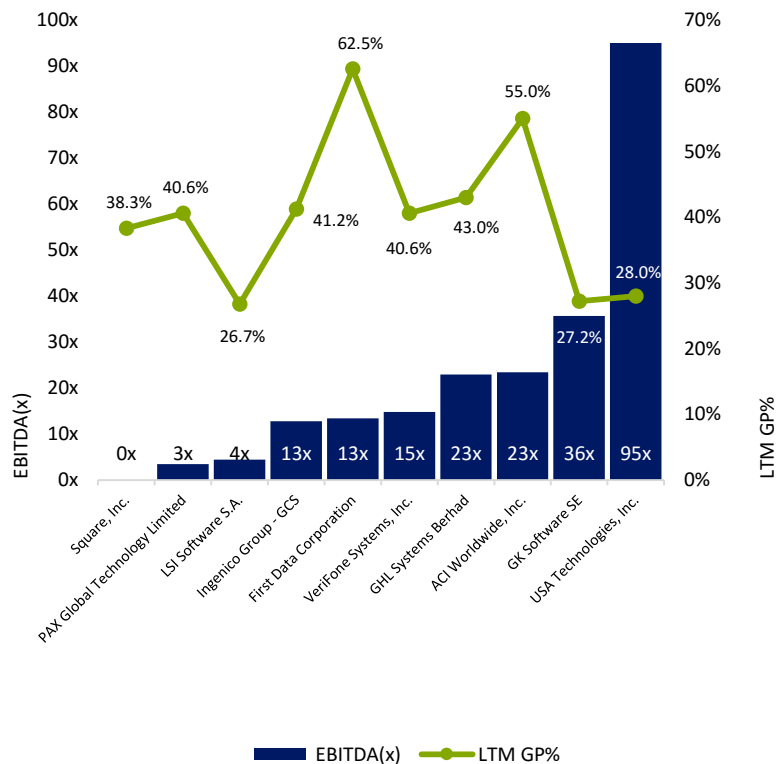
## Price / LTM Earnings



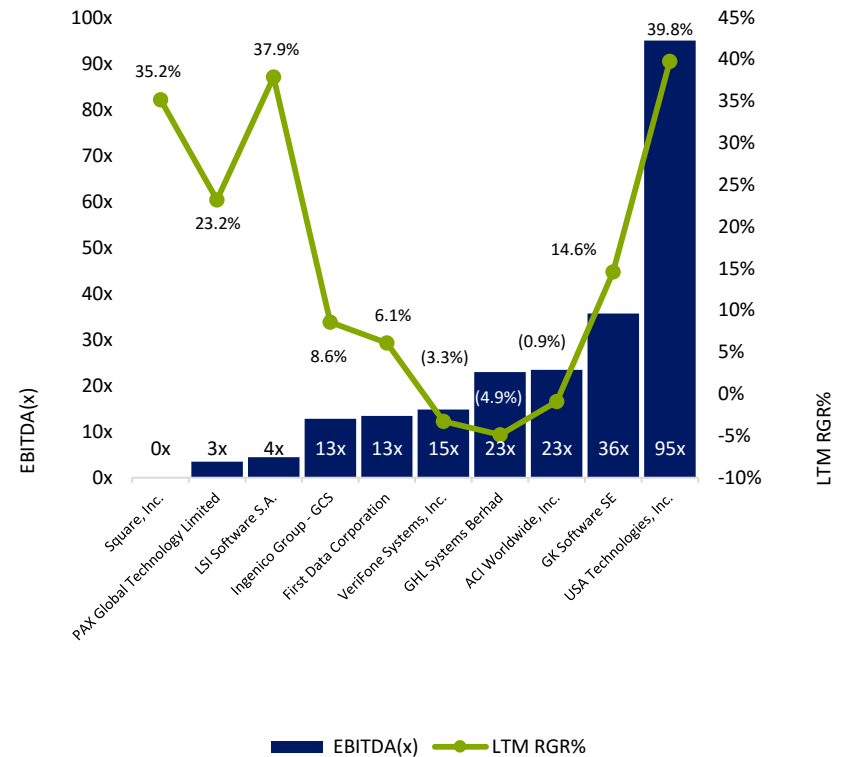
# Valuation



## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
21Jun18	TouchBistro, Inc.	BDC Venture Capital; JPMorgan Mezzanine Corporation; Recruit Holdings Co.,Ltd.; Relay Ventures; OMERS Ventures; BDC IT Venture Fund; Napier Park Financial Partners	54.10	-	-	-
7Jun18	iMobile3, LLC	Total System Services, Inc.	-	-	-	-
27Apr18	Qisda Corporation	AU Optronics Corp.	115.55	4,763.07	0.5x	9.9x
26Apr18	Weebly, Inc.	Square, Inc.	365.00	-	-	-
14Feb18	payworks GmbH	Visa Inc.; Speedinvest GmbH; CommerzVentures GmbH; Finparx GmbH	14.50	-	-	-
12Feb18	MPOS Vietnam Technology Joint Stock Company	GHL Systems Berhad	2.29	-	-	-
31Dec17	ShopKeep.com Inc.	First Data Corporation	-	-	-	-
29Dec17	Net Element, Inc.	Esousa Holdings LLC	7.55	59.93	-	-
18Dec17	ExaDigm, Inc.	Nexgo Inc.	5.00	-	-	-
31Oct17	Bixolon Co., Ltd	IDIS Holdings Co., Ltd.	89.30	78.89	2.2x	13.0x
31Oct17	i3 Verticals, Inc.	-	0.20	-	-	-
18Oct17	Lightspeed POS Inc.	Caisse de dépôt et placement du Québec; iNovia Capital; Investissement Québec, Investment Arm	165.70	-	-	-
1Aug17	i3 Verticals, Inc.	-	14.00	-	-	-
25Jul17	Toast, Inc.	Bessemer Venture Partners; Generation Investment Management LLP; Lead Edge Capital Management, LLC	101.00	-	-	-
5Jul17	Net Element, Inc.	Cobblestone Capital Partners LLC	10.00	59.04	-	-
16May17	TouchBistro, Inc.	BDC Venture Capital; Recruit Holdings Co.,Ltd.; Kensington Capital Partners Limited; Relay Ventures; BDC IT Venture Fund; Napier Park Financial Partners	12.07	-	-	-
21Mar17	Airpay Payment Services Pvt. Ltd.	Kalaari Capital	3.67	-	-	-
14Mar17	Meerchant Inc.	ShopKeep.com Inc.	-	-	-	-
1Mar17	Net Element, Inc.	-	0.35	54.29	-	-
3Feb17	Revel Systems, Inc.	Welsh, Carson, Anderson & Stowe	-	-	-	-
31Dec16	Toast, Inc.	F-Prime Capital Partners	-	-	-	-
13Oct16	TouchBistro, Inc.	BDC Venture Capital; Kensington Capital Partners Limited; Relay Ventures; BDC IT Venture Fund; Round 13 Capital; Huff Capital Inc.	13.00	-	-	-
