

# The Payment Technology (PayTech) Transformation From Complexity to Opportunity

January 2025

# Key Takeaways

ICON is pleased to present our report on the Payment Technology (PayTech) sector. As software plays an ever-greater role in payments, we take a closer look at the key dynamics shaping the sector and the implications for European M&A and Fundraising in the mid-market

The growth of digital payments is driving rapid transformation behind the scenes across European PayTech. With multiple payment types and platforms to be supported, complexity is fast growing in the payment chain

- The growing complexity is creating opportunities for white labelling of the payment stack – payment optimisation software is giving merchants and retailers the ability to ‘rent’ best-in-class point solutions as an alternative to building and owning the entire payment tech stack
- Account2Account (A2A) payments, long touted as an alternative to traditional credit card rails, will continue gaining traction across European markets, as regulatory tailwinds to drive adoption combine with traditional use cases like utility payments, subscriptions and variable recurring payments
- Another byproduct of increased complexity is the rising incidence of payment fraud. Merchant losses from e-commerce payment fraud are expected to exceed \$362billion globally\* over the next five years. Specialist fraud detection providers are stepping up, while GenAI is starting to transform fraud detection, with 30-50% reduction in fraudulent transactions from deploying AI tools

M&A and investment priorities are evolving, driven by the ongoing transformation of payment technology stacks. The growing importance of the software layer, (e.g. orchestration platforms) is creating new opportunities across the ecosystem

- As payment strategies become interlaced with software, legacy processors are shifting their M&A focus away from pure scale to those focused on acquiring specialist capabilities for specific geographies, verticals and use-cases
- Software & commerce platforms are partnering with ‘digitally-native’ PayTechs (e.g. Stripe, Adyen) to claim an increasing proportion of payment revenues on their platforms; these PayTechs will drive the next way of dealmaking as volumes and use-cases scale
- 2024 saw a robust recovery in PayTech dealmaking, helped by a strong Q4. Acquisition activity was focused mainly on specialist payment infrastructure and online/mobile payments. Fundraising mirrored these trends - companies within payment infrastructure, online/mobile payments, and alternative payments dominated the landscape
- Private Equity remains a keen player in the PayTech sector as they look to position their existing buy-and-build platforms for regulatory and tech changes

