



TRENDWATCH 2.0

Q1 2019

PAYMENTS SYSTEM INDUSTRY SYNOPSIS

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Random Thoughts

Industry Consolidation? No. Industry Restructuring? Yes.

Most of the trade and popular press ruminations regarding the recent industry mega-mergers refer to “consolidation” which, in our view, it ain’t. Acquisitions of Worldpay and First Data by FIS and Fiserv, respectively, didn’t change much, if anything, on the merchant services leader board. Both are still there, albeit shortly with new names, we guess. The competitors beneath the leaders are still slogging away, cutting deals, and moving money. So, perhaps we should shelve the c-word and take a deeper look at what’s really happening to our once-fledgling payments industry.

First, let’s look at the money angle. Clearly, a potful of money is being thrown at our social and economic experiment. We don’t need a newly-minted Harvard MBA to tell us that a fat perpetuity of constantly-growing transaction volumes multiplied by even the smallest of prices generates a huge payday for the company that controls the stream. So, FIS’ shareholders and those for Fiserv will post big wins if they discover that the transaction annuities are bigger than the size the Worldpay and First Data shareholders believed when they agreed to the deals. This zero-sum game might be the only reason these deals make sense.

Then, there’s symmetry to consider. Before these transactions occurred, FIS was a core and card processor. Fiserv was a core processor and did a smattering of card and network stuff. Now, both have entered the merchant acquiring world, adding balance to their respective marketplace Venn diagrams. So, their investor call presentations will look more balanced, if nothing else.

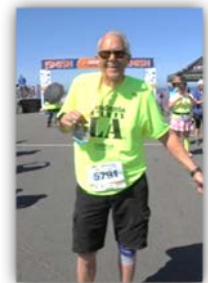
Hey, what about those “synergies?” Hmm, there are expense synergies between merchant services processing and core processing? Or, card authorization and card acquiring? Not so much. How about revenue generation opportunities there are synergies there, right? Will being owned by Fiserv make it easier for First Data

to gain new merchant processing relationships? Same question for the FIS/Worldpay CFOs. No, we thought not. Having Star and Accel under the same umbrella might make core processing by Fiserv more attractive to small and mid-tier bankers but do retailers get any Durbin benefits from having one, not two, routing options? Not that we see.

So, what’s the bottom line on these mega-transactions? In our view, it’s this: two very large players will wind up getting bigger and far more complex. Two sets of shareholders will get big paydays. And, since we have seen that organizational complexity often leads to market confusion, we can anticipate that the real benefits from these mergers will take decades to arise, if ever.

That said, if restructuring of the processing industry is inevitable, then so be it. The current model has been in play for forty years and perhaps it’s time for a change. From a 2019 perspective though, we’re leery of the long-term impacts and hope that we proceed with caution.

Can you help me with this? FIS and Cardtronics are very pleased to announce that they have enabled 11,000 of the latter’s deployed cash machines under FIS’ Cardless Cash application and 8,000 more ATMs will come online later this year. 66 retailers have gone along with the plan and we have but one question, why? As in why would I want to: a) prestage an ATM withdrawal in an app, b) go to a device, c) find my phone, d) enter an authentication code or biometric, e) scan the QR code generated by the ATM, f) grab my cash, and g) wait for the receipt to arrive via the app. Seems like a lot of work for twenty bucks. A better mousetrap, maybe? Not so sure, but I’m willing to listen.



Off to a Students Run LA board meeting.

Until Next Time



2019 Predictions

2018 Holdover: Venmo's (unnamed) P2P competitors will follow its lead and announce plans to morph into POS and mPOS services.

Q1: Haven't seen it yet, but Zelle's growth numbers continue to impress.

2019 is the year we will see the beginnings of mobile payments interoperability.

Q1: It's not likely that Apple Pay will make the first move in light of Apple's recent entrance into the credit card arena.

Blockchain applications will proliferate; two global successes will be announced.