30Jun16	Square, Inc.	Rizvi Traverse Management LLC	-	1,524.35	-	-
12Aug16	Posiflex Technology, Inc.	-	38.15	99.96	-	-
31May16	iqPOSitive	Revel Systems, Inc.	-	-	-	-
30Jun16	i3 Verticals, Inc.	-	10.00	-	-	-
31May16	Harbortouch Payments, LLC	Searchlight Capital Partners	500.00	-	-	-
31May16	payworks GmbH	Speedinvest GmbH; Speedinvest I; HW Capital GmbH; Rumford Ag	4.50	-	-	-

# Mobile Point of Sale Solutions

July 2018

## APPENDIX: Public Basket Constituents

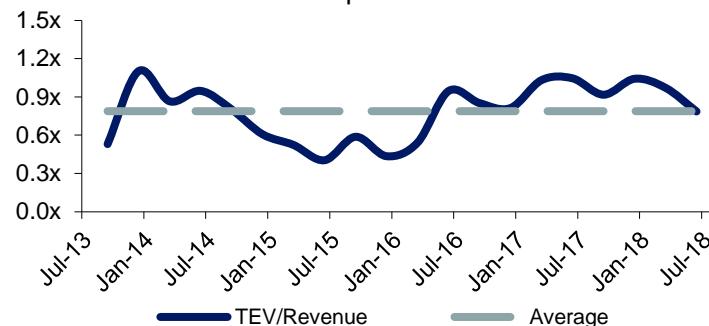
# Public Basket



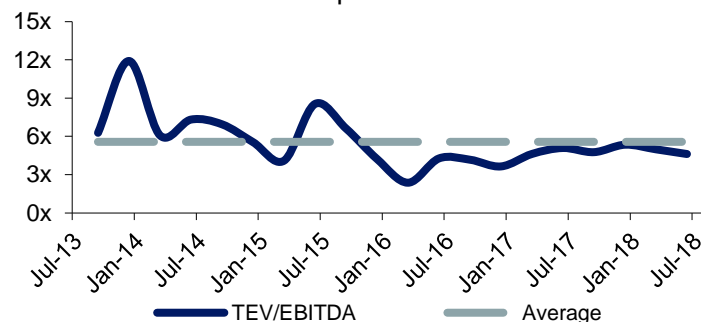
## LSI Software S.A.

LSI Software S.A. develops software for retail and hospitality applications. Its products include Bastion ERP, an enterprise management support system that covers various areas of company's business; POSitive Retail, an integrated management system for the retail sector, which enhances enterprises management services, including retail network, distribution, logistics, processes management, resources management, and business activity supervision; and POSitive Hospitality, a software for the management of catering outlets, hotels, spas, and sports/recreation facilities, as well as enhances the operation of various point of sales and guest handling. The company also offers computer hardware solutions, including sales, communication, production, inventory taking, advertising, and monitoring; and LSI systems equipment consisting of POS terminals, terminals accessories, coupon printers, large-screen computers, and other customer support devices. In addition, it provides professional, implementation, and maintenance services. The company serves medium-sized enterprises, sales chains, hotels, and catering outlets. LSI Software S.A. was founded in 1991 and is headquartered in Lodz, Poland.

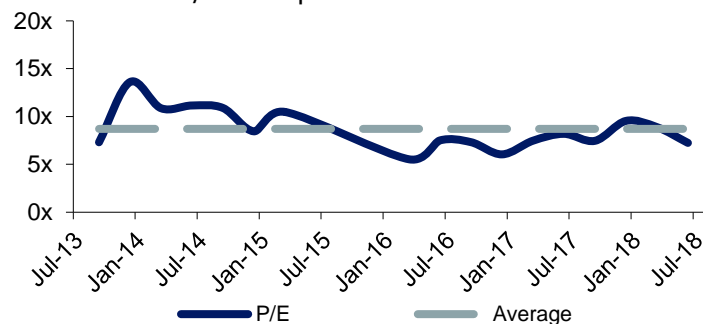
Revenue Multiples - LSI Software S.A.