## 2024 Deal Statistics:

Fundraising Deals

171

+63% YoY

M&A Deals

52

-15% YoY

Q4 Fundraising Deals

45

+74% YoY

Q4 M&A Deals

16

+100% YoY

Most Acquisitive Geography

UK

USA 2<sup>nd</sup>

Most Acquisitive Buyer Type

Strategics

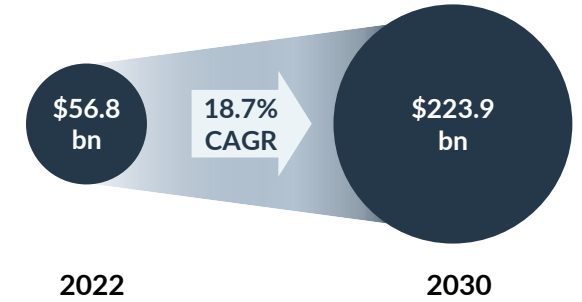
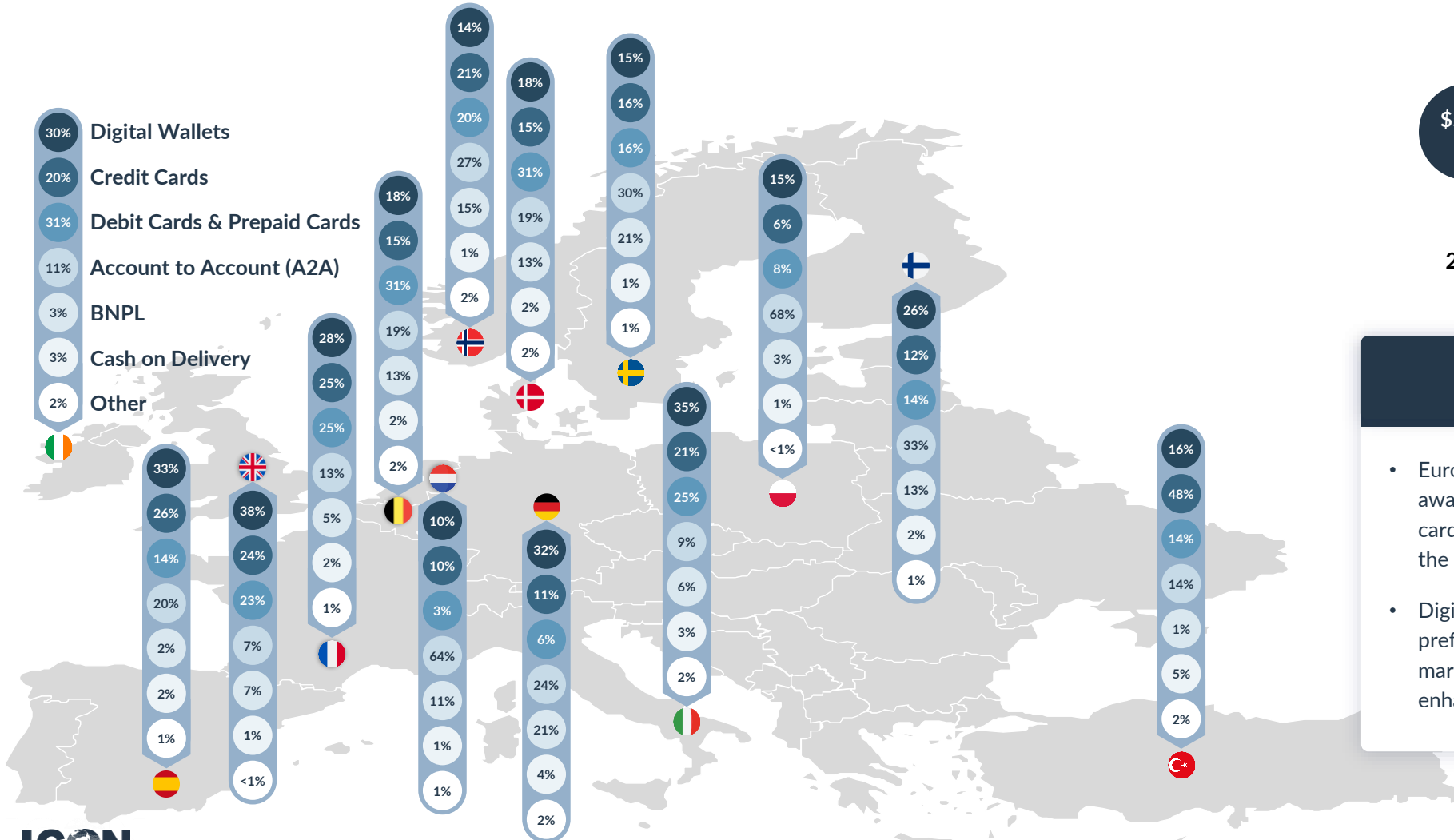
49% of Deals

# PayTech is being digitalised and automated...

Payment providers are having to adjust to new consumer expectations, evolving regulatory frameworks and competitive pressures

Technology is spawning an expanding array of digital payment methods across Europe

Outlook for European digital payments is healthy






### Perspectives

- Europe continues to experience a gradual transition away from traditional payment methods (such as cards), with adoption rates varying by region based on the entrenchment of existing payment systems
- Digital wallets and A2A payments are emerging as preferred payment methods across multiple European markets, driven by their convenience, security, and enhanced user experience



# ...with significant changes in the way tech is used to optimise payments

Themes we are tracking: reshaping how software is being integrated to improve transaction conversion and reduce costs

