

MAYER | BROWN

All the Buzz:

The Latest Developments for Emerging
& Tech Companies @ Silicon Slopes

Emerging Issues for Fintech Companies

September 7, 2022

Market Update

BofA FinTech
Deep Expertise in Software and Payments



BofA's Differentiated Platform

- 1 Deep content and sector expertise across High-Growth Tech and FinTech companies
- 2 BofA is not a "one and done" IPO advisor; we are a long term partner
- 3 BofA has tremendous experience in Equity Capital Markets and M&A Advisory, complemented by a full suite of capabilities powered by our Global Platform

Equity Capital Markets					M&A Advisory	
October 2021 \$800MM Initial Public Offering Active Bookrunner BofA SECURITIES	October 2021 \$660MM Initial Public Offering Active Bookrunner BofA SECURITIES	September 2021 \$378MM Initial Public Offering Active Bookrunner BofA SECURITIES	2021, 2020, 2019 \$3.6BN Initial Public Offering, Follow-Ons and Convertible Notes Lead Active Bookrunner BofA SECURITIES	July 2021 \$343MM Initial Public Offering Lead Left Bookrunner & Stabilization Agent BofA SECURITIES	December 2021 \$2.7BN Has Agreed to Acquire Safe Financial Advisor to PayPal BofA SECURITIES	December 2020 \$9.0BN Has Agreed to Acquire Payscale: Financial Advisor to Only Treatment and Placement agent on the Process Offering BofA SECURITIES
July 2021, Dec., Sep., Jan 2020 ~\$2.5BN Initial Public Offering, Follow-On (x2) and Convertible (x2) Joint Bookrunner BofA SECURITIES	May 2021 \$251MM Initial Public Offering Active Bookrunner BofA SECURITIES	May 2021 \$210MM Initial Public Offering Active Bookrunner BofA SECURITIES	April 2021, December 2020 \$516MM Initial Public Offering and Follow-on Active Bookrunner BofA SECURITIES	March 2021, 2019, 2018 \$668MM Initial Public Offering and Follow-On (x2) Active Bookrunner BofA SECURITIES	December 2020 \$10.2BN Has Agreed to Be Acquired by Exclusive Financial Advisor to Realpage BofA SECURITIES	December 2020 \$27.7BN Has Agreed to Acquire slack Exclusive Financial Advisor to Slackforce BofA SECURITIES
Jan 2021, Aug, Nov 2020 \$1.315MM Initial Public Offering and Follow-On Active Bookrunner BofA SECURITIES	December 2020 \$3.8BN Initial Public Offering Active Bookrunner BofA SECURITIES	October, July 2020 \$770MM Initial Public Offering and Follow-On Lead Active Bookrunner BofA SECURITIES	August 2020 \$1.9BN Follow-on Active Bookrunner BofA SECURITIES	June 2020 \$1.2BN Convertible Notes Active Bookrunner BofA SECURITIES	July 2020 \$1.8BN Has Been Acquired by BANK OF AMERICA Financial Advisor to Optimal Blue BofA SECURITIES	August 2019 \$2.85BN Has Agreed to Acquire nets Associated with the former former Safe Financial Advisor to Mastercard BofA SECURITIES
June 2019 \$704MM Initial Public Offering Active Bookrunner BofA SECURITIES	April 2019 Up to €2.3BN/\$2.6BN Initial Public Offering Lead Joint Global Coordinator & Joint Bookrunner BofA SECURITIES	June 2018 Up to €847M/\$1.1BN Initial Public Offering Joint Bookrunner BofA SECURITIES	October 2015 \$6.3BN Initial Public Offering and Follow-On (x3) Active Bookrunner BofA SECURITIES	October 2015 \$6.9BN Initial Public Offering and Follow-On (x3) Joint Global Coordinator & Joint Bookrunner BofA SECURITIES	July 2019 \$400M Has Merged With fiserv. Financial Advisor to First Data BofA SECURITIES	May 2019 \$32BN Has Merged With TSYS Lead M&A advisor to SPN 1st bank merger/bookrunner on bridge & merger financing BofA SECURITIES

2022 and 2023 U.S. Macro Outlook: A Mild, Federal Reserve Induced Recession On the Horizon



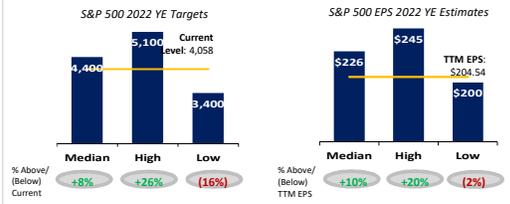
US GDP Growth Rate (YoY) – The Fed will induce a mild recession starting in 2H'22 through its aggressive rate hiking schedule				
2021 YE Actual	Current	BofA '22E	BofA '23E	
5.7%	1.6%	1.3%	(0.1%)	
Year-End 10-Yr Yield – 50bps expected in Sept and Nov, and 25bps in December, until fed funds rate reaches 3.50-3.75% at Year End				
2021 YE Actual	Current	BofA '22E	BofA '23E	
1.51%	3.04%	2.75%	2.50%	
Year-End S&P 500 Target – BofA's 2022 year end forecast is (11%) below current S&P 500 levels				
2021 YE Actual	Current	BofA '22E	BofA '23E	
4,766	4,058	3,600	N.A.	
CPI Inflation (YoY) – CPI is near 40 year highs; the Fed is aggressively hiking rates through YE to increase unemployment and moderate inflation				
2021 YE Actual	Current	BofA '22E	BofA '23E	
4.7%	8.5%	7.9%	3.5%	
US Unemployment Rate – A Federal Reserve induced recession will drive up unemployment through Year End and in 2023				
2021 YE Actual	Current	BofA '22E	BofA '23E	
5.4%	3.5%	3.7%	4.4%	

Source: Bloomberg and BofA Macro Research as of August 26, 2022.