EBITDA Multiples - LSI Software S.A.



P/E Multiples - LSI Software S.A.



# Public Basket

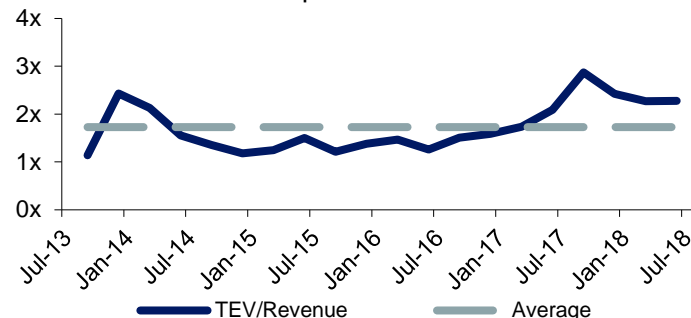


## GK Software SE

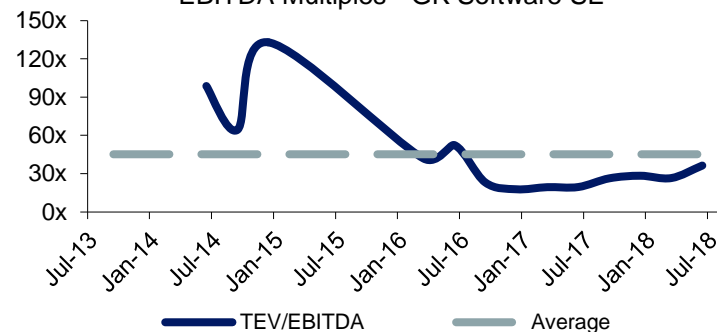
GK Software SE develops and sells retail sector software worldwide. The company's solutions comprise GK/Retail OmniPOS; GK/Retail Store Device Control that manages various store peripherals; GK/Retail Mobile Merchandise Management, which ensures end-to-end connection to the central SAP system; GK/Retail Self Checkout; GK/Retail Label and Poster Print, a solution for store-level label and poster printing; and GK/Retail Open Scale, a paradigm shift for various retail companies that uses scales at various locations. Its solutions also consist of GK/Retail Enterprise Storemanager, which manages the store network; GK/Retail Enterprise Cockpit that offers an overview of the retail organization; GK/Retail Sales Cockpit, a solution that enables management to make decisions at various place and time based on reliable data; and GK/Retail Enterprise Promotions Management, a solution for creating and managing company-wide promotions and special offers. GK Software SE is a subsidiary of GK Software Holding GmbH.

Date	Key Development Headline
6/7/18	GK Software SE (DB:GKS) acquired valuephone GmbH.
1/28/18	An unknown buyer acquired 0.79% stake in GK Software AG (DB:GKS) from Rainer Gläß for €1.8 million.
10/31/17	GK Software AG (DB:GKS) completed the acquisition of majority stake in prudsys AG. GK Software is expecting the takeover to generate an inflow of expertise for the ongoing automation of processes in the retail sector

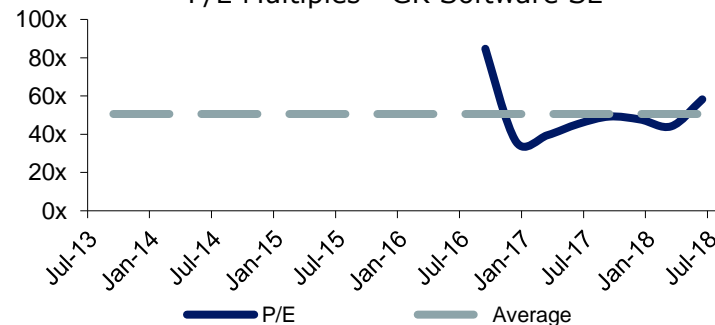
Revenue Multiples - GK Software SE



EBITDA Multiples - GK Software SE



P/E Multiples - GK Software SE



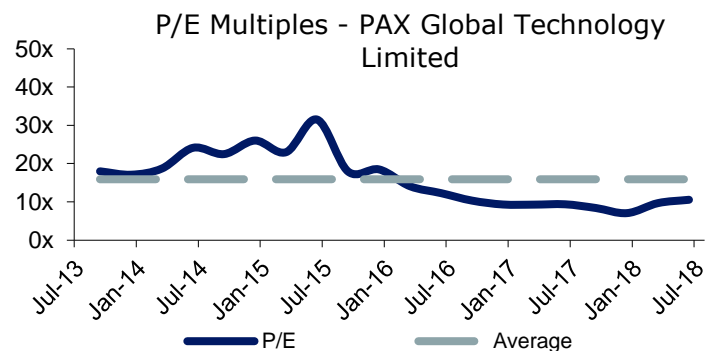
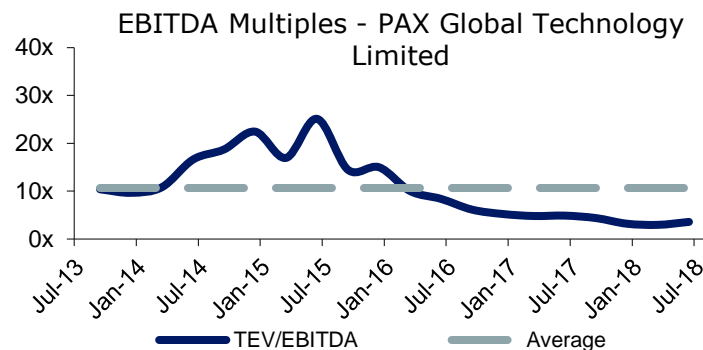
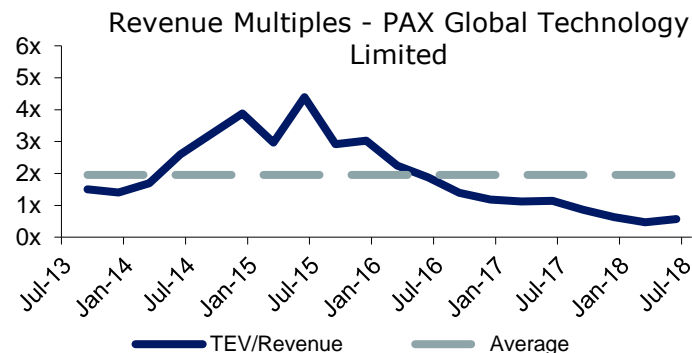