	 Theme I: <b>White-Labeling</b>	 Theme II: <b>Account-to-Account (A2A)</b>	 Theme III: <b>Payment Fraud</b>
Context	Digital payments growth outpacing traditional ISO/acquiring 4-5x, amid rising payment complexity and alternative payment adoption	A2A payments have long been touted as an alternative to traditional credit card rails	Incidence of online payment fraud now growing as fast as ecommerce and online payment growth
What's Changed	Emergence of payment optimisation software means merchant customers have plethora of choice shifting the power-balance away from legacy processors	Recent regulatory tailwinds (introduction of premium pricing) alongside PSD3 will allow all players (including legacy financial institutions) to monetise open banking	10% of annual ecomm. revenue already being spent to combat fraud by European merchants. But merchant losses from payment fraud are expected to continue escalating, surpassing \$362billion globally by 2028
Impact	Best-in-class solutions – in payment orchestration, vertical-specific tools, and regional solutions - are making white-labelling a real alternative to owning the entire payment stack	The cost benefits of A2A payments over traditional rails are well-recognised. Combined with new data monetisation opportunities, the adoption of A2A payments among European merchants and consumers could soon gather pace	As AI-driven fraud intensifies, along with the rise in chargeback fraud, new tools are emerging to assist merchants. Beyond conventional rule-based payment service provider (PSP) tools, specialist third-party fraud providers are stepping up to defend against these threats

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# Theme I: All elements of the PayTech stack being white-labelled

White-labelling can enhance capabilities of payment acquirers, gateways, and software platforms



Payment providers see value in **'renting' best-of-breed solutions** rather than building an end-to-end platform from scratch

- Ownership of the tech stack is not seen as a 'must-have' as providers look to build payment solutions that can evolve with customer needs
- This opens the door for payment platforms to extend functionality and geographical reach without adding significant complexity to their tech operations



**White-labelling options** now extend across the stack from alternative payments for customers to connectivity, routing and data analytics

- Increased use of white-labelled solutions is resulting in decentralisation of the payments chain whilst helping with customisation and flexibility
- Traditionally, white-label referred primarily to payment gateway and processing services; this now extends to PayFac services and orchestration at the infrastructure layer, as well as alternative payment methods like BNPL and crypto



**White labelling not a panacea;** but with a modular and scalable tech stack, payment providers can ultimately build higher margin businesses

- White-label provision is an emerging area. Moving to inexperienced providers can result in a sub-optimal experience especially as client migration, data portability, security, and integration speed are seen as paramount
- Providers that can support the full-range of API integrations will effectively help upgrade the overall experience for end-customers and unlock operational efficiencies in the process

Payment sectors with active white-labelling

Payment Orchestration

Payment Facilitators (PayFacs)

Buy Now Pay Later (BNPL)

