

Exit Ramp: Payments Boom May Bring BlueSnap to Market



Point-of-sale terminal. Abscent/Shutterstock

A rise in demand for contact-free payments coupled with a spike in online retail has propelled digital and contactless payments into the limelight and turned attention to players such as Great Hill Partners-backed BlueSnap as potential targets.



By Nikitha Sattiraju

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As both digitally savvy companies and those new to online operations raced to boost their e-commerce capabilities or digitize business-to-business transactions during the pandemic, Great Hill Partners LP-backed electronic payments processor **BlueSnap Inc.** witnessed a surge in demand for its services.

“A lot of people were looking to reduce the number of interactions they were making — folks didn't want to touch anything to pay,” Susan Madden, BlueSnap’s senior vice president of business operations told The Deal. “Even business-to-business companies didn’t want to send someone to the office to collect checks and bring them to the bank.”

The Waltham, Mass.-based company provides global payment services, online and mobile checkout, digital invoices and more to retail, manufacturing and other industries.

The need for contact-free interactions coupled with the unprecedented rise in online retail propelled digital and contactless payments to the limelight last year. With growth has come dealmaking, as strategic buyers upgrade services, private equity deploys capital and more mature companies ride the wave to public markets.

While investments in the sector dipped in 2020 due to the pandemic, capital raised in the first quarter of 2021 for payment companies spiked 135% to \$4 billion, up from \$1.7 billion during the same period in 2020, according to data from investment bank **Financial Technology Partners LP.**

The first quarter was the “largest and most active quarter ever” for financial technology in general, according to FT Partners.

The M&A frenzy puts a spotlight on companies such as BlueSnap, which has been in Great Hill’s portfolio for close to 10 years, as potential acquisition targets or

candidates for a public offering.

Great Hill Partners acquired BlueSnap from **Susquehanna International Group LLP** for \$115 million in August 2011. The payments processor saw itself as a potential target in 2014, as SVP for global business development Jeff Coppolo told The Deal at the time that the company could head to public markets or be acquired by large players in the space.

BlueSnap, however, instead raised \$50 million in growth capital in November 2014 from Great Hill, new investor Parthenon Capital Partners and company CEO **Ralph Dangelmaier** to “expand operations for its global business and pursue strategic acquisitions,” according to a statement at the time.

In the mid- to late-2010s, many payment companies were looking to sell themselves, but more than half were unable to because the divide between the bid and the ask was very high, according to one industry source.

While it wouldn't come as a surprise if Great Hill tried to sell BlueSnap once again, the firm likely doesn't feel the pressure to monetize the company because of the heavy dividends payment businesses can provide to financial sponsors, the source said.

Madden declined to comment on the company's financing prospects or a potential sale.

Other private equity portfolio companies that could be ripe for an exit include **Blumberg Capital** LLC-backed online payment processor **Credorax Inc.** and Thoma Bravo LLC-backed parking management and payment solutions provider **T2 Systems Inc.**

Blumberg invested \$95 million in Credorax between 2011 and 2016, while Thoma Bravo acquired T2 for an undisclosed amount in 2016.

As for potential buyers in the sector, larger fintech companies are snapping up digital payment businesses both to increase scale as well as to diversify their offerings.

Atlanta-based payment processor **First Data Corp.** (FDC), once named as a potential bidder for BlueSnap, merged with rival **Fiserv Inc.** (FISV) in a \$22 billion all-stock deal in 2019. The payments behemoth now serves much of Wall Street.

Visa Inc. (V) in October bought Miami-based payments company YellowPepper USA LLC, which supports businesses in Latin America and the Caribbean, for an undisclosed amount. The deal will allow Visa to create new payment solutions for its clients such as payments processors or card issuers more easily as well as expand value-added services such as identity validation.

Paypal Holdings Inc. (PYPL) meanwhile acquired coupons provider **Honey Science Corp.** for \$4 billion in 2019 and returns logistics company Happy Returns Inc. for an undisclosed amount in March as the payments giant expands into other parts of e-commerce.