# Public Basket



## PAX Global Technology Limited

PAX Global Technology Limited, an investment holding company, engages in the development and sale of electronic funds transfer point-of-sale products worldwide. It offers Smart POS, ECR, countertop, wireless, mobile, pin pad, and multilane E-payment terminals, as well as other accessories to process a range of electronic payment types, including signature and PIN-based debit cards, credit cards, contactless/radio frequency identification cards, RF-enabled mobile phones, QR code, IC cards, and pre-paid gift and other stored-value cards. The company also develops and sells consumer activated devices and contactless devices, as well as E-payment terminal software; and provides after-sales services. In addition, it provides payment solutions services, and maintenance and installation services. The company sells its E-payment terminal solutions for the mobile and other payment solutions, services, and/or platforms. PAX Global Technology Limited was founded in 2000 and is headquartered in Wanchai, Hong Kong.



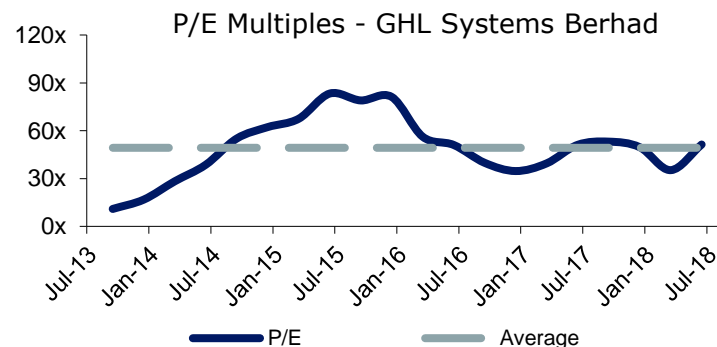
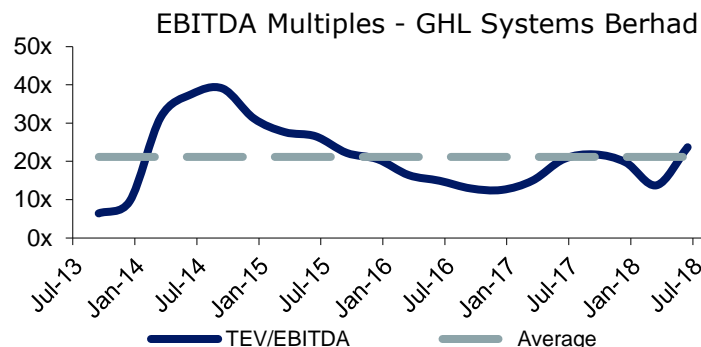
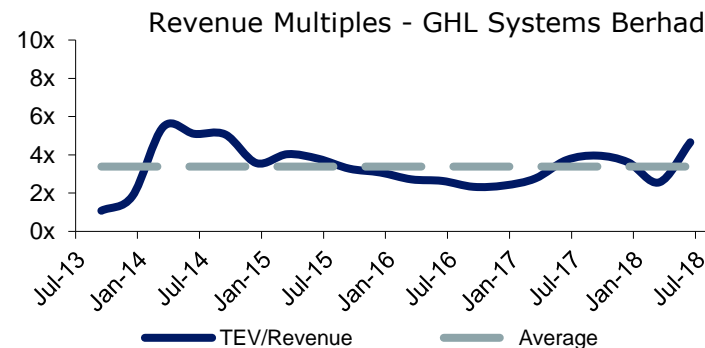
# Public Basket



## GHL Systems Berhad

GHL Systems Berhad, an investment holding company, provides payment services in Malaysia, the Philippines, Thailand, Indonesia, Singapore, and Australia. It operates through three segments: Transaction Payment Acquisition, Shared Services, and Solution Services. The company offers e-pay services, which include Telco prepaid and other top-up facilities, and bill collection services for consumers; and direct merchant acquiring and electronic payment services. It is involved in sale, rental, and maintenance of electronic data capture terminals and other payment acceptance devices. In addition, the company sells and maintains hardware and software, including network devices and related software, outsourced payment networks, management and processing of pre-paid and loyalty cards, and Internet payment processing. GHL Systems Berhad is headquartered in Kuala Lumpur, Malaysia.