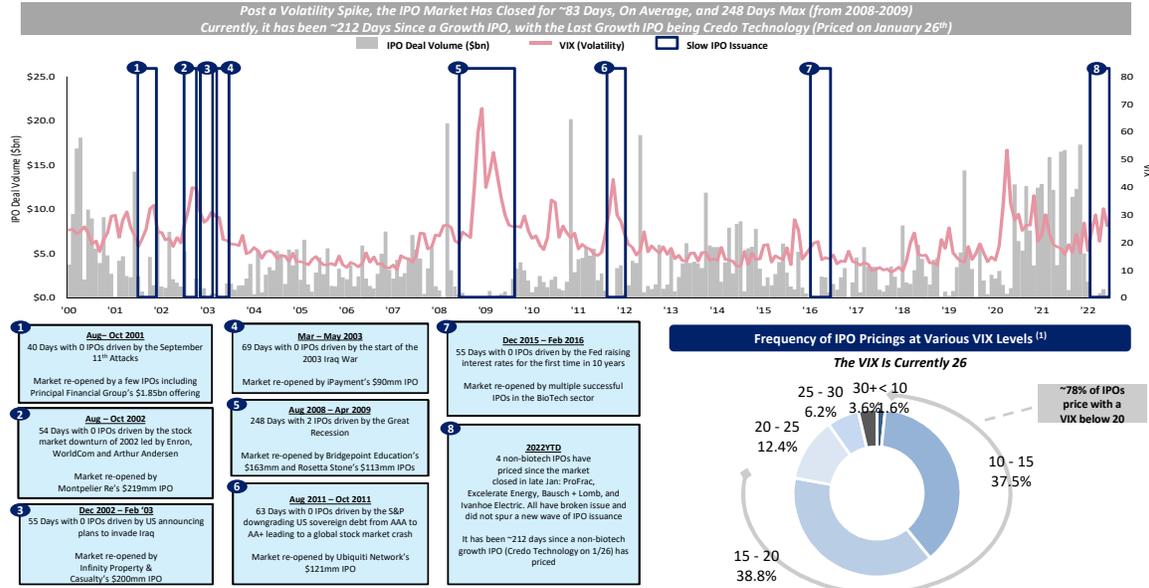
Near Term Market Movers:

Sept 2	August Unemployment Rate Est. 3.5% vs 3.5% in July
Sept 13	August CPI YoY Estimates for August are not yet released
Sept 21	September FOMC Meeting 50bps priced in, 66% chance of a 75bp rate hike
Sept 30	U. Of Mich. Consumer Sentiment Estimates for September are not yet released

Given the Challenging Macro Backdrop, S&P 2022 Year End Targets Are Highly Dispersed

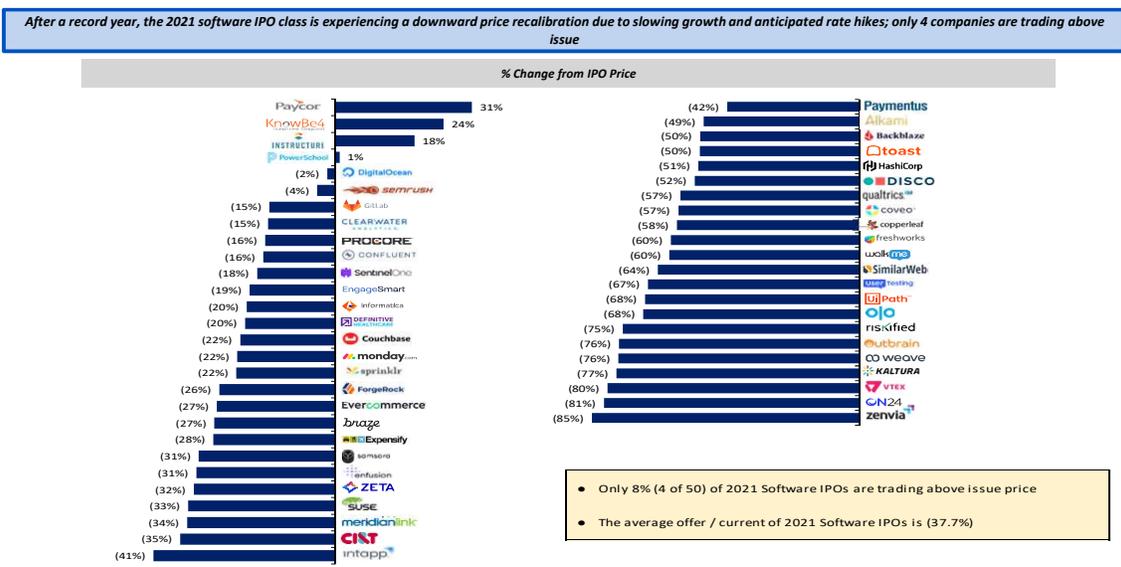


Historical IPO Issuance Windows Following Major Market Events



Source: Dealogic; Bloomberg; as of August 26, 2022.
Note: Data represents US IPOs with base deal greater than \$50mm since 2000; excludes ADRs and SPACs. (1) Represents US IPOs with base deal greater than \$25mm since 2010, excluding ADRs and SPACs.

Nearly All 2021 Software IPOs Are Below Issue Price



Source: FactSet as of 8/25/2022.
Note: Statistics include 2021 Tech IPOs with base deal size of at least \$100mm. Excludes ADRs.

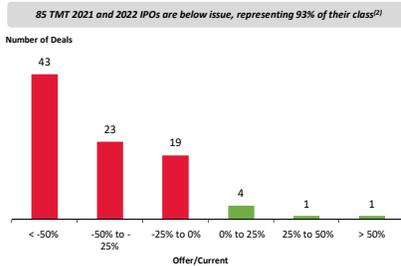


TMT IPO Will Reopen After the Market Bottoms

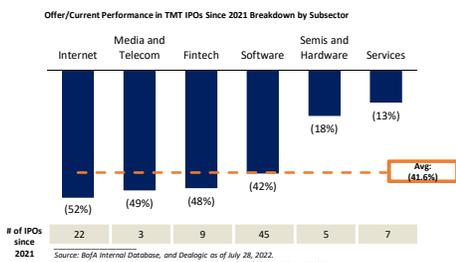
TMT IPOs Had a Record 2021⁽¹⁾
TMT IPO Volume (\$bn)



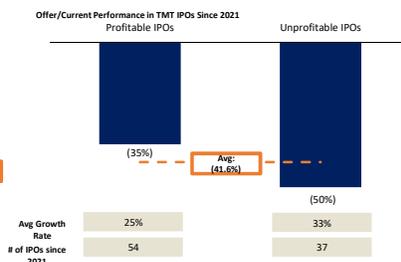
However, the Vast Majority of TMT IPOs Are Below Issue



All TMT Subsectors Caught in IPO Sell-Off⁽²⁾



Unprofitable Companies Remain Under Pressure⁽²⁾⁽³⁾



Source: BofA Internal Database, and Dealogic as of July 28, 2022.
 (1) Includes TMT ADRs and domestic IPOs greater than \$50mm in base deal size.
 (2) Includes TMT IPOs greater than \$200mm in base deal size. Excludes ADRs.
 (3) Profitability defined as LTM EBITDA positive at time of IPO

Valuations



Software & B2B FinTech Multiples Still Below Their 10 Year Averages



With Valuations Down So Much, Makes One Question How Much of the Threatened Recession Might Already be Priced In?