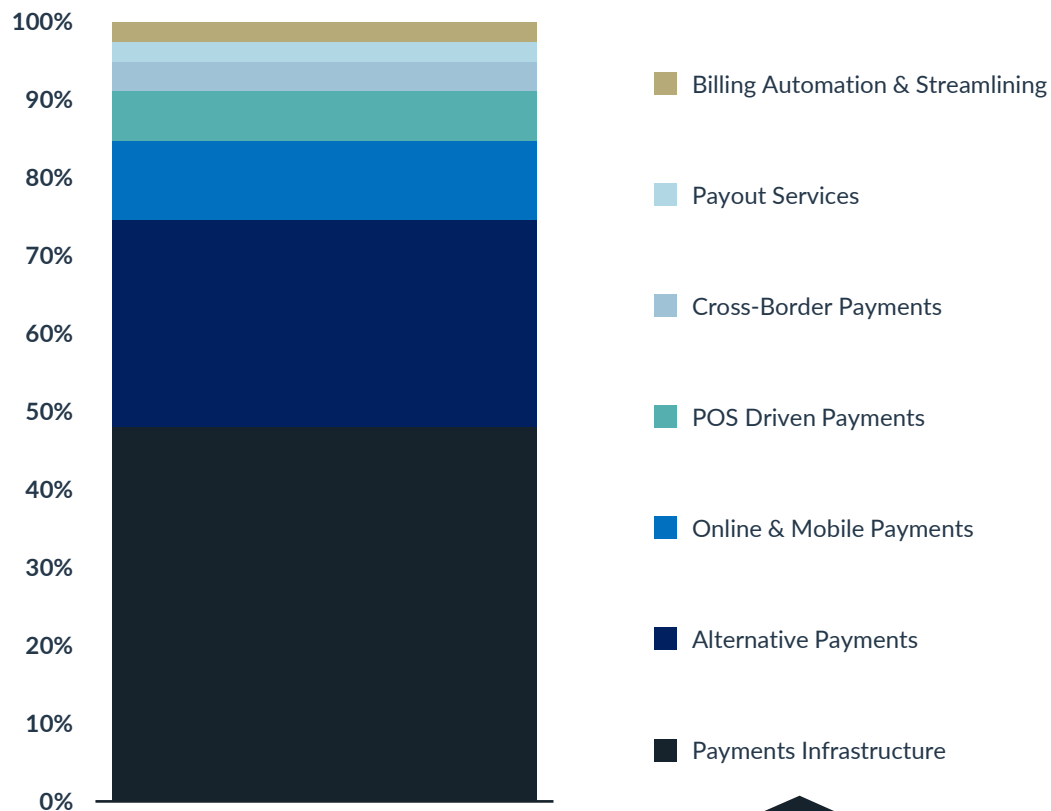
Vertical-specific Gateways

Transaction Enrichment & Analytics

# Theme I: White-label deal activity to ramp further

Empowering merchants and consumers with new and personalised solutions

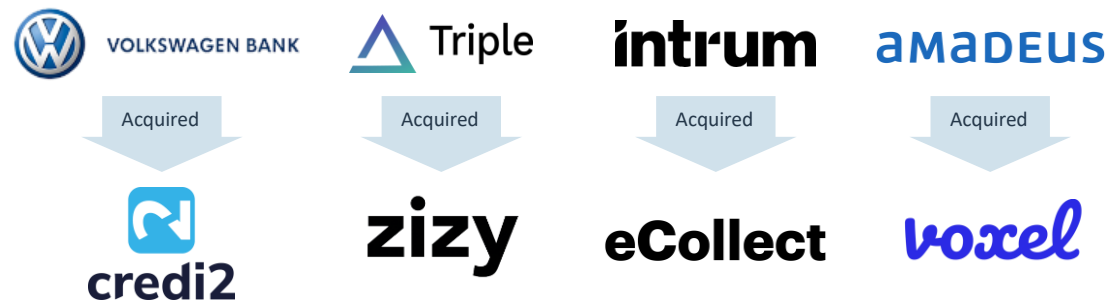
White-label PayTech deals by category



Financial buyers accounted for over 65% of white-label payments infrastructure deals

Select deal activity

## Payments Infrastructure



## Online & Mobile Payments



# Theme II: The rising tide of A2A payments

Convergence of real-time transfers, strong authentication, and demand for cost-effective payments – perfect recipe for A2A



A2A works seamlessly with multiple payment rails – from traditional cards to newer blockchain rails

- With card payments ubiquitous in certain markets like the UK, instant A2A payments are already strongly complementing card transactions
- This trend extends to cross-border where the convergence of A2A, blockchain technology, and forex innovations are enabling more efficient and cost-effective cross-border transfers
- **Deal spotlight:** Visa's investment in TerraPay, for example, is focused on modernising Visa's cross-border payments infrastructure by leveraging technologies like A2A and blockchain, particularly in emerging markets

VISA

Invested in

terrapay



Navigating real-time infrastructure and strategic integration in a regulated landscape

- Real-time payment infrastructure like SEPA Account Access (EU), and Faster Payments (UK), provide the backbone for widening uses cases and growth of A2A transactions
- As the costs of supporting multiple payment methods build up, banks and FinTechs are repurposing existing card infrastructure to support A2A, particularly in areas such as disputes and fraud prevention
- **Deal spotlight:** European Payments Initiative (EPI) completed the acquisitions of iDeal and Payconiq last year to drive A2A growth, and was the foundation for the launch of Wero, the pan European digital wallet

epi  
European Payments Initiative

Acquired



Rising demand for subscription services and recurring payments

- Accelerated by the pandemic, the world has seen a significant shift toward subscription-driven digital consumption
- This trend aligns seamlessly with A2A payments; they offer a cost-effective solution for wallet top-ups, subscriptions, bill payments, utilities, and variable recurring payments
- **Deal spotlight:** A2A's popularity prompted Mastercard to enter the space with its own pay-by-bank feature as well as acquiring subscription services provider Minna Technologies



Acquired

minna  
technologies



# Theme II: Driving A2A adoption

Combined with regulatory tailwinds, customer incentives and personalisation can be a powerful driver of future A2A growth