Q1: May have to eat this one in light of recent statements by bank CEOs and CTOs regarding blockchain's value being oversold. Nevertheless, over 40 central banks are working on blockchain opportunities to speed up and cheapen trans-border transactions – most involve hard-currency denominated tokens, not those derived from algorithms. Where's the fun in that?

Voice banking, a virtual assistant application, will gain in popularity despite predictions to the contrary.

Q1: U.S. Bank, Capital One, and Fiserv seem to think we're right, but voice banking is nowhere near critical mass yet.

The Clearing House will launch its RTP system in earnest. The Fed will play catch-up.

Q1: RTP is up and running with at least one FI and TCH just added four new seats to its RTP Advisory Committee for smaller players (but no merchants).

The pharmaceutical industry will see another M&A transaction involving an outsider.

Q1: One can hope, drug costs are rising fast; sadly, this prediction may take a bit more time.



TrendWatch Summary – Q1 2019

Recent Activity Level	Industry Impact	Entrenched Player Impact	Market and Industry Situation	
			Focus Area	Recent Movements
Low	●	●	New Payment Forms	Sonics-based payments transactions (transaction communications via ultrasonic sound waves) are making a comeback; otherwise things are slow.
Med	●	●	ATM Restructuring	Cardtronics and FIS moving ahead with cardless cash access. Then, there's the little matter of Windows 10 that is forcing an industry-wide rethink.
High	●	●	POS Volume Trend	First quarter is always slow.
Low	●	●	Legal/Regulatory Issues	States and cities raising their hackles over retailers banning cash. Our industry being in the statehouse spotlight is never good.
Low	●	●	New Venture Growth	Regtech and Insurtech getting all the attention.
Med	●	●	Earnings Announcements	Banks doing extremely well thanks to Trump tax cuts. Retailers did not experience a rosy holiday season.
Med	●	●	Industry Investments	Billions coming into the industry and going right back out via mega-M&A transactions. We're not going to host a parade.
High	●	●	Payments Industry Security	Geez, Facebook, another data hack? Then there's the never-end Equifax saga; if Maxine Waters had her way, all three of the credit reporting agencies would be out of business.

- Positive
- Mixed
- Negative



TrendWatch Summary – Q1 2019

Industry Players to Watch

DoJ The DoJ's Antitrust unit has been nearly comatose since 2016. Now it seems the recent M&A activity in our industry has piqued their interest. Fiserv and First Data have received the DoJ's "Second Request" notice; never a good thing because it gives the agency more time to dig deeper.

Merchant Services and Core Processing Industries If, as we believe, there's an industry restructuring game afoot, there could be some major scrambling and innovating coming forward as second tier processors of both stripes maneuver to avoid being seen as irrelevant.

Apple Card A game changer or just another credit card? A little bit of both, we think.

The Clearing House Now that TCH has seen the light and plans to give smaller FIs more voice in how RTP will evolve, the system may become a bit more egalitarian. We can only hope.

Trans-border Players Visa and Mastercard have positioned themselves to shape the size and direction of consumer and B2B international remittance market. Now, what are the big-gun startups in the space – Remitly, Transferwise, etc. – going to do?

Kroger Pay A game changer or just another private-label payments tool? Time, and consumer take-up, will tell.



2019 Payments Industry YTD Yields

Wow! We don't often see an all-green quarterly equities report card – actually, it's never happened in the 11 years of TW's existence. True, both the Dow and S&P plodded along as well, but our basket of equities beat both indices handily. Four of our equities are destined to become two in a couple of quarters (unless the DoJ intervenes) so we'll have to re-cast the performance grid around mid-year. Bitcoin has recorded a resurgence for reasons even the cybercurrency zealots can't explain. Perhaps it has to do with there being seventeen announced candidates for the U.S. Presidency (and counting) and there's a flight to sanity in effect?