EV / NTM Revenue (Last 10 Years)

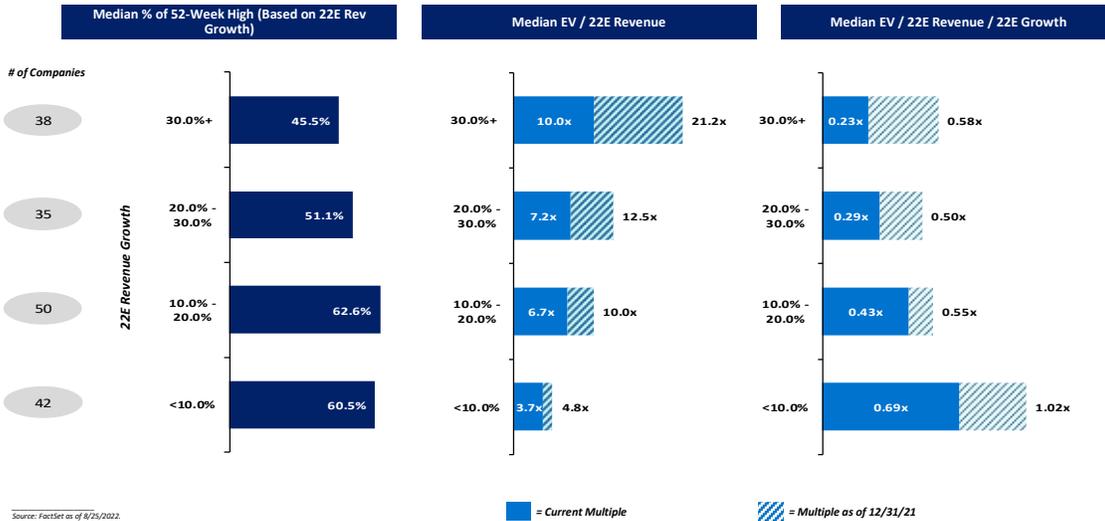


Source: Public company filings and FactSet as of 8/25/2022. Estimates per Wall Street research.
 Note: All Software Index includes SLAT, AMIS, AMY, APY, ARBA, ASAN, AVAR, BANO, BISC, BIL, BL, BLND, BMFT, BOX, BRZE, CALD, CDAY, CFLT, CSN, CNDR, CNOV, CDPV, CRM, CSOD, CTCT, CVT, CMA, DBK, DCT, DDOG, DOCS, DOCU, DOMO, DSP, DT, DV, DWRE, ELQI, EVRG, EYCM, EYFN, FIVN, FELX, FROG, FRESH, GTLB, HUBS, IAS, IL, INST, JAMF, KETR, KXIA, LAW, LDMG, LPSN, MEDA, MISSO, MKTG, MNTG, MINDY, MINTV, MSFT, N, NCHD, NOW, OKTA, OLO, ONTY, OPWR, ORCL, PAFY, PCOR, PCTV, PD, PLAN, PS, PVSC, PYCR, QTIWD, RALX, RAMP, RING, RP, SAP, SEMR, SEND, SFT, SHIP, SLRY, SMAR, SMWB, SNCR, SNOW, SPIC, SPT, SQI, SUMO, TEAM, TLEG, TRAK, TWLO, TXTR, UAT, UPLD, USER, VEEV, VICE, VITEK, WDAY, WGBK, WXC, WORK, XMC, YEXT, ZEN, ZETA, ZI, ZIM, ZJ, and ZWD. High Growth Software Index includes AMPL, APP, ASAN, BIL, BRZE, CVT, DDOG, DOCS, DOCU, DV, FROG, FRESH, GTLB, HUBS, IAS, MINDY, OKTA, SHOP, SMAR, SMWB, SNOW, SPT, TWLO, USER, XN, ZI, and ZJ.

High Growth Companies Have Experienced Larger Declines During This Market Sell-Off



Multiple compression has been greater for the highest growth/highest multiple stocks but have also seen the highest uptick in light of the broader July market rally. This group also has the highest cash burn rate, but it is difficult to attribute how much is due to the cash burn rate vs. just the highest valuations. See the following page for additional metric on FCF

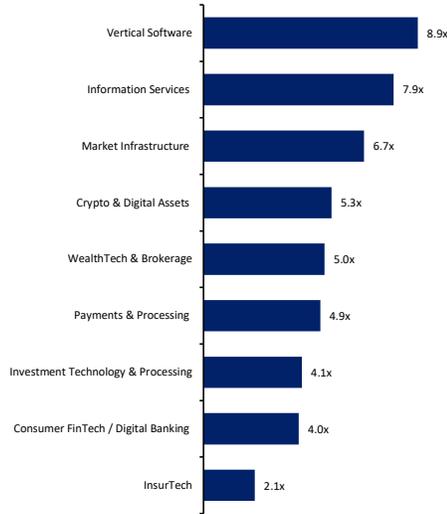


Source: FactSet as of 8/25/2022.

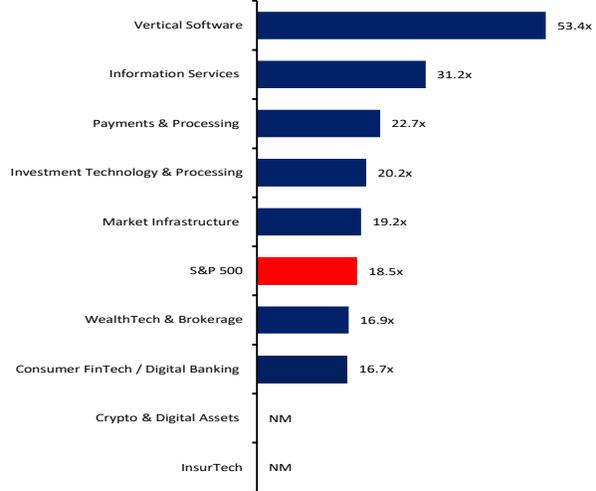
Public Valuations – Current Multiples



EV / 2022E Revenue



Price / 2022E Earnings⁽¹⁾



Source: FactSet and Wall Street Research.
 Note: Data represents global sector averages. Crypto & Digital Assets excludes metrics from Crypto Mining & Other Companies.
 (1) Net losses excluded from P/E global sector averages.