## How can adoption be accelerated?

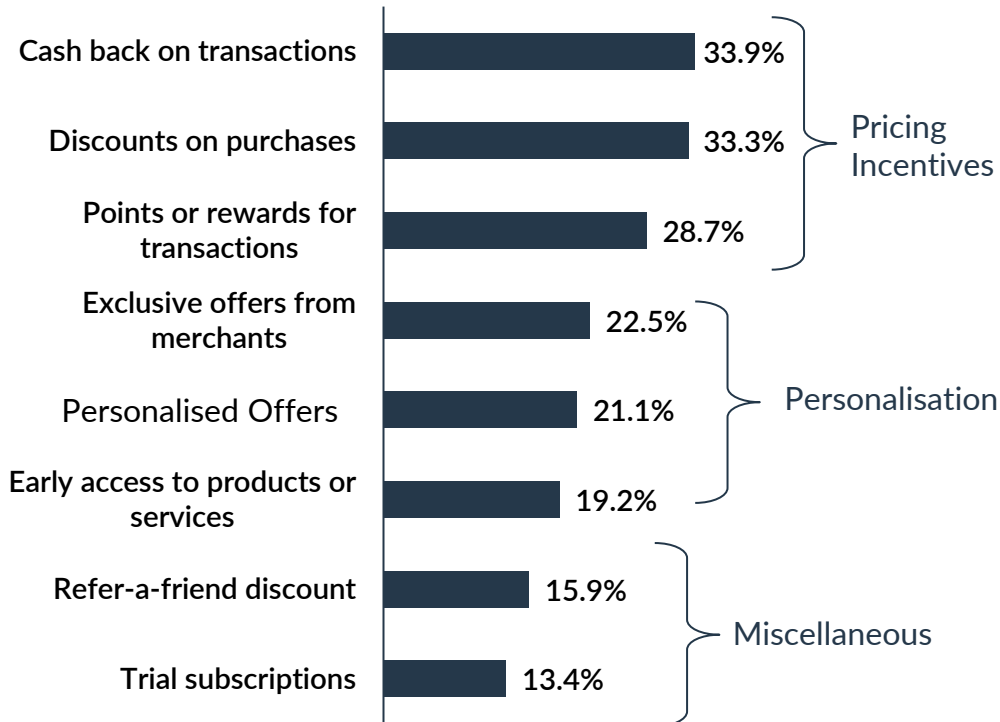
Strong potential in B2B commerce, subscriptions, merchant payments, high-risk & high-value payments

Interlinking for cross-border payments

Combine A2A with instant payments for vertical-specific use cases in insurance, automotive, etc

## Incentives & personalisation the biggest drivers to adoption

Consumers who are highly or extremely likely to adopt or increase A2A usage if offered specific incentives



## Select A2A deal activity

M&A buyers prioritised capability acquisition as FinTechs focus on scaling operational capacity



To provide a pan-European recurring payments service



To add A2A payment capability in the Middle East and North Africa



# Theme II: Growing fraud challenging both merchants and PayTechs

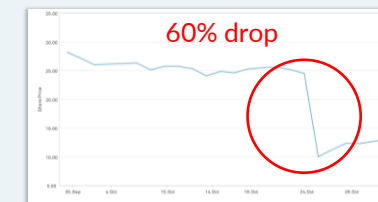
PayTech a highly attractive target for 'bad actors'; emerging payment services require a shift in understanding of risks



**Rising fraud** means firms are looking to walk a fine line between balancing payment risks **without disrupting the customer experience**

- 82% of ecommerce merchants faced cyberattacks last year (PYMNTS) with fraud incidents damaging profitability and customer trust
- For instance, Worldline shares dropped 60% in a single trading session after it reported Q3 2023 results, revealing rising fraud would erode margins and increase costs

**Worldline Stock Price Q3 2023**



**Wider range of fraud types** experienced by the average merchant - not only from 'bad actors'

- Fraud is not just a 'bad actor' problem. First party abuse is reported to be one of the most common forms of fraud, impacting more than half of merchants globally. Refund and coupon abuse also feature prominently
- Significant majority of losses being borne by the merchant (2/3rds), with the remainder shifted to the issuer

**Top 5 Fraud Incidents in Europe**



**PayTech landscape is becoming more complex** globally necessitating the development of a software layer to manage risks