Industry Player	12/31/2018	3/29/2019	Price △	Cap Value △	YTD 2019	
					Yield	Rank
Alliance Data Systems	\$150.08	\$174.98	\$24.90	\$1,481.55	17%	14
American Express	95.32	109.30	13.98	15,098.40	15%	15
Cardtronics PLC	26.00	35.58	9.58	389.91	37%	5
Discover Financial Services	58.98	71.16	12.18	5,857.36	21%	9
Euronet Worldwide	102.38	142.59	40.21	2,026.58	39%	4
Fidelity National Information Services	102.55	113.10	10.55	2,012.94	10%	16
First Data	16.91	26.27	9.36	1,683.58	55%	2
Fiserv Inc.	73.49	88.28	14.79	2,305.76	20%	11
Everi (fka GCA)	5.15	10.52	5.37	414.03	104%	1
Jack Henry & Associates	126.52	138.74	12.22	1,025.26	10%	17
MasterCard Worldwide	188.65	235.45	46.80	6,055.92	25%	7
MoneyGram International	2.00	2.41	0.41	23.72	21%	10
PayPal	84.09	103.84	19.75	24,095.00	23%	8
Square	56.09	74.92	18.83	6,157.41	34%	6
Total System Services	81.29	95.01	13.72	4,499.34	17%	13
Western Union	17.06	18.47	1.41	801.97	8%	18
WorldPay	76.43	113.50	37.07	9,192.62	49%	3
Visa	131.94	156.19	24.25	20,513.08	18%	12
Bitcoin Closing Price						
	\$3,671.72	\$4,901.01	\$1,229.29		33%	

Sources: Company releases; Morningstar.com; Bloomberg.com; and Coinbase.

Notes: 2019 YTD yield excludes dividends; based on 12/31/18 and 3/29/19 closing prices.



Interesting News This Quarter

Subject	Source / Date	Summary
JPMorgan Chase	<i>PYMNTS.com</i> March	Coming to a corner near you – yet another Chase Bank branch. Bucking the trend toward zero-branch banking, Chase announces plans for 400 new branches over the next five years. That means 3,000 new jobs are coming to North Carolina, Missouri, Kansas and South Carolina, among others. In a hat-tip to CRA, the bank will be building new inroads in low to moderately-low income communities with 30 percent of the new sites. College students at Auburn and Nebraska will see new near-campus branches emerge as well. New jobs and access to the financial services market are good things, they say. Update: In a classic example of imitation being the best form of flattery, BofA has announced plans to open 350 branches in new markets in 2021. Maybe this trend will continue; sort of like the measles outbreak (don't get me started).
Retail Store Sites	<i>Business Insider</i> March	Sadly, the U.S. will see 5,300 retail store locations go dark in 2019. Yet, the news about retail store sites isn't all bad. According to <i>Business Insider</i> , six retailers plan to open 2,000 new locations this year. True, the expansion is coming from the low end of the market – Dollar General, Dollar Tree, Family Dollar, Aldi, Ulta, and Target – but new jobs come with the new sites and that can't be bad. What's troubling is the intuitive observation that online merchandising is taking its toll on the higher end of the retailing vertical – the fickle end, where consumer preferences change with shifts in the wind. Hats off to those merchants sensing an unmet need within a solid market and moving to fill it.
Citibank	<i>Business Insider</i> March	It appears that Citibank has scrapped its quasi-official plans to issue its own cybercurrency dubbed "CitiCoin." Originally destined to streamline international payments, the bank has opted to strengthen existing infrastructure instead and is keying in on blockchain opportunities in trade finance. Meanwhile, JPMorgan Chase continues apace with its JPM Coin. Both banks are making big money bets; hope they work out.
Visa	<i>Finextra</i> March	Meanwhile, Visa is stealthily building a crypto team. Makes sense; a clever network based on blockchain collaboration between financial institutions and merchants could be used to circumvent the card brand's payment rails, cutting Visa out of the income stream it is addicted to (pardon the grammar). The Visa Fintech group has posted a headhunter ticket for a crypto technical product manager to be based on Palo Alto. Applicants should be skilled in "anticipat[ing] how cryptocurrencies could impact payments." Price-cutters need not apply.
Kroger	<i>Various</i> March	Never one to be shy when they believe they're in the right, Kroger has announced that it will stop accepting Visa credit cards at Smith's Food & Drug Stores located in California. Following Kroger's ban on Visa credit cards in its Food Co. stores, 21 stores and 5 gas stations in California will put the kibosh on the card brand's credit product while debit cards will remain legal tender. There are 134 Smith's in 7 states in the West so we might be seeing a domino effect in a bit. Interchange pricing is the culprit says Kroger.



