



Summer 2019

A CEO's Guide to Capital Markets Fintech M&A

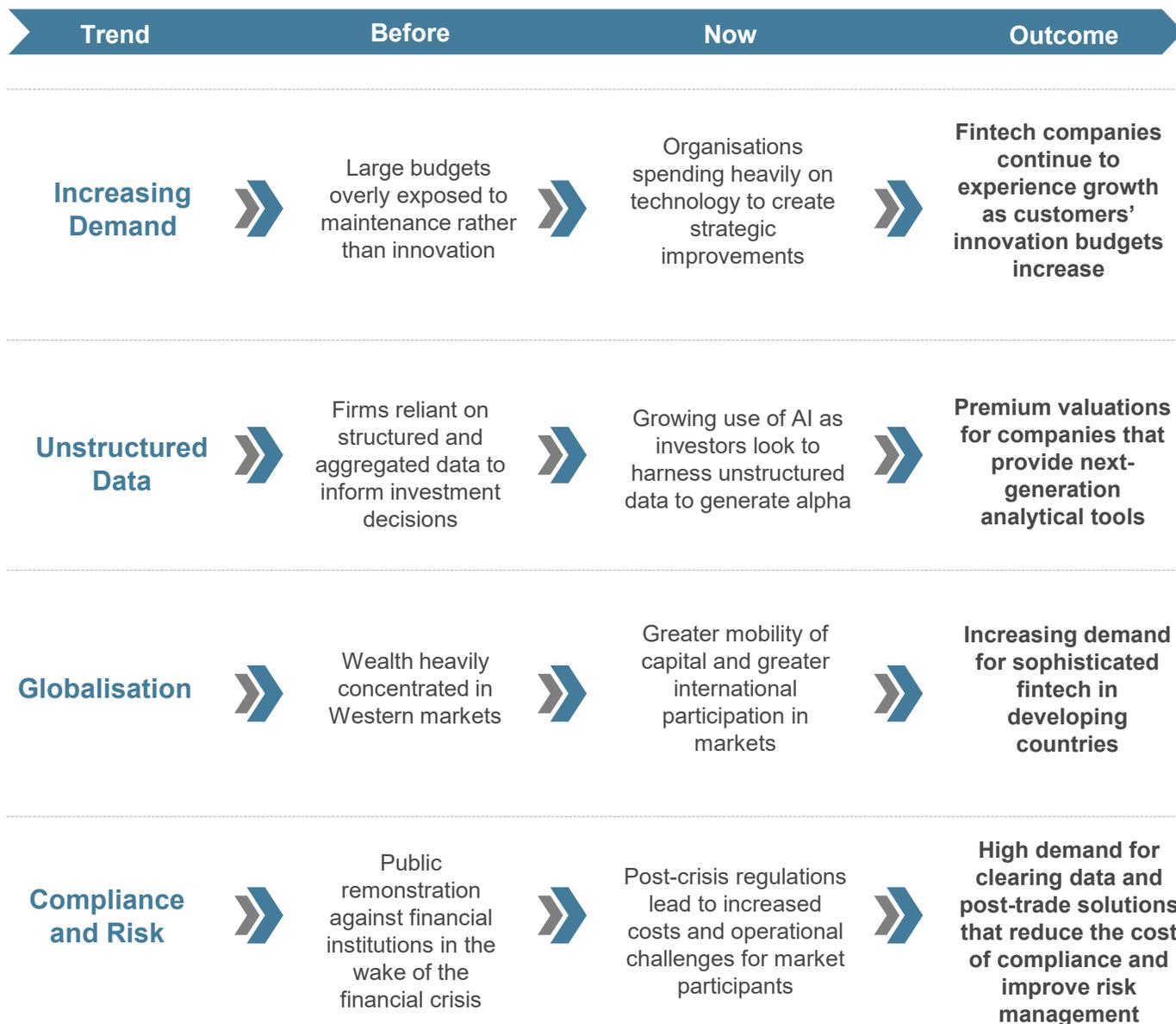
 HOULIHAN LOKEY



Capital Markets Fintech M&A Activity

Cooperation between capital markets participants and fintech providers has increased as participants welcome disruption and allocate increasingly larger budgets to invest in technology that reduces cost and complexity.