Date	Key Development Headline
6/25/18	GHL Systems Berhad (KLSE:GHLSYS) completed the acquisition of PAYSYS (M) Sdn Bhd from a group of individual sellers.
4/4/18	GHL Systems Berhad (KLSE:GHLSYS) entered into agreement to acquire PAYSYS (M) Sdn Bhd for MYR 74.5 million.
2/11/18	GHL Systems Berhad (KLSE:GHLSYS) entered into share purchase agreement to acquire 95.69% stake in MPOS Vietnam Technology Joint Stock Company from Nguyen Huu Tuat AND Nguyen Hoa Binh for for VND 52 billion.

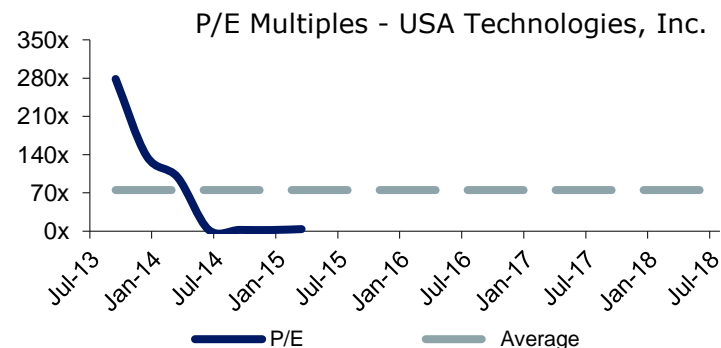
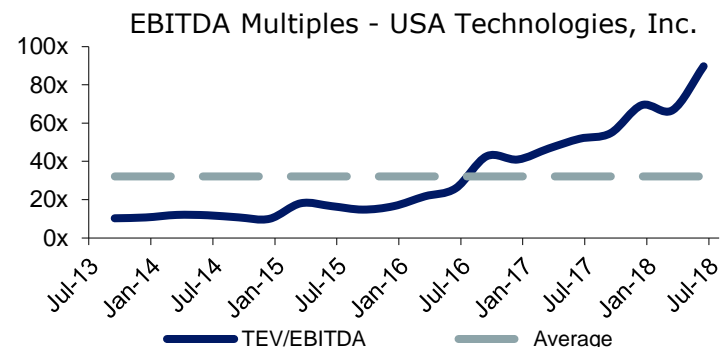
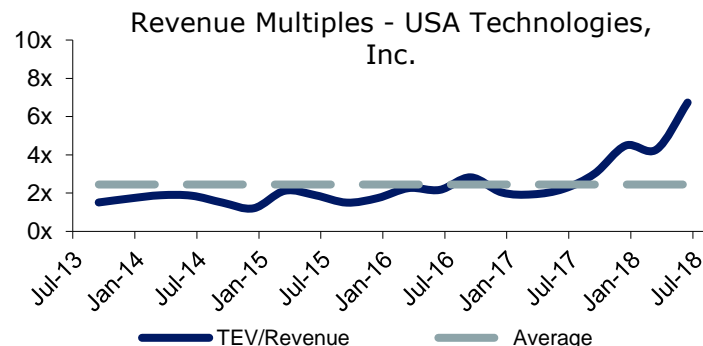


# Public Basket



## USA Technologies, Inc.

USA Technologies, Inc. provides wireless networking, cashless transactions, asset monitoring, and other value-added services in the United States and internationally. It designs and markets systems and solutions that facilitate electronic payment options, as well as telemetry and machine-to-machine (M2M) services. The company's ePort Connect solution offers various POS options, card processing, wireless connectivity, customer/consumer, online sales reporting, M2M telemetry and DEX data transfer, over-the-air update capabilities, deployment planning, and value-added services, as well as planning, project management, installation support, marketing, and performance evaluation services. USA Technologies, Inc. was founded in 1992 and is headquartered in Malvern, Pennsylvania.



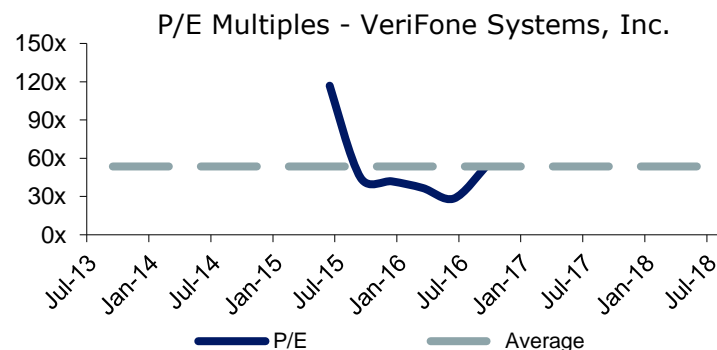
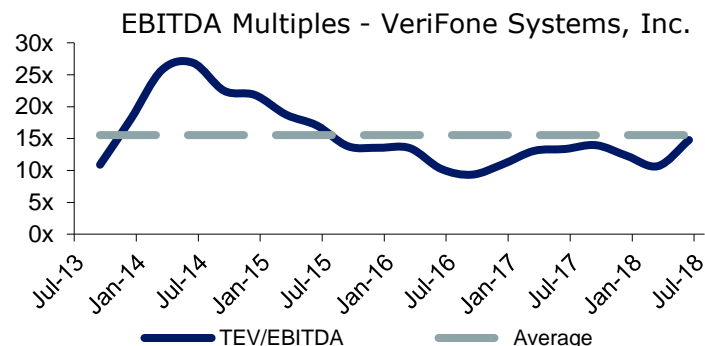
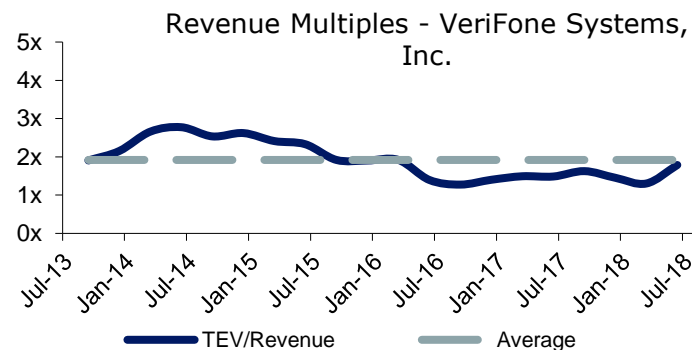
Date	Key Development Headline
5/10/18	USA Technologies Seeks Acquisitions
4/26/18	Ingenico Group and USA Technologies Announce Three Year Strategic Alliance Agreement
11/8/17	USA Technologies, Inc. (NasdaqGM:USAT) completed the acquisition of Cantaloupe Systems, Inc.
11/6/17	USA Technologies, Inc. (NasdaqGM:USAT) signed a definitive agreement to acquire Cantaloupe Systems, Inc. for \$86.6 million.