Recent Themes in FinTech & Strategic Investment Areas



	Key Observations	Examples
1 Path to Profitability	<ul style="list-style-type: none"> Consistently high inflation, rising rates, geopolitical instability, and market volatility are causing a "risk-off" approach as investors re-focus on fundamentals and profitability (vs. revenue growth) Recent market dynamics have driven stocks downwards across industries and sectors, with pandemic-era successful IPOs (e.g. Upstart, Affirm) experiencing sharper declines FinTech firms are adapting strategies to focus on user engagement to increase profitability 	<p>YTD Performance</p> <p> (67%) ↓ (88%) ↓ (75%) ↓ (30%) ↓ </p>
2 Predictability of Revenues & Cash Flows	<ul style="list-style-type: none"> Companies are diversifying into B2B product offering as it provides more revenue visibility <ul style="list-style-type: none"> Corporate-driven revenues tend to be less volatile vs. retail-driven revenues 	<p> / </p>
3 B2B Payments	<ul style="list-style-type: none"> Growth opportunities remain as 40%+ of B2B payments are still check based Digitization and integration of payments into corporates' back office systems and automation of middle-office functions is key driver of adoption 	<p> </p>
4 Embedded Payments	<ul style="list-style-type: none"> Software solutions with integrated or embedded payment create high value-added services for clients driving high customer retention rates Potential to create alternative payment rails for scaled software providers Arms race to offer combined service either through acquisition or partnership 	<p> / / / / / / </p>
5 Next Generation Infrastructure	<ul style="list-style-type: none"> New entrants are offering nimble technology with API connectivity providing configurable/unbundled solutions Driving innovation within FinTech as barriers to entry have been lowered 	<p> </p>
6 SMB Landscape	<ul style="list-style-type: none"> Strategies are quickly shifting to prioritize larger, more profitable enterprise customers vs. small businesses that provide less visibility into future revenue and profits (e.g. Brex) Pivoting strategies for more alliances across the value chain and diversification of revenue stream to withstand broader macro pressure 	<p> / </p>
7 Super App Status	<ul style="list-style-type: none"> Continue to expand product stack/increase network effects to drive higher customer LTV <ul style="list-style-type: none"> Broader product set to capture increased share of wallet Driving engagement and network effect from consumer to merchant and back to the consumer 	<p> / </p>

Source: Company filings, press releases and Pitchbook.
 Note: Market data as of 6/27/22.
 (1) Denotes average performance of Meta, Apple, Amazon, Netflix and Google YTD.

Payments Comparable Company Universe



	Core Payments	Integrated Payments	High-Growth Payments	High-Growth B2B
Operating Metrics				
'22E Net Rev Growth	9.0%	24.7%	31.8%	35.1%
'23E Net Rev Growth	9.1%	17.7%	28.6%	27.5%
'22E EBITDA Margin	42.9%	33.7%	30.6%	4.1%
Trading Metrics				
'22E EV / Net Revenue	5.1x	4.6x	10.1x	7.9x
'23E EV / Net Revenue	4.6x	3.8x	7.7x	6.1x
'22E EV / EBITDA	11.9x	13.6x	NM	NM
'23E EV / EBITDA	10.7x	11.1x	NM	NM

Source: Company Filings and FactSet. Metrics based on calendar year.
Note: All values are means.

M&A Review & Outlook



Despite the Market Challenges, the Fundamental Drivers for M&A Remain Intact

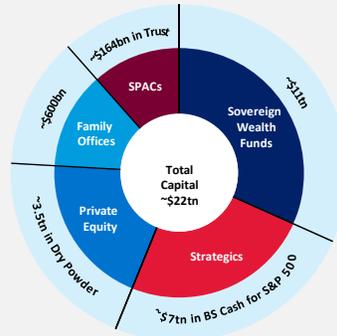


Fundamental Drivers for M&A

- Limited organic opportunities – many need to attain targeted **growth through acquisition**
- Further **acceleration of technology investment and digital transformation to drive innovation** – sought by tech and non-tech companies alike
- Strategic plans supported by **consolidation, TAM expansion and platform build-out** via acquisition of new capabilities
- **Re-alignment of strategic focus** through separation of non-core assets and doubling down on new initiatives
- **Building resilience** against weaknesses exposed by COVID
- In Technology:
 - Digitization of everything
 - Enablement of hybrid, remote and agile work
 - Automation enabled by AI, ML, big data
 - Software continuing to displace hardware, services, labor
 - Growing complexity of cyber security
 - Demand for underlying infrastructure – fiber, connectivity, data centers

Record Amounts of Capital to Fund M&A

- The amount and diversity of M&A capital is unprecedented, although acquisition financing faces higher hurdles with increasing rates

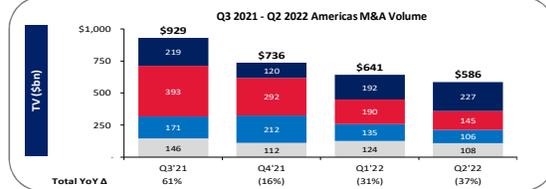


Source: Dealogic, Preqin, FRED, S&P 2022 Annual Report.

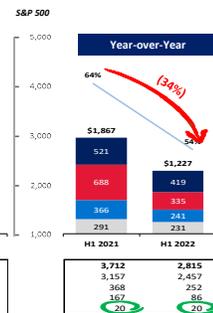
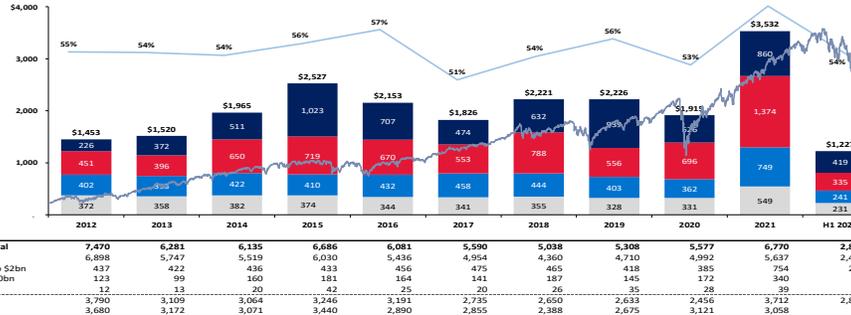
A Slowdown in Americas M&A Volume in H1 2022