Interesting News This Quarter

Subject	Source / Date	Summary
Cashless Stores	<i>PYMNTS.com</i> <i>March</i>	And we thought that California was the ultimate nanny state; New Jersey might have us beat. The Garden State's governor just signed a bill forcing retailers to accept cash for payment or face stiff fines - \$2.5k for the first offense. NJ is the second state to do; Massachusetts came first but with far less flair. Proponents argue that cashless stores discriminate against low income households. Opponents suggest that market forces will penalize retailers who ban cash and that legislation is not necessary. Guess we won't see any Amazon Go stores opening in Atlantic City (does it still exist?) anytime soon.
Bank Card Default Rate	<i>Various</i> <i>March</i>	We note in passing that the bank card default rate rose 6 basis points in February to 3.48 percent. Combine this data point with the fact that U.S. consumer credit card debt now exceeds \$1.0 trillion and we might be seeing signs of another economic downturn. Of course, we've been saying the same thing for the past two years. Perhaps we're right this time. Hope not; 2008 was not fun.
Apple	<i>Finextra</i> <i>Business Insider</i> <i>March</i>	Apple plans to lever its new relationship with Goldman Sachs to launch its own Mastercard-branded credit card. Easy to apply for through the Wallet app, the titanium card will tout the absence of fees and a lower interest rate. Geofencing through Apple Maps will identify merchants and their locations, and an AI kernel will organize payments by type. Rewards, earned at varying rates depending on the channel used, will be distributed <i>daily</i> in cash to the Apple Wallet. Pretty slick; now, the only question is, will the up-take rate come in droves or dribbles? Oh, and Apple announced a bunch of digital content stuff and the second generation of AirPods too. Ho-hum. Parenthetically, the Mensa crowd on the reporter staff at <i>Forbes</i> rates the probability of success for the Apple credit card at sub-zero. We'll see.
Issuer Debit Costs	<i>Fed Survey</i> <i>March</i>	It comes as no surprise to some that issuer debit costs , specifically, the expense of authorization, clearing, and settlement (ACS) is now 3.6 cents, down 54 percent since the first Fed survey conducted in 2009. Not surprising because organizations and processes characterized by high-fixed, low-variable costs can expect to see average and marginal expenses gradually become asymptotic to zero. That is, more volume leads to lower average and marginal cost. What the Fed intends to do with this new data has yet to be seen but the retailer trade groups are calling for a new price point under Durbin. The 2017 study is loaded with potentially actionable data and can be found here in PDF form: http://bit.ly/2HGdAXK