# Public Basket



## VeriFone Systems, Inc.

VeriFone Systems, Inc. provides payments and commerce solutions at the point of sale (POS) worldwide. It offers countertop solutions that accept payment options, including contactless, NFC, mobile wallets, and EMV; PIN pads that support credit and debit card, EBT, EMV, and other PIN-based transactions; and multilane consumer facing commerce devices. It also provides portable payment devices, including small, portable, and handheld devices that enable merchants to accept electronic payments wherever wireless connectivity is available; and mobile solutions that attach to and interface with iOS or Android based smartphones and tablets. VeriFone Systems, Inc. is headquartered in San Jose, California.



Date	Key Development Headline
4/8/18	An investor group led by Francisco Partners Management LLC and British Columbia Investment Management Corporation entered into an agreement and a plan of merger to acquire VeriFone Systems, Inc. (NYSE:PAY) for \$2.5 billion.
2/12/18	Mash Announces Partnership with Verifone to Provide Pay-Later Solutions Across Europe
12/12/17	VeriFone Systems Seeks Acquisitions
9/7/17	VeriFone Systems Seeks Acquisitions

# Public Basket

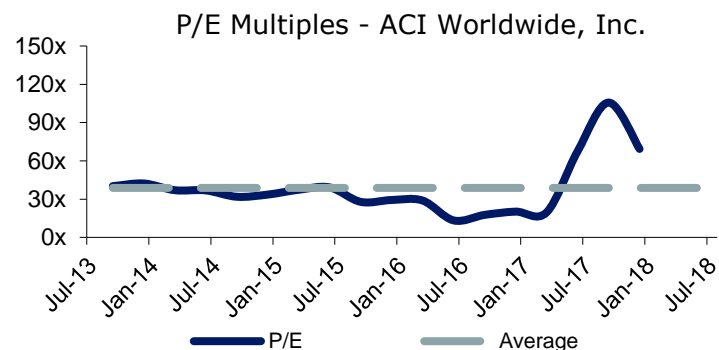
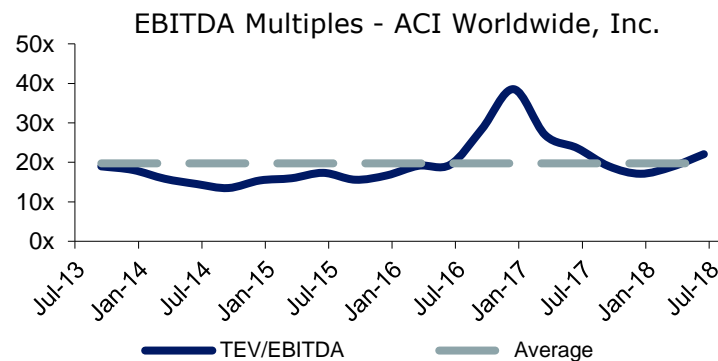
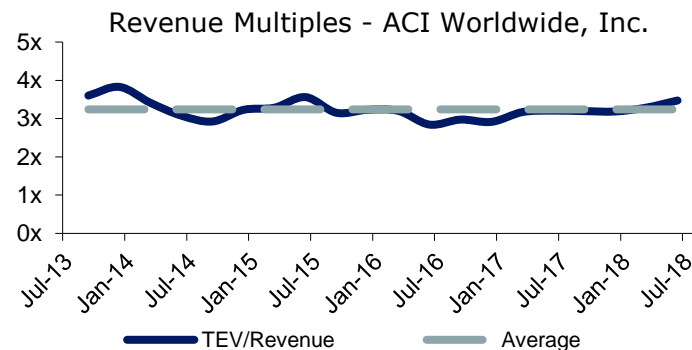


## ACI Worldwide, Inc.

ACI Worldwide, Inc. provides software products and services for facilitating electronic payments to banks, intermediaries, merchants, and corporates worldwide. It offers UP Retail Payments solution that enables banks to accept, authorize, route, and secure payment transactions; and ACI Card and Merchant Management solutions, including credit, debit, smart card, and prepaid card issuance and management, as well as merchant account management and settlement. The company also provides UP Immediate Payments solution, which provides connectivity to country-level real-time payment schemes and create various products; and UP Real-Time Payments solution that allows banks to address RTGS, SWIFT messaging, and real-time faster payments. In addition, it offers Postilion; ACI PAY.ON Payments Gateway; ACI ReD Shield, a real-time fraud prevention solution, as well as UP eCommerce Payments solution; and UP Payments Risk Management solution and ACI Universal Online Banker platform. Further, the company provides UP Bill Payment solutions, which enable customers to present bills and collect payments from consumers electronically through a single and integrated platform that controls bill payments operation. ACI Worldwide, Inc. was founded in 1975 and is headquartered in Naples, Florida.