Trends in the Capital Markets Fintech Industry



Capital Markets Fintech M&A Activity

288 transactions, with values disclosed for 99.

\$66.05 billion of aggregate value.

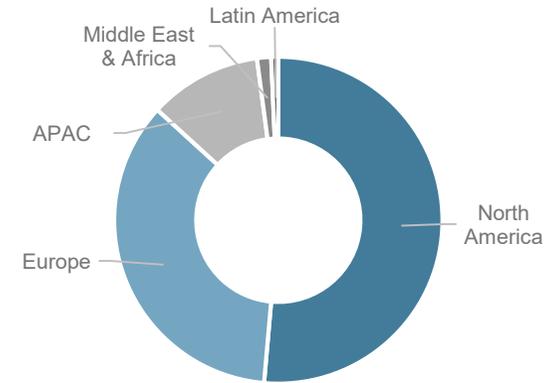
14.4% CAGR in number of annual transactions from 2013 to 2018.

Capital Markets Fintech M&A Activity 2013-2018

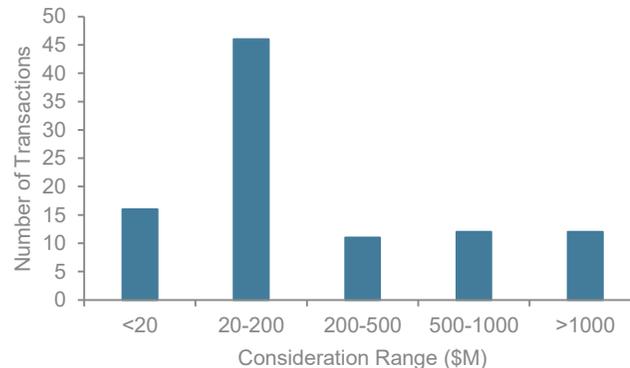
Growing level of transaction volume, increasing in value...



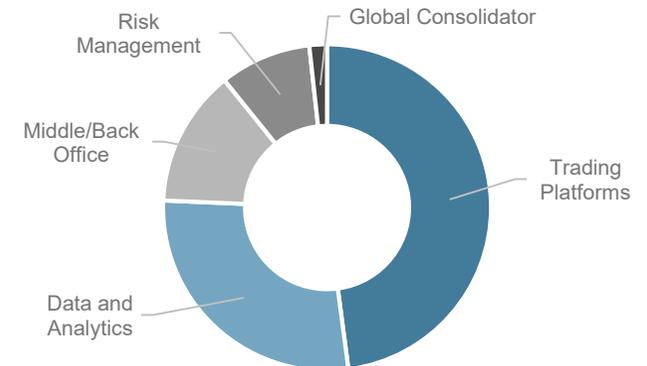
...dominated by North America and Europe, with noteworthy presence in APAC¹



Large volume of transactions in the mid-market²...



...Trading Platforms and Data and Analytics represent the most active areas



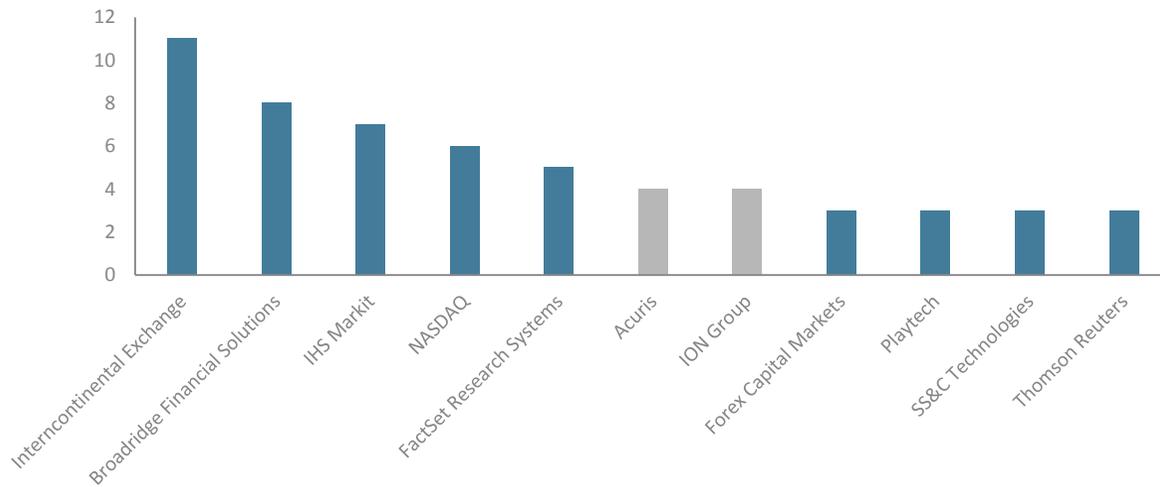
Notes:

1) Transaction volume by target region.