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Yosemite Card	<i>Digital Transactions March</i>	Yosemite Card is reportedly the first app-based payments system that relies on blockchain to deliver a lower-cost, secure, payments solution. So far, the testbed is on the small side; 35 Silicon Valley merchants and Stanford University email address holders. The card comes with a line of credit established without credit history sourcing and ownership of Yosemite Card is not reported to credit bureaus. QR codes are the presentment tool so only face-to-face transactions are supported at present. Blockchain is used in the background to support the stablecoins used to effectuate the transaction and record the immutable record covering the exchange. Merchant acceptance costs run from zero to 30 bps, depending on the situation. Obviously, a small start for the new payment scheme but, hey, Visa and Mastercard started small too.
Citibank	<i>Finextra March</i>	What goes around, comes around. Citibank sold its Citibank Establishment Services business line to First Data in 1995. FDC subsequently acquired NaBanco and formed First Data Merchant Services. CES came at a pretty penny for those days - \$500 million and acceptance of \$180 million in debt. Today, we hear that Citibank is about to re-enter the consumer merchant services business as it adapts its Treasury and Trade Solutions (TTS) group, a unit generally focused on the B2B side of the ledger. Mastercard Payment Gateway Services will power the effort. The bank is tossing access to its proprietary payments and FX services into the mix to offer a broad array of consumer remittance options. Second time's the charm?
T-Mobile	<i>Digital Transactions March</i>	It looks like the recent spate of M&A in the merchant services world has spawned an avalanche of entrants. Now we hear that wireless carrier, T-Mobile has launched "GoPoint" in conjunction with Total Systems Services (TSYS) aimed at small and medium size merchants. Two Bluetooth enabled mobile card readers and peripherals provided by Ingenico will get retailers up and running. GoPoint has a higher payment acceptance price point than comparable services from Square and First Data at 2.75 percent, but same-day funding comes with the deal. The more the merrier, they say.
Walmart	<i>Business Insider March</i>	Mega merchant Walmart will shortly release its private-label tablet under the Onn brand name as part of its broader electronics branding scheme. Hmm, what are the chances that the tablet will come with Walmart Pay pre-loaded? Pretty good.
The Clearing House	<i>Finextra March</i>	Either seeking to avoid the perennial "big guy-small guy" conflict so often promoted by small guy trade associations (or because it already exists), The Clearing House has created four seats on its RTP Business Committee to be filled by smaller depository institutions. The new representatives will rub shoulders with each of the already-sitting Committee members from the 24 TCH member banks. Monthly meetings of the group will focus on the strategic execution of the real-time network in an advisory capacity. TCH continues to stay with its one-price-for-all model for RTP fees, an equitable thing. No merchants in the RTP mix seems less equitable.



Interesting News This Quarter

Subject	Source / Date	Summary
Apple	<i>Various March</i>	Coming to your Apple Wallet app, soon: yet another new credit card offer! High-end consumer tech player, Apple , sets the popular press wires on fire by announcing the Apple Card, a credit card backed by Goldman Sachs and Mastercard. Here, we see Apple putting a ring fence around its payments assets – the Wallet, Apple Pay, and Apple Pay Cash – to take a serious run at consumer finance and payments. The Apple Card itself is a Jobs-like classic – white, flat, titanium, and uncluttered with numbers or other customer information. Designed with an eye to security, Apple Card will use one-time user authentication codes wrapped in biometric security. Those seeking immediate gratification will be pleased with plans to credit cash rewards to users' Apple Cash account on a daily basis. The same funds can be used to pay off balances or you can provide Apple with bank account data for ACH remittances. Rewards are so-so compared to others but, hey, it's Apple. BTW, Android phone owners need not apply. Oh, and if you are now using another credit card to fund your Apple Pay Cash app for P2P payments, you can soon kiss that feature good-bye.
Remitly	<i>Finextra March</i>	Trans-border remittance startup, Remitly expands its global endpoint strategy by joining with Visa Direct to enable customers to send money to eligible Visa debit cards in real-time. Meanwhile, legacy player MoneyGram has announced that it's looking to be acquired, again. Some end states are inevitable, they say.
Blockchain	<i>CNBC March</i>	Mastercard CEO, Ajaypal Banga, and Wells Fargo (now Ex-) CEO, Tim Sloan put a pall on the recent Fintech Ideas Festival by agreeing that blockchain "has been way oversold." Both consider the opportunity to be "interesting" but lacking in business cases and applications that will move the needle, revenue or expense-wise. Curiously, Mastercard is the third largest holder of blockchain patents while Wells Fargo is placing small and large bets on blockchain incubators. Cathy Bessant, chief operations and technology officer for Bank of America concurs with the others, "I'm bearish," she says. Harkens to the old payments expression, "these things take twice as long and cost twice as much as we planned." Indeed.
Kroger	<i>Digital Transactions March</i>	Gigantic grocery retailer, Kroger , entered the mobile-payments fray with its "Kroger Pay" app for both iOS and Android operating systems. The merchant adds an interesting twist by also introducing a debit card which it has branded "Rewards." Loyalty points accrue through use of Kroger Pay and use the debit card or the company's existing GPR prepaid card. Underlying technology is QR code based, consistent with the checkout experience. Columbus, Ohio is the launch site, with a nationwide rollout planned later this year. Welcome to the "Pays" world, Kroger!