### Date Key Development Headline

Date	Key Development Headline
3/20/18	UnionPay International Announces Strategic Partnership with ACI Worldwide



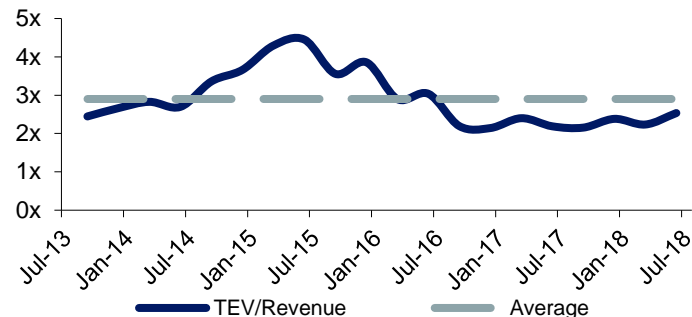
# Public Basket



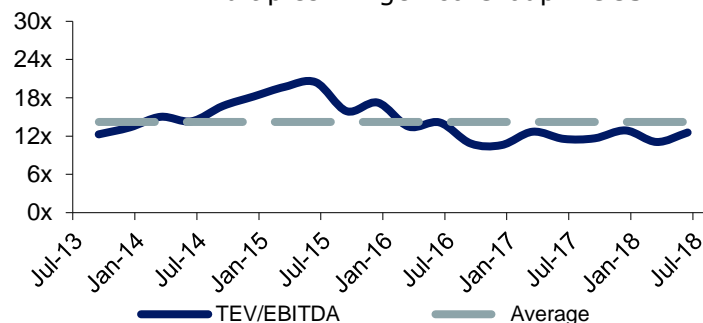
## Ingenico Group - GCS

Ingenico Group - GCS, together with its subsidiaries, provides payment solutions through in-store, mobile, and online channels worldwide. It offers in-store solutions, such as payment terminals and applications; management of installed terminals, including security application updates; connectivity; after-sales services; centralization of transactions; end-to-end security from terminal to bank or processor; value-added services; and customer loyalty solutions, including loyalty card, loyalty program management, prepaid card, gift card management, customer data analysis, and marketing campaign management. Ingenico Group - GCS was founded in 1980 and is headquartered in Paris, France.

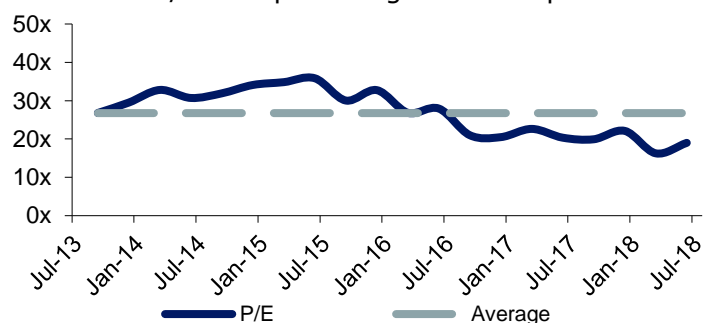
Revenue Multiples - Ingenico Group - GCS



EBITDA Multiples - Ingenico Group - GCS



P/E Multiples - Ingenico Group - GCS



Date	Key Development Headline
4/26/18	Ingenico Group and USA Technologies Announce Three Year Strategic Alliance Agreement
2/1/18	Ingenico Group - GCS (ENXTPA:ING) completed the acquisition of Airlink Technology Co., Ltd.
1/16/18	Ingenico Group - GCS (ENXTPA:ING) signed an agreement to acquire Paymark Limited from ASB Bank Limited, ANZ Bank New Zealand Limited, BNZ Investments Limited and Westpac NZ Operations Limited for approximately NZD 190 million.
12/30/17	Ingenico Group - GCS (ENXTPA:ING) completed the acquisition of IECISA Electronic Payment System from Informática El Corte Inglés, S.A.
12/6/17	Ingenico Group - GCS (ENXTPA:ING) agreed to acquire Airlink Technology Co., Ltd.