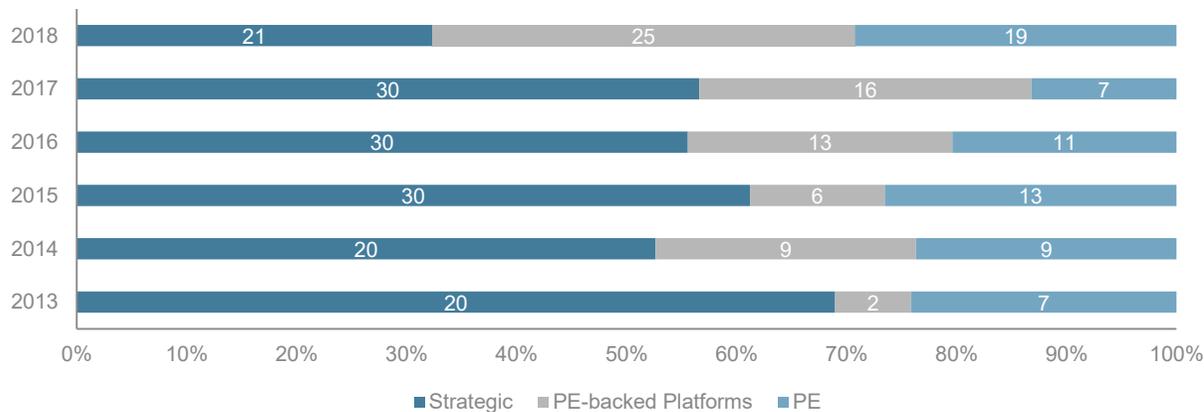
2) Transaction volume by consideration size. Only representative of transactions with considerations available.

Significant Public and Private Equity Presence

Activity has largely been driven by listed buyers with participation from a smaller number of PE-backed companies



PE was responsible for 46% of transactions between 2013 and 2018



Selected Public Companies



PE-Backed Platforms



Recent Capital Markets Fintech M&A

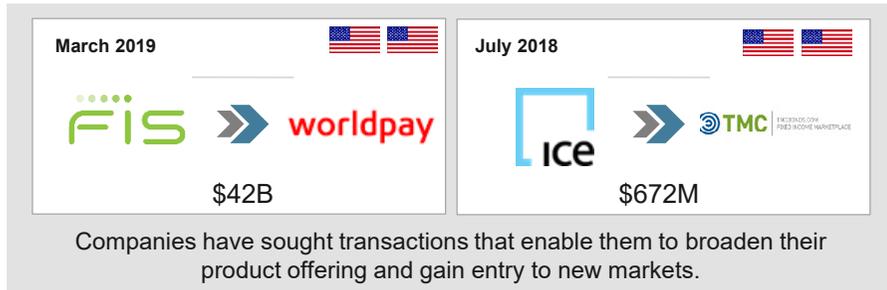
Consolidation



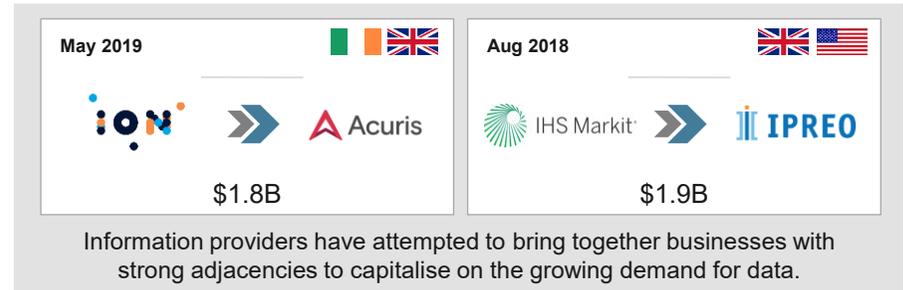
Geographical Expansion



Diversification



Data Providers



Private Equity



Key Factors Impacting M&A Activity in Capital Markets Fintech

Transactions in the sector are at record levels, both in terms of volume and value. A large proportion of this activity is driven by consolidators looking to sustain innovation and protect market share, but the importance of investment flowing from capital markets participants and private equity houses should not be overlooked.