- \$1.2tn of announced Americas deal volume in H1 2022 following a \$3.5tn record year in 2021
- H1 2022 Americas deal volume down 34% vs H1 2021, up 164% vs H1 2020 and down 8% vs H1 2019
- Q1 2022 and Q2 2022 YoY deal volume down 31% and 37%, respectively, driven by challenging equity market and macroeconomic conditions amid increased financing headwinds



Transaction Value (\$bn)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	H1 2022
# Deals Total	7,470	6,281	6,135	6,686	6,081	5,590	5,038	5,308	5,577	6,770	2,815
Less than \$500mm	6,898	5,747	5,519	6,030	5,436	4,954	4,360	4,710	4,592	5,637	2,457
\$500mm to \$2bn	437	422	436	433	456	475	465	418	385	754	252
\$2bn to \$10bn	123	99	160	181	164	141	187	145	172	340	86
Greater than \$10bn	12	13	20	42	25	20	25	35	28	39	20
H1	3,790	3,109	3,064	3,246	3,191	2,735	2,650	2,633	2,456	3,712	2,815
H2	3,680	3,172	3,071	3,440	2,890	2,855	2,388	2,675	3,121	3,058	--

— % of Global Volume Less than \$500mm \$500mm - \$2bn \$2bn - \$10bn Greater than \$10bn

IPO Targets Pivoted to M&A With More Activity Expected



Challenging IPO Market Leading Many to Push Launch...

Investors taking a more selective approach to IPOs with companies turning to M&A and private capital instead

- After record IPO activity in 2021, H1 2022 US IPO market volumes declined 91% YoY
- US IPO volume totaled \$771mm in June – the slowest month since February 2017
- Though the IPO window may open sometime in H2, it is expected that more companies will continue to look to M&A as an exit given the state of the equity markets and the rate at which public valuations have decreased

Source: Dealogic as of June 30, 2022.

...And Turn to M&A Instead



EQT Agreed to Acquire BPEA for €6.8bn (March 2022)

"Baring Private Equity Asia (BPEA)...was considering an IPO...BPEA's bosses subsequently reached out to EQT for some advice on how to go public.

"But after a short period of time, we said: 'Haven't you considered other routes as well?'"



KKR Agreed to Acquire a Majority Stake in Refresco (February 2022)

"PAI Partners is considering options for Refresco, including a possible initial public offering that could value the bottling business at about \$6 billion, according to people familiar with the matter. The French buyout firm has been holding preliminary discussions with potential advisers as it studies a U.S. listing of Refresco"



Berkshire Partners and Warburg Pincus to Partner for an Investment in Ensemble Health Partners (March 2022)

"Golden Gate Capital is exploring a potential sale of its controlling stake in Ensemble Health Partners after plans to take the health information technology company public late last year were postponed, according to people familiar with the matter."

Buyers Have Changed Their Behavior in Response to Market Conditions...



Strategics	Sponsors
<ul style="list-style-type: none"> ■ The bar is higher <ul style="list-style-type: none"> ▪ Strategic rationale and valuation need to be highly compelling – buyers are being selective on when to play vs. sit out ▪ Market uncertainty reduces the margin for error ■ Strength of process being tested <ul style="list-style-type: none"> ▪ Competitive landscape ▪ Flexibility to timeline ▪ Withholding/delaying submission of bids to gauge reaction ■ Fear of overpaying <ul style="list-style-type: none"> ▪ Don't want to "catch a falling knife" ■ Internal Priorities <ul style="list-style-type: none"> ▪ Deferring inorganic opportunities to focus on internal issues – Integrations of recent acquisitions, restructuring, re-aligning strategy, contain expenses, etc. ■ Re-pricing deals are becoming frequent as fundamentals deteriorate during the process 	<ul style="list-style-type: none"> ■ Still actively looking to deploy funds <ul style="list-style-type: none"> ▪ \$3.5tr of dry powder in search for attractive assets ▪ Actively participating in auctions and providing quick feedback ■ But progressively risk-off <ul style="list-style-type: none"> ▪ Lazer focus on ability to underwrite the EBITDA, visibility of financials and estimating the additional capital needed to support the business through the downturn ▪ Rising cost of capital is lowering returns, reducing margin for error ■ Increasingly selective. Highly prefer situations where they have: <ul style="list-style-type: none"> ▪ Done substantial work in the space ▪ A related current portfolio investment, turning the sponsor into a quasi-strategic with synergy potential ■ Re-pricing deals are becoming frequent as fundamentals deteriorate during the process

What's Working vs. Not Working In The Transitory Phase



What's Working	What's Not Working
<ul style="list-style-type: none"> ✓ Processes catalyzed by inbound interest from well-capitalized strategics ✓ Unique assets benefitting from a flight to quality (growth, margin and cash flow visibility) and through-cycle resilience ✓ Quantifiable hard synergies ✓ Bespoke reasons (not related to distress) for selling now vs later ✓ Price risk within narrow range of outcomes ✓ Rational price expectations by both buyers and sellers ✓ Willingness to explore creative structured solutions in anticipation of further potential headwinds – earnouts, minority investments, continuation funds, etc. ✓ Limited reliance on external financing / significant near-term refinancing 	<ul style="list-style-type: none"> ✗ Sellers not willing to temper price expectations ✗ Inability for buyers to adequately diligence and validate financials in order to come to view on valuation ✗ Inflection growth propositions (“hockey stick projections”) with limited historical forecast evidence ✗ Reliance on significant 3rd party financing ✗ Regulatory complexity leading to longer delays between announcement and completion

H2 2022 M&A Outlook



Expect M&A activity to rebound once macroeconomic uncertainty and market volatility subside, driven by imperative to consummate strategically important opportunities and sustained appetite to deploy abundant dry powder



Key Drivers of Continued M&A Activity

- Broader equity market correction has moderated valuation levels
- “IPO pipeline becomes the M&A pipeline” as limits on IPO exit option pushes more companies to M&A exit
- Abundance of capital – strategics and private investors remain incredibly well-capitalized
- Strategics are driven by the need to source true growth opportunities
- Investor sentiment regarding M&A continues to be extremely strong



Potential Headwinds

- Reduced LevFin access to finance (non-investment grade) deals
- Potential global recession
- Continued inflationary pressure and rising interest rates
- Geopolitical instability and tensions
- Further volatility and correction in the equity markets
- Ongoing supply chain pressures and labor shortages
- Increased antitrust regulatory scrutiny
- Uncertainty regarding new COVID variants / “New Normal”