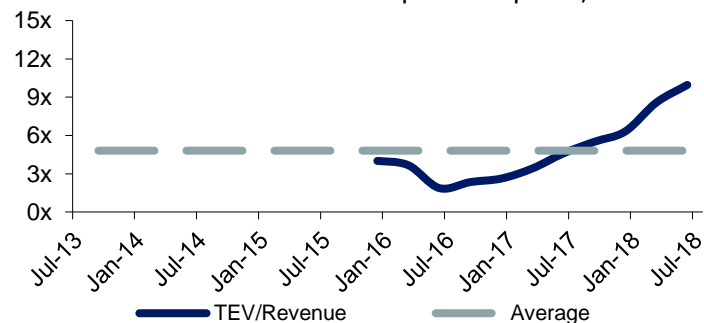
# Public Basket



## Square, Inc.

Square, Inc. provides payment and point-of-sale solutions in the United States and internationally. The company's commerce ecosystem includes point-of-sale software and hardware that enables sellers to turn mobile and computing devices into payment and point-of-sale solutions. It offers hardware products, including Magstripe reader, which enables swiped transactions of magnetic stripe cards; Contactless and chip reader that accepts Europay, MasterCard, and Visa (EMV) chip cards and Near Field Communication payments; Chip card reader, which accepts EMV chip cards and enables swiped transactions of magnetic stripe cards; Square Stand, which enables an iPad to be used as a payment terminal or full point of sale solution; and Square Register that combines its hardware, point-of-sale software, and payments technology, as well as managed payments solutions. Square, Inc. was founded in 2009 and is headquartered in San Francisco, California.

Revenue Multiples - Square, Inc.



Date	Key Development Headline
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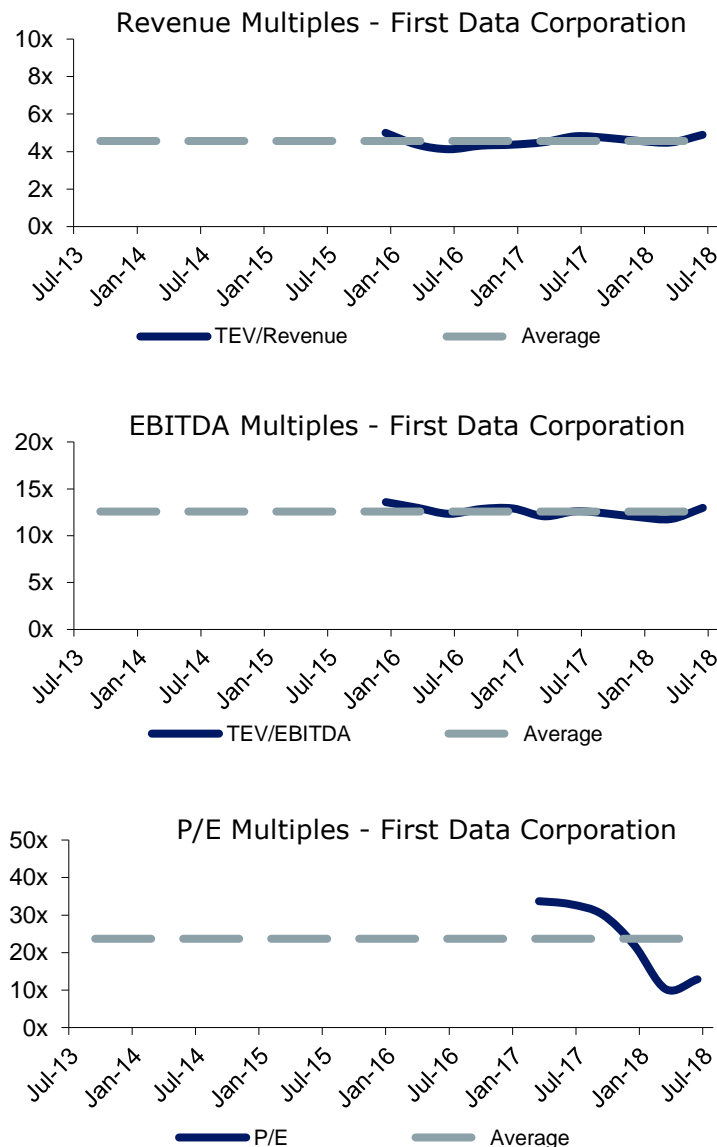
5/30/18	Square, Inc. (NYSE:SQ) completed the acquisition of Weebly, Inc. from Sequoia Capital and others.
4/25/18	Square, Inc. (NYSE:SQ) entered into a definitive agreement to acquire Weebly, Inc. from Sequoia Capital and others for approximately \$370 million.

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## First Data Corporation

First Data Corporation provides electronic commerce solutions for merchants, financial institutions, and card issuers worldwide. It operates through three segments: Global Business Solutions (GBS), Global Financial Solutions (GFS), and Network & Security Solutions (NSS). The GBS segment offers retail point-of-sale merchant acquiring and e-commerce services; and mobile payment services, as well as its cloud-based Clover point-of-sale operating system, which includes a marketplace for proprietary and third-party business applications. The company was founded in 1989 and is headquartered in Atlanta, Georgia.



Date	Key Development Headline
5/23/18	SIA S.p.A. signed an agreement to acquire card processing businesses in seven countries of First Data Corporation (NYSE:FDC) for approximately €380 million.
11/30/17	First Data Corporation (NYSE:FDC) completed the acquisition of BluePay, Inc. from TA Associates Management, L.P., BluePay management and others.
10/20/17	BluePay Holdings, Inc., First Data Corporation - M&A Call
10/19/17	First Data Corporation (NYSE:FDC) entered into a definitive stock purchase agreement to acquire BluePay, Inc. from TA Associates Management, L.P., BluePay management and others for \$760 million.
9/26/17	Worldline S.A. (ENXTPA:WLN) completed the acquisition of First Data Lietuva Uab and First Data Latvia Sia and First Data EESTI OU from First Data Corporation (NYSE:FDC).



# Contact Information

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

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