

### “The payment industry offers great opportunities”

#### About INFIMA

INFIMA is an independent M&A advisory focused on combining industrial and financial experience and competence contributing to value creation and increased probability of successful transactions.

The project teams are tailored to each specific case with industry-specific competence.

We work with buy-side and sell-side mandates as well as partner searches and management advisory.

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#### *A skyrocketing industry*

One of the real hotspots for M&A over the past years has been the payments industry. Valuations have been skyrocketing and both financial investors as well as industrial buyers are stretching to take part in the immense value-creation that has been and still is taking place across Europe. Among fintech verticals, digital payments reported the highest growth in 2020. With the global shift to digital payments, the traditional payment industry is all set to undergo a digital revolution.

The background to this is an industry that was not really an industry, but merely a service provision given to (mostly) banks and their clients, by companies owned by the same banks. As the common market developed and competition grew tougher on the banks, non-core assets started to be lifted off and services outsourced. Handling of payments was one such service.

– At Infima we have worked with PE Funds as well as industrial players and we have advised transactions to and from both categories in different geographies in Europe, says Johan Reinsli, industry expert at Infima. – New owners have in our experience contributed largely to streamlining, commercialising, and professionalising such organisations. They have introduced a commercial and client-oriented thinking in what used to be quite self-centred organisations, he adds.

#### *Strong consolidation*

Nets, which originated from a merger between the two bank-owned companies BBS in Norway and PBS in Denmark in 2010, was acquired by a consortium of PEs in 2014, and represent the first major transaction within the Nordic markets.

– The consolidation in the payment industry has accelerated during the last years, and we believe it will continue, says Stefano Bardellotto, director at Infima. – The drivers are an ever-increasing competition with pressure on cost per transaction, strongly motivating large and small business to merge their volumes. This is especially true for physical POS players with decreasing volumes due to increased e-commerce after the pandemic. New players, typically in the fintech industry and companies such as Klarna, will be disruptors in this development, because they see opportunities to meet needs in the market the traditional banks do not satisfy as well as introducing new technology.

#### *M&A activity through covid-19*

While most industries experienced a drop in M&A activity during the pandemic, payments deals remained strong. However, this was mainly driven by industrial M&A, while deals by financial investors decreased. Larger players have merged, including Nets' megamerger with Nexi, while other players have expanded their product breadth to cope with the change in customer payment patterns.

## Infima payments

Infima's track record in the payment space includes:

Advising Advent & Bain on the acquisition of Nets (Denmark) in 2014, advising H&F on acquisition of Nets in 2018, the sale of Provus in Romania to Wirecard on behalf of Innova in 2016 and the sale of First Data Baltics to Worldline in 2018.

Infima has also done consultancy assignments in the payments sector.

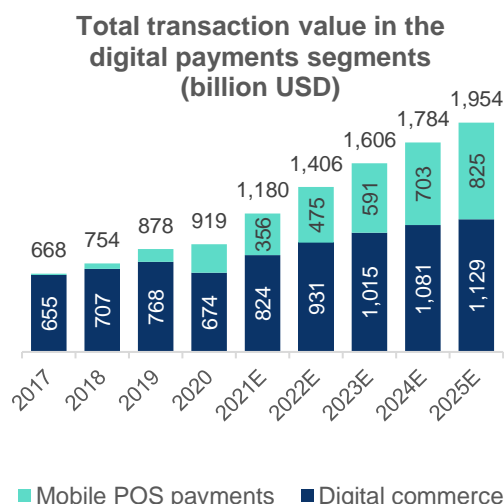
Infima's advisory team include industry experts in Norway, Sweden, and the Baltics with a pan-European network.

## Focus on flexible services and solutions

The industry at large is shifting into a new era where digital payments solutions are taking over for the more traditional payments methods such as cards, direct debit, revolving credit and so on. The society is already almost cashless in many regions. The drivers are higher Point of Sale (POS) penetration, more e-commerce, and new payment methods with the use of mobile phones.

The global digital payment market exploded after the pandemic outbreak. There was a significant surge in the use of smartphones, leading to extensive growth in the e-commerce market. European countries were a part of this change as millions of people opted for real-time payments, mobile wallets, and P2P mobile payments.

According to Statista, Europe is expected to witness an overwhelming spike in digital payments this year. The transaction value is forecasted to surge by 28.3% to \$1.17 trillion. This upward trend is expected to continue in years to come, with the entire industry reaching a 1.95 trillion value by 2025, driven by mobile payments, which will be 42% of all digital payments!



Source - Statista (Forecast adjusted for the expected impact of Covid-19), January 2021

– The Statista forecasts underpins the fact that there will be continued M&A activity in the payments services sector also in the years to come, says Johan. – In Q2 2021, we note record sums of more than \$30 billion being invested into fintech VCs globally, of which close to \$8 billion are payments, according to PitchBook's Q2 2021 Emerging Tech Research Report - Fintech. The high number of fintechs, regtechs and neo banks that are still being started suggests that there are many areas where founders see an opportunity to bring new and more flexible services and solutions to the market than what they expect the existing banks and payments players can develop themselves. Specialized fintechs able to provide unique capabilities to larger payment players, are obvious M&A candidates.

To be a relevant player in the market in the future, the incumbents need to manage and take a lead also in these new solutions, either by their R&D work or through an active M&A strategy. While the growth in traditional card payments is slowing down to between 2,5 – 3 % p.a. albeit from very high numbers, the new digital payment methods accelerate.

Over the past years, the transformation of financial services toward digitization and online channels has accelerated, and this has benefited the growing ecosystem of fintech start-ups seeking to address emerging opportunities. These industry tailwinds will continue to drive investment capital into fintech companies across both the private and public markets. While some areas of fintech—such as buy now, pay later (BNPL)—are maturing and attracting more later-stage growth and public capital, other areas—such as decentralized finance (DeFi) and autonomous finance—have just begun raising early-stage institutional capital. These growth trends are converging with several other disruptive forces affecting the financial services ecosystem, including real-time payments, real-time transaction settlement, and core banking migration.