Predictions for H2 2022

- Technology M&A opportunities continue to be sought by tech and non-tech acquirors alike
- Transformational M&A and MOE transactions to drive increased equity consideration (i.e., debate around relative value)
- Corporate separation activity to remain robust as strategics look to unlock value and fend off activists
- More structured transactions and other creative solutions to bridge valuation and other structural buyer-seller gaps
- Continued rise of focus on ESG to drive M&A activity
- Expectation of enhanced regulatory focus
- Activism and unsolicited hostile M&A to continue throughout 2022
- A reset of 52-week valuation highs could create vulnerability at attractive growth companies
- Sponsor participation to slow until financing markets stabilize
- SPAC activity will remain subdued with SEC guidelines and sponsors will begin to plan for return of capital

Case Studies



Select Precedent Transactions Select Mid-to-High Growth Software and B2B FinTech Acquisitions



Date Announced	Acquirer	Target	Transaction Value (\$mm)	EV / Revenue		NIM / LTM Rev Growth	NIM EV / Rev Growth
				LTM	NTM		
08/01/22	Global Payments Inc.	EVQ Payments, Inc.	\$4,000	7.73x	6.84x	13%	0.52x
07/31/22	Rev Worldwite, Inc.	NetSpend	\$3,000	NA	NA	NA	NA
05/20/22	Broadcom	Veeva	\$69,000	5.40x	4.90x	10%	0.48x
05/04/22	ICE	Black Knight	16,000	10.58x	10.00x	6%	1.74x
04/11/22	Kaseya	Datto	6,011	9.72x	8.32x	17%	0.49x
04/11/22	Thoma Bravo	SailPoint Technologies	6,873	15.66x	13.28x	18%	0.74x
03/20/22	Thoma Bravo	Anaplan	\$10,400	17.49x	13.89x	~26%	~0.54x
03/08/22	Alphabet	Mandiant	5,458	13.29x	9.71x	16%	0.60x
02/25/22	Hexagon	ETG	1,200	20.00x	16.00x	25%	0.64x
02/22/22	SoFi	Technisys	958	13.68x	NA	NA	NA
01/03/22	EverFi	Blackbaud	755	7.38x	6.26x	18%	0.35x
12/17/21	Thoma Bravo	Bottomline	2,600	5.39x	4.86x	11%	0.44x
12/07/21	Permira	Mimecast	5,497	9.94x	8.71x	14%	0.62x
11/27/21	Carlisle	AudFarm	\$1,950	\$5,800	\$4,000	~13%	~1.98x
11/16/21	SS&C Technologies Holdings	Blue Prism Group	1,529	6.60x	5.51x	20%	0.28x
11/16/21	Bentley	Power Line Systems	700	23.30x	NA	~13%	NA
11/16/21	nCino	SimpliXerox	919	16.82x	12.96x	20%	0.42x
11/08/21	Permira / Advent	McAfee	14,535	8.40x	7.48x	12%	0.60x
10/13/21	Emerson	Aspen Tech	11,000	15.30x	14.50x	~10%	1.45x
07/26/21	Thoma Bravo	Medallia	6,414	12.93x	10.76x	20%	0.53x
07/06/21	Hexagon	inforEAM	2,750	16.50x	14.90x	~10%	1.49x
05/06/21	Bill.com	Divvy	\$2,500	25.00x	NA	NA	NA
04/29/21	Thoma Bravo	Prologium	13,121	10.22x	8.88x	15%	0.59x
03/11/21	Bentley	Seequent	1,050	13.50x	~11.30x	~20%	~0.57x
03/10/21	Thoma Bravo	Talend	2,418	8.13x	7.02x	16%	0.45x
03/08/21	Vista Equity	Pivotalight	3,798	10.31x	8.98x	13%	0.71x
02/24/21	Autodesk	Innovzye	1,000	15.90x	12.50x	27%	0.46x
12/22/20	Honeywell	Sparta Systems	1,300	11.60x	10.50x	11%	1.00x
12/21/20	Thoma Bravo	RealPage	10,381	9.29x	8.36x	13%	0.75x
12/01/20	Salesforce	Slack	28,453	34.12x	26.91x	27%	1.00x
11/30/20	Vista Equity Partners	Gainsight	1,100	14.50x	11.00x	32%	0.55x
10/19/20	Thoma Bravo	Axioma	2,000	14.38x	11.85x	21%	0.55x
10/12/20	Twilio	Segment	3,400	23.00x	15.00x	53%	0.28x
10/12/20	Thoma Bravo	Venafi	3,150	12.40x	8.80x	41%	0.22x
09/08/20	Warburg Pincus	Infoblox	3,400	6.70x	5.70x	18%	0.32x
08/27/20	Emerson	OSI	1,600	9.60x	~8.00x	~20%	~0.40x
08/06/20	Intercontinental Exchange	Ellie Mae	11,000	~12.22x	NA	NA	NA
07/27/20	Black Knight	Optimal Blue	1,800	15.00x	NA	NA	NA
02/24/20	Intuit	Credit Karma	7,100	7.10x	5.92x	20%	0.30x
02/13/20	Schneider Electric	RIB	1,463	7.00x	5.00x	40%	0.12x
02/09/20	Advent	ForeScout	1,541	4.58x	4.00x	14%	0.78x
12/04/19	Thoma Bravo	Instructure	1,900	7.35x	6.30x	17%	0.38x
11/18/19	Vista Equity Partners	SonaByte	1,000	16.70x	10.00x	67%	0.15x
06/10/19	Salesforce	Tableau Software	16,958	13.39x	11.15x	20%	0.57x
06/06/19	Google	Looker	2,600	24.82x	15.25x	63%	0.24x
02/23/19	Thoma Bravo	Ellie Mae	3,518	7.30x	6.80x	~8%	~0.85x
02/04/19	H&F	Ultimate Software	10,821	9.49x	7.95x	19%	0.41x
		Mean - Sponsor		10.84x	8.93x	20%	0.53x
		Median - Sponsor		10.02x	8.76x	15%	0.53x
		Mean - Strategic		14.44x	11.02x	21%	0.61x
		Median - Strategic		13.45x	10.50x	20%	0.48x
		Mean - Overall		10.00x	8.00x	21%	0.58x
		Median - Overall		11.91x	8.98x	18%	0.52x

Source: Company Filings, Factset and Wall Street research.
 (1) Assumes FX rate of 1.1325 as of November 16, 2021.