Interesting News This Quarter

Subject	Source / Date	Summary
Consumer Finance	<i>Various February</i>	It is becoming somewhat clearer now how the payments industry may become a gateway for consumer finance opportunities. Take, for instance, the way JPMorgan Chase is promoting small consumer loans through its “My Chase Plan” for \$500+ purchases made on its credit cards. Customers are allowed, at their option, to extended payment terms involving fees rather than credit card-type interest rates. Meanwhile, Walmart has aligned itself with Affirm, a seven-year-old consumer finance startup, to offer point of sale credit on larger purchases with payments over three, six, and twelve months. (The market must have liked Affirm’s new deal; it just raised \$300 million in Series F funding.) Not long ago, this lending segment was relegated to state-regulated consumer small loan (CSL) lenders operating out of strip mall store fronts. Clearly, Chase sees value in down-market lending while Walmart is interested in moving goods off its shelves and building customer relationships. Both good strategies, we opine.
Anti-cash Ban Legislation	<i>Various March</i>	It probably wasn’t Visa’s intent to stir up a country-wide ruckus with its “Go Cashless” campaign a while ago, but it did. More than a handful of merchants has opted to eliminate cash as a form of tender and numerous interested parties are, well, interested. And none too pleased. So, New Jersey has joined Massachusetts and Connecticut by enacted legislation prohibiting cash payment bans by retailers. Sure, there are a few exceptions like parking garages and similar venues. Other states that are teeing up similar legislation include Oregon, New York, and Rhode Island. Chicago, Philadelphia, and San Francisco aren’t waiting for their statehouses to act and going it alone. Los Angeles will likely jump on board once the Council figures out how to rid City Hall of its rat infestation problem (sorry, inside joke).
Walmart	<i>Business Insider April</i>	Often the simplest plan is the best. Decades ago, ATM networks hoping to stimulate usage and build brand loyalty used \$50 and \$100 bills inserted randomly in their cash cannisters resulting in an unexpected payoff for users. Walmart and Green Dot are recycling the random payoff idea with the retailer’s “Prize Savings” prepaid savings program. Owners of Walmart MoneyCard who put up to \$500 in a virtual vault become eligible for monthly cash prizes ranging from \$25 to \$1,000. According to <i>Business Insider</i> , the results are impressive: “Prize Savings customers’ savings increase by 35% on average and Walmart reported a 274% usage increase since launching the program.” Simple and effective, a winning combination.
Sonics-based Payments	<i>Digital Transactions February</i>	This may sound (pun intended) familiar because Israel-based Sonarax isn’t the first vendor to tout ultrasonic communications for payments. The company is working with major global banks in tests for cardless ATM interaction. Ohio-based LISNR launched a similar effort in 2017; Equinox Payments has integrated that offering, while the Ride Yellow taxi app also supports it. It will be quite some time before payments channels will support frequencies out of human hearing range; yet, the effort to thwart transaction fraud through means other than the mag stripe card continues.



