



TSG's Thoughts & Analysis on Priority Payments Merger with Cynergy Data

OMAHA, NE (5/30/14) - The announced merger of Priority Payment Systems and Cynergy Data will create the 21st largest (est.) U.S. acquirer with more than 125,000 merchants and \$20 billion in annual card volume. The merger propels the new Priority into a select group of the largest super-ISOs which include TransFirst, EVO Payments International, iPayment, North American Bancard, CardConnect and First American Payment Systems.

TSG's initial thoughts and analysis:

- Consolidation in the merchant acquiring industry is certainly evidenced by this and other recent transactions including Vantiv/Mercury and Global Payments/PayPros announced earlier this year. This is significant because these three transactions all include Top 40 players.
- The transaction appears to represent a blending of Cynergy's small ISO/Agent model with Priority's Agent Bank, ISO and Referral business models. Both parties bring a separate business growth model and sophisticated back-office systems and expertise to the table.
- While it may appear this is a merger of traditional ISOs, Priority looks poised to grow its expanding B2B and industry specific vertical specialties in education and healthcare – while expanding the combined ISO/Agent offering of both companies.
- With the companies using First Data and TSYS as their respective processing partners, the merger may prompt a consolidation to one provider or may provide enough scale to move to an in-house platform. Currently, more than 15 of the current Top 25 acquirers are now utilizing in-house processing.
- The merger provides scale and operating efficiencies, which enhance the financial stability and growth capability of the combined enterprise.
- Priority gets access to the robust VIMAS customer and agent relationship management system. Together the combined entity will have national coverage on the sales front and the ability to potentially weed out low producing agents where there is regional overlap.

NOTE: TSG advised Priority on this transaction.

About TSG

The Strawhecker Group (TSG) is a management consulting company focused on the payments industry. The company specializes in providing financial institutions, merchant acquirers, card associations, ISOs, processing companies, large merchants, and the investment community with advisory services to maximize their growth and profitability. TSG is also a resource of merchant acquiring industry research, benchmark studies and developing trends. For more information please visit www.TheStrawGroup.com.