VISTA

has agreed to acquire



Avalara

for a purchase price of

~\$8.4bn

BofA Securities is Acting as Financial Advisor to Vista Equity Partners



Case Study: Vista Equity Partners Announces Acquisition of Avalara (NYSE: AVLR) for ~\$8.4bn

BofA Securities is Serving as Financial Advisor to Vista

Transaction Highlights

- On August 8th, 2022, Avalara, Inc. (NYSE: AVLR) ("AVLR") announced that it has entered into a definitive agreement under which Vista Equity Partners ("Vista") will acquire Avalara in an all-cash transaction valued at \$8.4bn
- Avalara shareholders will receive \$93.50 in cash per share, representing a 27% premium to Avalara's unaffected stock price⁽¹⁾ and a (2%) discount to Avalara's spot price
- The acquisition will take Avalara private, allowing the Company to continue its push into the enterprise customer segment, increase investment in its cloud platform, and globalize its customer base
- This transaction represents the 6th \$2bn+ sponsor-backed software take-private transaction in 2022YTD, in addition to Vista & Evergreen / Citrix, Thoma Bravo / Anaplan, Thoma Bravo / SailPoint, Hellman & Friedman & Permira / Zendesk, and Thoma Bravo / Ping

BofA Securities' Involvement

- BofA is acting as financial advisor to Vista Equity Partners in this transaction
- BofA was awarded its role as a result of its longstanding relationship with Vista and Avalara, as well as its best-in-class software investment banking franchise and its deep expertise in the tax compliance software space
 - This represents BofA's fifth transaction with Avalara, including its IPO in 2018 and subsequent follow-on equity offerings in 2019 and 2020, and a convertible note offering in 2021
 - This represents BofA's 2nd take-private transaction with Vista Equity Partners in 2022YTD, following the ~\$16.5bn Citrix Systems deal announced in January 2022

Avalara Overview

- Avalara provides a cloud-based software platform that delivers a broad array of tax compliance solutions
- Offers an end-to-end suite of solutions that automatically determines taxability, identifies applicable tax rates, accurately calculates taxes, prepares and files returns, remits taxes, maintains tax records and manages tax exemption certificates
- As of June 30, 2021, the Company had 20,110 core customers and 1,000+ integration partners⁽²⁾
- As of June 30, 2021, the Company had a net revenue retention rate of 113%⁽³⁾
- The Company is headquartered in Seattle, Washington

Vista Equity Partners Overview

- Vista is a leading global investment firm with more than \$96 billion in assets under management as of 3/31/2022
- The firm exclusively invests in enterprise software, data and technology-enabled organizations across private equity, permanent capital, credit, and public equity strategies

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globalpayments

has agreed to acquire



EVO

BofA Securities is acting as financial advisor to Global Payments and left lead arranger / bookrunner on the bridge and takeout financing



Global Payments has Agreed to Acquire EVO Payments for \$4.0 Billion

BofA Securities is Serving as Financial Advisor to Global Payments

Transaction Highlights

- On August 1, 2022, Global Payments, Inc. ("GPN" or the "Company"; NYSE: GPN), a leading payments technology company, announced the signing of a definitive agreement to acquire EVO Payments, Inc. ("EVO"; NASDAQ: EVO) for \$34.00 per share in an all-cash transaction, implying a transaction value of approximately \$4.0 billion.
- The transaction accelerates Global Payments' technology-enabled, software-driven strategy through further penetration into integrated and business-to-business (B2B) payments
 - Expands GPN's geographic footprint into attractive new geographies such as Poland, Germany, Chile, and upon closing, Greece, and enhances its scale in existing markets, including the United States, Canada, Mexico, Spain, Ireland and the United Kingdom
 - Adds leading accounts receivable automation software capabilities that complement the Company's existing B2B and accounts payable offerings
- Combination provides significant financial and operating scale
 - Combined adjusted net revenue of \$9.8 billion⁽¹⁾ and adjusted EBITDA of \$4.7 billion⁽¹⁾
 - Compelling value creation with significant expected run-rate synergies of \$125 million and adjusted earnings per share accretion in the first year post close
 - Generates combined customer base of more than 4.5 million merchant locations and over 1,500 financial institutions globally
- GPN expects to finance the acquisition with cash on hand and committed bank facility
- Silver Lake, a global leader in technology investing, has committed a \$1.5 billion long-term strategic investment in GPN in the form of convertible senior notes and the Company expects to enter into a call spread or other derivative transaction to raise the effective conversion premium of the convertible note
- Transaction is expected to close by Q1 2023, subject to customary closing conditions and approvals

BofA Securities' Involvement

- BofA Securities is acting as financial advisor to Global Payments and left lead arranger / bookrunner on the bridge and takeout financing
- The transaction highlights BofA Securities' leading technology franchise
- BofA has a longstanding relationship with Global Payments and has helped the Company execute past strategic and capital markets transactions
 - Lead M&A advisor to GPN and left lead arranger / bookrunner on the bridge and takeout financing in the transformative ~\$50 billion merger of equals with TSYS in 2019
 - Lead M&A advisor to GPN and provided 100% of committed acquisition financing in the \$4.3bn acquisition of Heartland Payment Systems in 2016. Acted as M&A advisor in connection with GPN's acquisitions of ACTIVE Network and AdvancedMD in 2017 and 2018, respectively
 - Has led every financing for GPN since 2009 and currently serves as left lead arranger and admin. agent on GPN's existing ~\$6bn debt facilities

Global Payments Overview

- Global Payments is a leading payments technology company delivering innovative software and services to customers globally
- Provides solutions and services that enable customers to operate their businesses more efficiently across a variety of channels around the world
- GPN is a member of the S&P 500 with worldwide reach spanning over 170 countries throughout North America, Europe, Asia Pacific and Latin America

EVO Payments Overview

- EVO Payments is a leading payment technology and services provider
- Offers an array of innovative, reliable and secure payment solutions to merchants ranging from small and midsize enterprises to multinational companies across the globe
- Provides competitive solutions as a fully integrated merchant acquirer and payment processor across 50 markets and 150 currencies worldwide

Silver Lake Overview

- Silver Lake is a global technology investment firm, with more than \$88 billion in combined assets under management and committed capital and a team of professionals in North America, Europe and Asia

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12

Fintech Regulatory Developments

25

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Fintech's Regulator?