Interesting News This Quarter

Subject	Source / Date	Summary
Mastercard	<i>Finextra February</i>	Speaking of sound, Mastercard has announced plans to annoy us all in much the same manner Intel has done for so many years. Rock band Linkin Park has developed a sonic brand identity for the card brand which will play whenever consumers use their cards in physical, digital, or voice environments. Oh, joy (not Ode to Joy). Pretty soon we'll be checking out of a grocery store and in the midst of being chastised for not removing our EMV chip soon enough, we'll get to hear Mastercard's lilting tone reminding us to use our Amex card next time.
European Central Bank	<i>Finextra February</i>	Oh-oh. Readers lulled into the belief that the only way to make a purchase these days is through the Visa and Mastercard networks might take a look at what the European Central Bank is contemplating. The EU is miles ahead of the U.S. with its real-time payments initiative and one of ECB's board members is actively campaigning for adaptation of that network of banks and merchants as an alternative to using the card brands for POS transactions. Makes one wonder if our efforts to bring real-time payments systems up across America will be helped or hindered by the entrenched players.
Varo Money	<i>Business Insider February</i>	We noted last quarter that Neobanks, those claiming to be focused more on account holder needs, security, ease of access, and financial literacy, seem to be falling into the traditional bankers' trap of competing on price. Here's another example. Varo Money , hot off its preliminary approval for a national banking charter, is raising its APY rate to 2.8 percent if you're lucky enough to keep a \$50k balance, use your (interchange-earning) debit card 5 times per month, and a bunch of other terms and conditions. Oh, a bit shy of the balance threshold? The rate drops to 2.12 percent. Meanwhile, the Goldman Sachs Marcus account is now paying 2.25 percent. Aw, the more things change, the more they stay the same.



M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Union Square Ventures, Breyer Capital, others	Stash	Micro investing and banking	Online investment firm, Stash , closes Series E funding for \$65 million, raising its funding to \$181.3 million. Product expansion and marketing are the earmarks for the new round of funding. Stash also launched a stock-back rewards program tied to use of its Visa debit card. Users making qualified purchases with the card will earn fractional shares of companies like Amazon and Chipolte. Purchases made from privately-held companies will qualify for fractional shares in an exchange traded fund (ETF) that invests in global equities. Pretty cool; now, in addition to a straight-to-video movie from Netflix, you get a piece of the company!
FIS	Worldpay	Core and payments processing	So, FIS feels threatened by the Fiserv/FDC combination and puts \$40+ billion on the payments roulette wheel Don't Pass line. FIS holds the enviable position as 126 th largest payments transaction acquirer while Worldpay has zero core processing or card issuing skills. Synergies? Yes, on the expense side; FIS and WP employees ought to be dusting off their resumes, if they still have jobs. Symbiotics? Nary a whiff. The biggest (and potentially only) beneficiary of this brass ring grab may be T. Rowe Price, holder of huge slugs of equity in both companies. And, no, we're not big fans of this deal.
Mastercard	Network International	Payments processing	Mastercard (NYSE: MA) takes a \$300 million position in Network International and gets 9.9 percent of the Middle Eastern payments processor's equity position. Having a 1/10 th share of the target will pay off well (on paper) for MA when NI fulfills its recently-announced plan to be listed on the London Stock Exchange. Prior to the investment, NI was co-owned by Emirates NBD and Warburg Pincus/General Atlantic on a 51/49 split basis. Mastercard must sense the opportunity to expand brand acceptance in the MEA region, a place characterized by NI's new CEO as "the most underpenetrated payments market" on the planet.
Further Global Capital Management	Payment Alliance International	ATM provider	Private equity firm FGCM has acquired Payment Alliance International and has installed new management. Heading the firm is Dave Dove, late of Cardtronics and Dove Consulting. The full team has been augmented with other ex-Cardtronics managers. Sense a flip coming?



