

# FinTech M&A: First Data & Fleetcor Agree to Form Gift Card Processing Joint Venture

First Data and Fleetcor announced a joint-venture of their respective gift card businesses, subject to regulatory approval, etc. The combined entity will service each company's respective gift card clients and seek improvements in R&D, digital capabilities, and enhanced fraud protection / analytics via incremental data access.

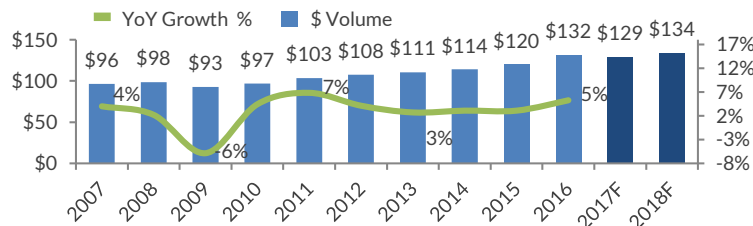
## Joint-Venture: What We Know so Far

- Scope:** All assets of each entity's prepaid gift (closed-loop) businesses; we infer that it is a global venture as both entities process gift cards around the world (open-loop appears to be excluded based on initial disclosures but not 100% clear at this time)
- JV CEO:** Mark Schatz; Mark is a seasoned executive with 5+ years tenure as current president of SVS
- Combined entity 2016 Revenue:** \$362MM
- Ownership:** 57.5% First Data, 42.5% Fleetcor
- Market leadership:** Entities are currently leaders in gift card processing. JV will be clear #1 in processing market share in U.S.<sup>1</sup>
- Example clients of the combined entity below<sup>1</sup>:**



## Gift Card Market Context

### 2007 – 2018E U.S. Gift Card Market Sizing<sup>2</sup> (First Annapolis estimate, excludes open-loop gift)



- Historically, U.S. gift card market growth rate tracks retail GDV
- 2016 gift card growth outpaced expectations, in part due to temporary EMV impact on open loop gift sales; 2017 may normalize as open-loop sales stabilize
- Digital Gift:** 2016 estimated mkt. share (%): ~8%<sup>3</sup>

## Initial Implications and Questions

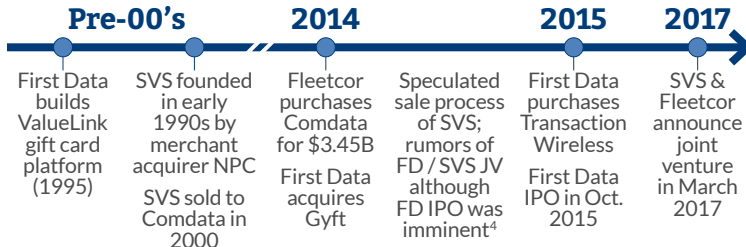
### Initial Implications

- Increased competition, particularly in digital
- Additional consolidation in distribution, fulfillment
- More data may lower fraud, improve analytics

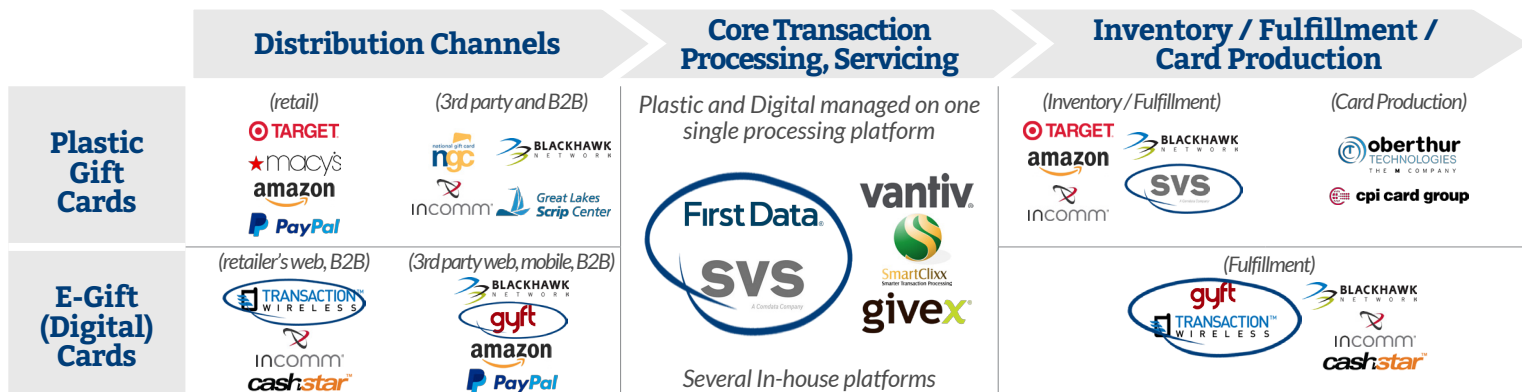
### Initial Questions

- Platform consolidation?
- Retailer / Client impact?
- Regulatory Approval?
- Competitive dynamics? (e.g., pricing, optionality)
- Open-loop?

## First Data / SVS History: Key Events



## Gift Card Value Chain: JV May Provide More Robust Offering, Particularly in Digital



<sup>1</sup> Based on public data of current clients off First Data / SVS and First Annapolis Consulting analysis. <sup>2</sup> First Annapolis market sizing gift card only, excludes other forms of closed-loop prepaid (e.g., telecom, loyalty / self-use). <sup>3</sup> Includes gift cards sold and distributed in digital channels which are still fulfilled as plastic gift cards. <sup>4</sup> According to multiple media outlets in July 2015 including PE Hub and Digital Transactions.

Sources: Company Press Releases, Company Websites, First Annapolis Consulting analysis.

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