All the Buzz

The Federal Trade Commission

Payments

Neobanks

Lead Generation

Platforms

Privacy/Security

Crypto

Small-Business Lending

Advertising/Marketing

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FTC 101



Enforcement focused, but dabbles in regulations



Jurisdiction: "Commerce" including non-banks & B2B providers

Enforces Consumer Statutes & Rules



Five-member Commission



2-2 D/R split



Antitrust & consumer protection

New Leadership & Priorities

Lina Khan's new team



PRIORITIES



All the Buzz

Key UDAP Principles

- **DECEPTION:** material representation or omission likely to mislead a reasonable consumer
 - Express representations easier to prosecute
 - Doesn't require large percentage of deceived
- **UNFAIRNESS:** a practice causing or likely to cause substantial injury, not reasonably avoidable, where the benefits to competition don't outweigh the harms
 - Flexible, but historically hesitant to innovate
 - Standard use cases: data security, unauthorized fees, middle-men who facilitate fraud

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All the Buzz

Enforcement – Non-bank “Banks”

- Access to funds
 - Advertise access to funds “24/7” and transfers within 3-5 business days, but often took much longer, with limited customer service
 - 2021 Settlement: Industry ban; ordered to refund all outstanding customer accounts
- Unfair conduct related to lending
 - Defendant was consumer-facing fintech for loans issued by FDIC-insured bank
 - Told consumers they could repay loans via credit/debit card, but rejected those payments
 - Demanded payment after customers paid off loans; unauthorized debits from customer accounts
 - Technical EFTA violation for conditioning loan on EFT
 - 2019 Settlement: \$3.85mm restitution

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All the Buzz

Enforcement – Lead Generation

- Long-standing focus on lead generation
 - 2015 workshop & 2016 staff paper
- Deceptive Sharing Customer Information
 - Promised to link consumers with lenders, but provided information—including sensitive financial information—to other types of businesses that paid more for leads
 - FTC disregarded “fine print disclaimers” that purported to inform customers
 - 2022 settlement: \$1.5 mm civil penalty, tied to violations of FCRA
- Deceptive Lender Rankings
 - Education lead generation company ranked partner lenders, but did not disclose that rankings were influenced by payments
 - 2020 settlement: \$350,000 penalty

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All the Buzz

Enforcement - Payments

- Speed of transfers
 - 2018 settlement with major fintech payments firm
 - Advertised “overnight” external transfer, but transfers often delayed for undisclosed back-office review
 - 20-year admin order; mandatory customer disclosures
- Fraud Controls
 - Multiple Cases alleging that payment processors engaged in “unfair” conduct and provided “substantial assistance” to telemarketing frauds by processing money transfers
 - 2018 Settlement \$125mm; 2022 active litigation ongoing

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All the Buzz

Enforcement – Platforms

- FTC pursuing cases against platforms in connection with focus on intermediaries and more “systemically important” players
- Key Feature: Attempting to hold platform liable for third-party conduct
- Examples
 - Contractor Platform alleged to misrepresent quality of customer leads
 - Rental-finder app alleged to be purchasing fake reviews
 - But limits: FTC lost key counts against dating app alleging that app failed to protect against fraudulent accounts

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All the Buzz

Enforcement – Savings/Earnings Claims

- Requires substantiation or other evidence showing that meaningful portion of consumers can achieve the claim
- Gig-economy company
 - Represented median earnings or hourly wages for drivers, but less than 10% of drivers actually earned the stated amount
 - \$20 mm restitution payment
- Non-bank finance company
 - Represented lifetime savings for refinancing, but the figure only included refinancings that resulted in cheaper loans
 - 20-year administrative supervision

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All the Buzz

Enforcement – Small Business Consumers

- For FTC, small business are “consumers”
- Exempt from many consumer finance laws, but not from overarching UDAP provisions
- Merchant cash advance sweep
- PPP lending warning letters
 - NOTE: FTC is not the only agency investigating PPP fintech lenders

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All the Buzz

Enforcement – Subscription & Free Trials

- ROSCA, Telemarketing Sales Rule:
 - Disclosures required before obtaining billing information and easy cancellation
 - Key: Civil penalties & State AG enforcement
 - 2021 Enforcement Statement
- 2020 Enforcement Action
 - Digital learning platform for children obscured renewal terms & made cancellation difficult
 - \$10mm in restitution

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All the Buzz

Enforcement – “Dark Patterns”

- New “hot topic” for the FTC
- Vague concept, but encompasses deception adjacent to the product itself, or making relevant disclosures in obscure ways
- Examples from actions
 - “Pre-approved” loans
 - Hidden reviews
 - Subscriptions that are difficult to cancel

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All the Buzz

Enforcement - Data Privacy

- Most privacy cases rely on deception theories – company shared data inconsistent with representations
 - *E.g.* Lead Generator cases, many others
- But pushing the envelope
 - Recent action alleging that data broker “unfairly” sold location data service, without any allegation of deception in the data collection
- Watch for Commercial Surveillance Rulemaking
 - ANPR issued August 11; process will take years

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Enforcement – Liability for 3rd Party Conduct

All the Buzz

- Key: Outsourcing functions does not outsource liability
- Examples
 - Review management conceals negative reviews
 - Data security
 - Unauthorized lending
 - Deceptive lead generators
 - Online advertisers/influencers

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Compliance – First Principles

All the Buzz

- Take consumer complaints seriously
- Look at your product through the eyes of your least sophisticated consumer
- Look at agency priorities
 - Chair Khan's focus
 - Conduct that allows for money penalties
- If you see a problem, don't be afraid to fix it

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Christopher Leach is a partner in Mayer Brown's Washington DC office and a member of the Litigation & Dispute Resolution practice. As a former attorney with the US Federal Trade Commission (FTC), his practice focuses on consumer-facing issues, including data privacy, false advertising, marketing practices, and other aspects of customer acquisition. He represents and advises clients in a broad range of industries, including the fintech, financial services, food and beverage, automotive, and telecommunications industries, defending those companies in litigation, before government agencies, and in self-regulatory proceedings such as the National Advertising Division (NAD).

41

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Sam Orme is Managing Director for Bank of America Merrill Lynch with a focus on Utah and the Rocky Mountain region. In this role, he is focused on helping clients succeed through strategic merger and acquisitions advice and targeted capital raising solutions (including both debt and equity).

Mr. Orme has extensive experience working on a variety of corporate development and investment banking transactions including mergers and acquisitions, public offerings, and private equity transactions. He has been involved in transactions with a broad range of privately held companies as well as public companies, including Cargill, Mitsui, PayPal, E*Trade, Exxon, SunGard, SS&C, Corporate Express, First American, Mosaic, and American Capital.

42

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Thank You and Questions