M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
DST Global, others	Chime	Mobile banking	Neobank, Chime , joins the unicorn club by virtue of raising another \$200 million in Series D funding. Chime, a San Francisco-based non-bank backed by The Bancorp Bank, boasts 3 million in account holders and offers the standard list of enticements – fee-free, user-friendly app, and so on. A Visa debit cards comes along with the other free stuff. Curiously, Chime has earmarked the funds for use in increasing headcount while it launches “short-term lending and credit building products.” Really?
ACI Worldwide	Western Union’s Speedpay	Bill payment	Western Union acquired Speedpay in 2002 for \$500 million. ACI is paying \$750 million for the unit which handled more than 15 billion transactions in 2018. ACI was already in the bill remittance processing business and this additional resource will bolster its market presence (while eliminating competition). The combined business will offer bill payment services to 4,000 customers centered primarily in the consumer finance, insurance, healthcare, and government agency verticals. ACI is spending three-quarters of a billion dollars for \$90 million in 2018 EBIDTA; you do the math.
BB&T	SunTrust	Commercial banking	We do not normally comment on commercial bank mergers but this one has direct implications for the mobile banking world. BB&T is paying \$66 billion for SunTrust and hopes to squeeze out \$1.6 billion in synergies (seems light to us). Of greater significance might be the role mobile banking technology plays in bringing this deal together. According to Business Insider’s study on mobile banking, BB&T didn’t make the top ten while SunTrust was considered the sixth best player in the space. Sometimes it’s easier to buy it than build it, they say and BB&T gains access to SunTrust’s existing mobile banking platform and its engineers.
Mastercard	Transfast	Global remittances	Mastercard makes a move to get closer to the front end of trans-border P2P and B2B transactions by acquiring Transfast Remittances LLC for an undisclosed price. Transfast supports the card brand’s Mastercard Send service and is licensed as a money transmitter in 35 states and the District.



M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Visa	Earthport Plc	Remittance APIs	UK-based Earthport Plc boasts of heavy weight clients seeking international remittance support including Bank of America, Hyperwallet and Transferwise. Visa spends north of \$300 million to gain a leg-up on competitors in the digital international remittance market. In particular, Visa seeks to leverage its existing B2B payments platform which already represents 11 percent of its total payment volume for 2018. Earthport, a Ripple partner, uses DLT technology and promotes itself as being faster and cheaper than alternative remittance processing houses. The connect-the-dots issue here is that DLT and trans-border remittances may become one of the payments initiatives that will propel both to new levels of customer convenience and acceptance.
Crosslink Capital, Collaborative Fund, Sesame Ventures	Step	Mobile financial services for teens	Step is an interchange-driven neobank focused on teenagers (with parental consent, of course). The mobile app is designed to teach the young account holders the value of money and the benefits of budgeting. Crosslink and the other investors raised \$3.8 million in seed money to get, and keep, Step off the ground. We are not fans of run-of-the-mill interchange-powered neobanks but this one shows some meritorious signs. Evolve Bank & Trust is the depository of record.
Mastercard	Ethoca	Digital fraud detection	Mastercard takes another step toward galvanizing its payments network by acquiring Ethoca , fourteen-year-old specialist in payments e-commerce fraud detection. The firm supports 5,000 merchants and 4,000 banks globally. Real-time messages flow to merchant authentication centers for adjudication when fraudulent transactions are suspected. Money well spent; we believe.



Useful Links for More Information

Here are some companies referenced earlier should you care to learn more about them. (This section used to be much longer. Perhaps its brevity is a function of low industry innovation or we've done payments just about every way they can be done).

Company	Role	Link
Chime	SF-based Neobank	https://www.chimebank.com
Remitly	Our favorite remittance (MTB/MSB) player	https://www.remitly.com
Sonarax	Sonics-based transactions	https://www.sonarax.com
Stash	Investments and payments	https://www.stashinvest.com
Yosemite Card	Blockchain transaction cards	https://yosemitecardx.com



Back in the Day!

Okay, no fair using Google to complete the following sentence:

“Back in 1966, Visa was known as _____
and Mastercard was known as _____”

A quick email response should yield the sender some Dorado goodies.