In recent years, capital markets participants have sought to modernise their systems, investing heavily in technologies that optimise trading processes, automate risk management, and improve decision-making. This has created massive opportunities for incumbent technology providers and has given rise to a large number of startups, many of whom have been able to compete with larger players by providing the most cutting-edge technologies and operating with increased flexibility.

“Despite the largest corporate trades still being made over the phone, the efficiency and speed of trading platforms means that 90% of trading is now done electronically.”

Acquisitions of trading platforms have been especially common and account for a majority of transactions over the last five years. Fintech providers have gained significant traction in trading in recent years by automating processes and enhancing quantitative strategies. Despite the largest corporate trades still being made over the phone, the efficiency and speed of trading platforms means that 90% of trading is now done electronically.

In the aftermath of the financial crisis, firms have been faced with ever-increasing regulations. This has caused a dramatic rise in technology which can ensure full compliance with MiFID II, Basel III, and GDPR, among others. This technology has also proven crucial in increasing efficiency, for example, by reducing gap-analysis time. As such, it has become an extremely lucrative area for investment and this looks unlikely to change.

Key Factors Impacting M&A Activity in Capital Markets Fintech (cont.)

The sheer value of data in capital markets has further driven both strategic and private equity investment in fintech. Companies are increasingly looking to use unstructured data, such as social media and locational data, to inform investment decisions. S&P Global's acquisition of Kensho, a company that uses machine learning to simplify complex financial analyses, highlights the commitment of companies to stay ahead of the competition, by providing real-time, comprehensive datasets.

“Financial technology has also been highly attractive to financial investors, aware of the massive opportunity as capital markets participants shift away from legacy systems.”

Financial technology has also been highly attractive to financial investors, aware of the massive opportunity as capital markets participants shift away from legacy systems. This has resulted in a significant increase in funding opportunities from both early-stage VC firms and large buyout funds. In particular, Blackstone's acquisition of a majority stake in Thomson Reuters' Financial & Risk division was the biggest leveraged buyout of 2018 and is evidence of investors' confidence in the sector.

Going forward, M&A activity in the sector is likely to increase as private equity firms continue to back the investment thesis of increasing demand for fintech in capital markets and as these technology providers use strategic acquisitions to pursue inorganic growth and acquire more advanced technology.

Houlihan Lokey Operates at the Intersection of Software, Data and Analytics, and Services



Mark Fisher
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Kegan Greene
Director
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Tim Shortland
Managing Director
TShortland@HL.com

Selected Prior Transactions

ROCKALL
COLLATERAL MANAGEMENT TECHNOLOGY

has been acquired by

Broadridge

Sellside Advisor

BARRACUDA^{FX}

has been acquired by

BROADWAY TECHNOLOGY

Sellside Advisor

defaqto

a portfolio company of

SYNOVA CAPITAL

has been acquired by

SimplyBiz

Sellside Advisor

pirum

a portfolio company of

Five Arrows
Principal Investments

has been acquired by

BOWMARK CAPITAL

Sellside Advisor

ASSET CONTROL

a portfolio company of

MARLIN EQUITY PARTNERS

has been acquired by

SOVEREIGN CAPITAL PARTNERS

Sellside Advisor

FULCRUM
FINANCIAL DATA

a portfolio company of

LEEDS | Equity Partners

has been acquired by

FitchGroup

Sellside Advisor

Lombard Risk

has been acquired by

Vermeg Group N.G.

