

# Cielo Acquisition of Merchant e-Solutions

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Acquisition of:



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# Merchant e-Solutions (MeS) – Price Multiple Comparisons



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Buyer/Transaction	Cielo	Visa	TSYS	Advent/Bain	IPO
Close Date	N/A	July 2010	January 2011	August 2010	March 2012
# of Accts	70,000	295,000	343,000	556,000 <sup>1</sup>	400,000 <sup>3</sup>
Dollar Volume (\$mil.)	\$14,000	\$3,300	\$84,000	\$361,000 <sup>2</sup>	N/A
Ave. Acct Size	\$200,000	\$11,000	\$245,000	\$649,000	N/A
Net Revenue (\$ mil.)	\$124	\$265	\$121	\$825	\$866
EBITDA (\$ mil.)	\$56	\$52.9	N/A	N/A	\$398

Transaction Price (\$mil.) <sup>4</sup>	\$670	\$1,700	\$346	\$3,380	\$4,060
Price/Net Revenue <sup>5</sup>	5.4x	12.2x	2.9x	4.1x	8.1x
Price/EBITDA	11.9x	32.2x	N/A	N/A	12.7x

<sup>1</sup>WorldPay accounts include 157k US and 399k Europe merchant accounts

<sup>2</sup>WorldPay dollar volume includes \$81 billion from US accounts and \$281 billion from Europe accounts

<sup>3</sup>Vantiv merchant account from Q1 2012 10Q

<sup>4</sup>Transaction price is representative of enterprise value at time of acquisition, enterprise value calculated as market cap plus long term debt, preferred shares, minority or non-controlling interests less cash and cash equivalents

<sup>5</sup>Net revenue may not be consistently defined and calculates across all transactions in company and transaction press releases

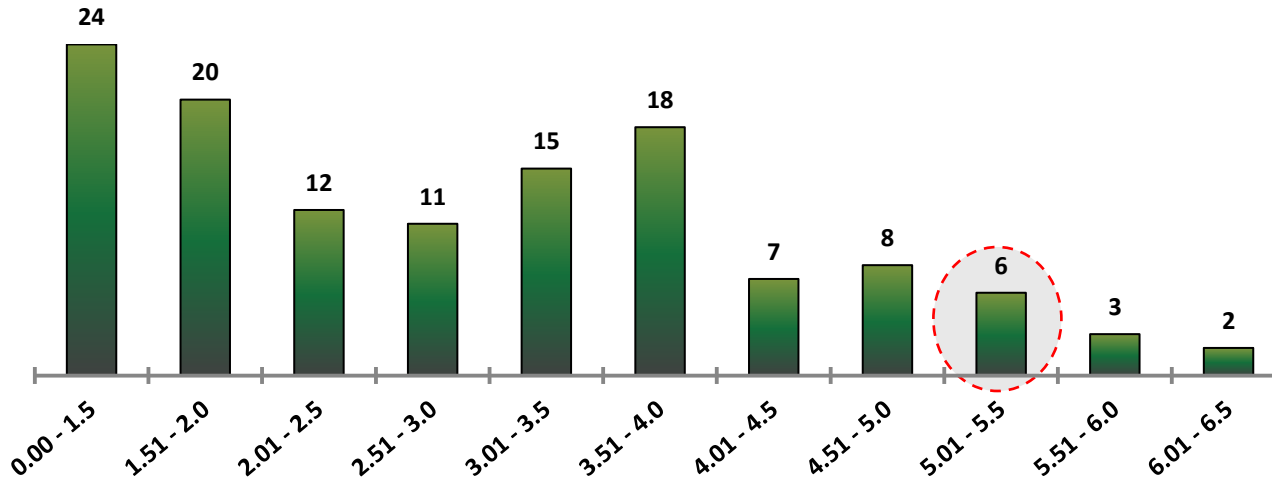
<sup>6</sup>All WorldPay results translated from £ into US \$ using the 2009 average exchange rate

**Source:** Company press releases and public filings

**MeS above average transaction value driven by buyer's strong strategic motivations**

## Annual Merchant Portfolio Net Revenue Multiples

(Annual Net Revenue Buckets on X Axis, Bars represent count of Net Revenue Multiples per bucket)



Net revenue multiples in charts are representative of 126 transactions from 1988 through 2012 with purchase prices ranging from \$300K to nearly \$30BN.