“It's really expensive and time consuming to hire talent and build internally, but M&A can help with that, and larger fintech companies are sitting on war chests of cash,” said Alex Weil, co-head of fintech investment banking at **Chardan Capital Markets LLC.**

Large payment companies are also participating in fundraising rounds, either directly or through their in-house venture arms to test out the products and services coming to market without committing to a full acquisition.

Mastercard Inc. (MA), for instance invested an undisclosed amount in cloud-based payments technology company Form3 in December while Visa Ventures backed Brazil-based payments processor **Conductor Tecnologia SA** in October.

Strategic investors “will happily invest few millions across an array of earlier stage companies rather than run the risk of not knowing what's happening in the market,” said Aalap Merchant, a senior managing director at investment bank Marlin & Associates Securities LLC. “More often than not, they become net acquirers for a lot of these companies.”

Financial sponsors, on the other hand, while not making as many outright acquisitions as strategic buyers, are still active. Payments has always been attractive to private equity because the companies in the sector tend to be cashflow rich, Merchant said.

“That is music to the ears of financial sponsors,” he said.

Among recent deals, online payment processor **Stripe Inc.** raised \$600 million at a \$95 billion valuation from **Sequoia Capital** and Allianz X, the digital investment venture of Allianz Group, in March. Boston-based payments service for restaurants **Toast Inc.** bagged \$400 million from investors including Bessemer Venture Partners, **TPG Capital LP** and Tiger Global in February.

The payments industry is also cashing in on the special purpose acquisition company, or SPAC, boom that took off during the pandemic.

New York-based payments processor **Payoneer Inc. in March announced** plans to go public in a \$3.3 billion deal with SPAC **FTAC Olympus Acquisition Corp.** (FOAC). Payoneer had raised about \$270 million from Susquehanna Growth Equity LLC, Wellington Management Co. LLP and others, according to FactSet Research Systems Inc.

Others such as **Marqeta** Inc. are taking the traditional route, with the Oakland, Calif.-based payments company set to debut on the public markets in a \$1 billion IPO on Wednesday, June 9. **Marqeta** has raised close to \$560 million from investors including Coatue Management LLC and Goldman Sachs Capital Partners, FactSet data shows.

Chardan's Weil expects more payments companies to go public over the next few years, particularly given the amount of dry powder in the SPAC marketplace.

"Payments is one of the more mature aspects of fintech, and I think you're going to see larger deals," Weil said.

As for BlueSnap, it remains active in growing organically and in seeking potential add-on acquisitions. It's integrating its first add-on acquisition — accounts receivable and invoice automation company **Armatic Technologies Inc.** — which it bought in October 2019 for an undisclosed amount.

"We're always looking for smart strategic acquisitions that fit into our core competency," Madden said.

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FINANCIAL SERVICES RETAIL MIDDLE MARKET \$ 50-250 MILLION

\$ 250-500 MILLION MASSACHUSETTS EXIT CANDIDATE IDENTIFIED

EDITOR'S PICK AUCTIONS

COMPANIES MENTIONED

Oak HC/FT Partners LLC	Marqeta	Stripe Inc.	FDC Vitamins LLC	
Conductor Tecnologia SA	PayPal Inc.	Great Hill Partners LP	Allianz X GmbH	Fiserv Inc.
Honey Science Corp.	BlueSnap Inc.	Space4 SpA	FinTech Acquisition Corp. III	

Armatic Technologies Inc. FTAC Olympus Acquisition Corp. Visa Strategic Ventures
Chardan Capital Markets LLC Blumberg Capital Susquehanna International Group LLP
Visa Inc. Bessemer Venture Partners LP Allianz SE PayPal Holdings Inc. MasterCard Inc.
Merchant Warehouse First Data Corp. Nordic M&A Credorax Inc.
Tiger Global Management LLC Financial Technology Partners LP T2 Systems Inc.
Payoneer Inc. Toast Inc. TPG Capital LP Thoma Bravo LLC
Parthenon Capital Partners LP FormFactor Inc. Sequoia Capital

PEOPLE MENTIONED

Ralph Dangelmaier