Sellside Advisor*

DYNAMO

has received an investment from

Francisco Partners

Sellside Advisor*

BUREAU VAN DIJK

a portfolio company of

EQT

has been acquired by

Moody's Corporation

Sellside Advisor*

FACTSET

has acquired

BISAM

Buyside Advisor*

message AUTOMATION

has been acquired by

Broadridge

Sellside Advisor*

4SIGHT
FINANCIAL SOFTWARE

has been acquired by

Broadridge

Sellside Advisor*

Target

a portfolio company of

Pollen Street Capital

has been acquired by

Tech Mahindra

Sellside Advisor*

Five Arrows
Principal Investments

has acquired an interest in

Pirum Systems Limited

Buyside Advisor*

VISTA
EQUITY PARTNERS

has acquired

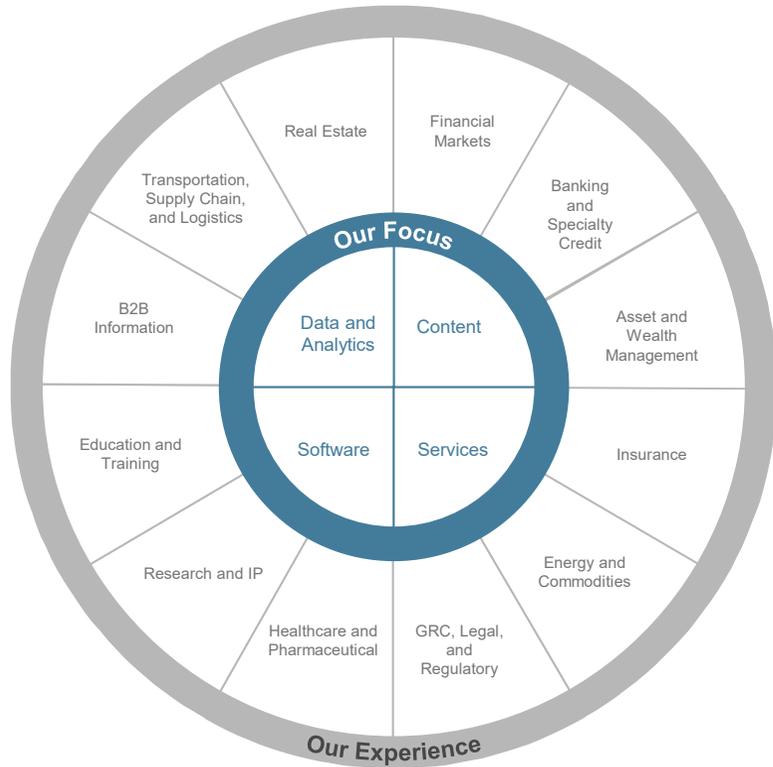
Misys

Financing Advisor*

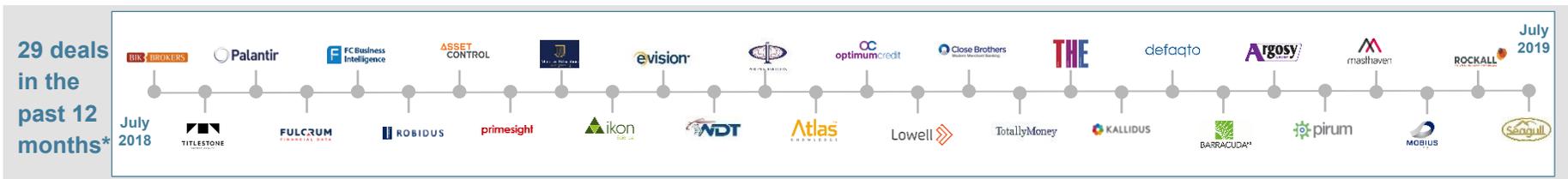
Note:

* Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.

Houlihan Lokey's Data and Analytics Group



- A team of 40 bankers with hands-on, senior-level attention throughout
- In excess of 65 transactions in the past three years
- Extensive international coverage: >65% of transactions are cross-border¹
- Long track record of advising entrepreneur and PE-owned businesses
- Dedicated team: leading advisor in defined, specialist sectors with the ability to leverage other Houlihan Lokey resources and network



*Only disclosable transactions shown.

M&A Analysis Methodology & Disclaimer

M&A data gathered from Mergermarket, PitchBook, Kognetics and S&P Capital IQ. We have identified 288 relevant transactions for the period 2013–2018, of which 99 had considerations available. This includes acquisitions of both significant minority and majority stakes but does not include funding rounds.

Transactions are divided into four subsector categories: Trading Platforms, Data and Analytics, Risk Management and Middle/Back Office.

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