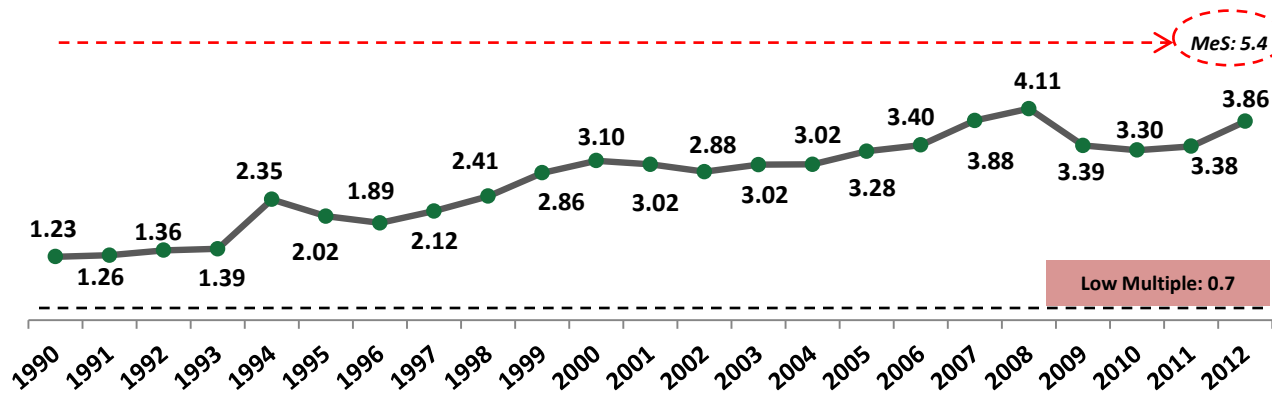
Net Revenue is defined as variable transaction and/or volume driven revenue less variable transaction and/or volume driven expenses plus other fees and revenue not related to transaction and/or volume processed.

### Merchant e-Solutions (MeS) Notes:

- Large strategic value from MeS' ecommerce platform will enable Cielo to capitalize on growth in Brazil's ecommerce market (ecommerce accounted for 57% of MeS annual revenues and is considered one of the fastest growing merchant verticals in Brazil)
- MeS experienced TTM Net Revenue growth of 24% in May 2012
- Multiple sales models including referral partner and agent bank which have displayed higher merchant retention rates in TSG's research; likely due to additional product ties to merchant client
- Cost synergies to automation of back-office operations due to newly acquired technology
- Increased speed to market and product development capabilities due to newly acquired technology

## Trend in Net Revenue Multiple - Rolling Three Year Average

(Annual Net Revenue Multiple)



Source: Cielo & TSG Database

*Portfolio characteristics similar to industry average; technological capabilities drive value*

## Transaction Comments

- Merchant e-Solution's technology platform will allow Cielo to offer clients complete end-to-end solutions to retail and ecommerce accounts
- Acquisition will enhance Cielo product offerings and customer service through a web-based platform including features such as near-time statement generation and reconciliation solutions
- Agent bank clients will benefit from Merchant e-Solution's through improved integration with their distribution channels
- Merchant e-Solution's technology will reportedly improve Cielo's back office operations through increased automation creating additional cost synergies
- Technology will also allow advanced product development capabilities and will increase speed to market with new products

## Management & Analyst Comments

- Cielo CEO, Romulo Dias, stated that the acquisition will also provide a physical location for Cielo in Silicon Valley
- While the acquisition provides Cielo with exposure to the US merchant acquiring market, Credit Agricole analyst Craig Maurer, states that the acquisition should be viewed as a technology-platform purchase as he views it as difficult to see Cielo making a push into the US market

*Source: Company press releases*

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**Payments Strategy** - Payments Strategy encompasses the full spectrum of advisory services within the Payments Industry. The depth of these services is built on deep industry knowledge - Partners and Associates of the firm have average industry experience of more than 20 years. With clients from card issuers to merchant acquirers, TSG has the experience and expertise to provide real-time strategies.

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