- Payment architecture diverging globally as firms must support more protocols, providers and regional variations
- In addition to standard fraud and AML risks, firms have to deal with rising operational risks as the number of third-parties in the chain increases
- This is making software integration in the stack important; Managopay's acquisition of Nethone, for example, gives marketplaces advanced capabilities to counter complex fraud

**mangopay**  
Acquired  
**Nethone**



**Demand for instantaneous and global payment methods** have revealed a need for broader views of risk and more sophisticated payment risk management

- Both Enterprise Merchants and PayTechs are looking to beef up security as new and emerging payment services have required a shift in the understanding of the risks posed
- Fintechs and PSPs are racing to upgrade risk management capabilities to catch up with established financial institutions
- Fraud prevention firms are also bolstering capabilities in turn; for example, Chainalysis' acquisition of Alteryx allows it to provide AI-led real-time fraud protection for payments

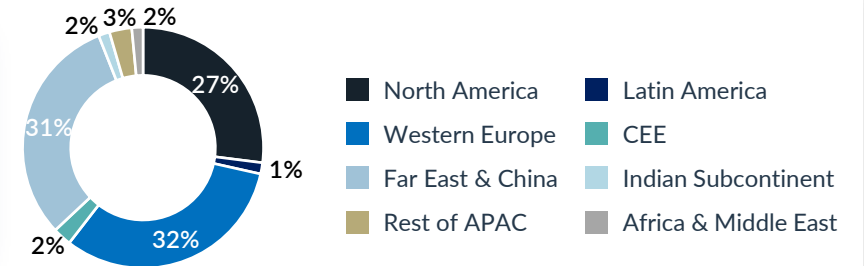
**Chainalysis**  
Acquired  
**Alteryx**

# Theme III: Payment providers will look to shore up fraud capabilities...

..to respond to merchants' increased sensitivity to fraud and rising risk management awareness

**Gen AI is transforming fraud detection**, with companies using AI tools seeing a 30-50% reduction<sup>1</sup> in fraudulent transactions. As AI proliferates across solutions, bespoke sector and geographic solutions are helpful for differentiation

Total business spend on AI-enabled financial fraud detection platforms in 2027: \$10 billion



**Industry collaboration is gaining traction** with processors, banks, merchants and FinTechs sharing data. For example, chargeback alerts from Ethoca (Mastercard) and Verifi (VISA) are helping reduce chargeback rates, minimise financial losses, and enhance customer satisfaction

Representative Deals in the Sector: Fraud

VISA

Acquired

FEATURE SPACE



mastercard

Acquired

ethoca

Representative European Innovators

ethoca



SEON

JUSTT



Ravelin

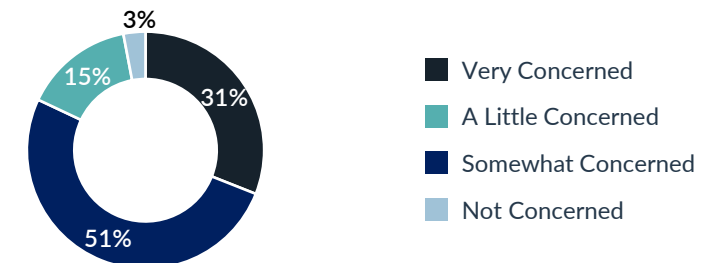
nSure.ai

RISK IDENT

feedzai

**EU Customer Authentication rules have helped reduce fraud** and chargebacks, with 75% of merchants expecting to authenticate more in the next year (vs today); Merchants through remain concerned about authentication's negative impact on customer conversion

Sentiment around the impact of authentication challenges on consumer experience



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# ICON's PayTech sector coverage

## ICON's PayTech subsectors



### POS Driven Payments

Traditional & digital point-of-sale systems



### Online & Mobile Payments

Digital wallets and mobile payments



### Payment Infrastructure

Processing and settlement systems



### Cross Border Payments

Facilitating international payments



### Billing Automation & Streamlining

Simplifying invoicing and payment processes



### Payout Services

Managing outbound payment solutions



### Alternative Payments

Non-traditional digital transaction methods

## Representative companies

SHIFT <sup>4</sup>™  lightspeed

 WISE  CURVE

 QIWI  vivawallet

 WorldRemit  terrapay

 GoCardless  quadi7ent  
Because connections matter.

 shieldpay  NomuPay

 Klarna  coinify

## A note about our data

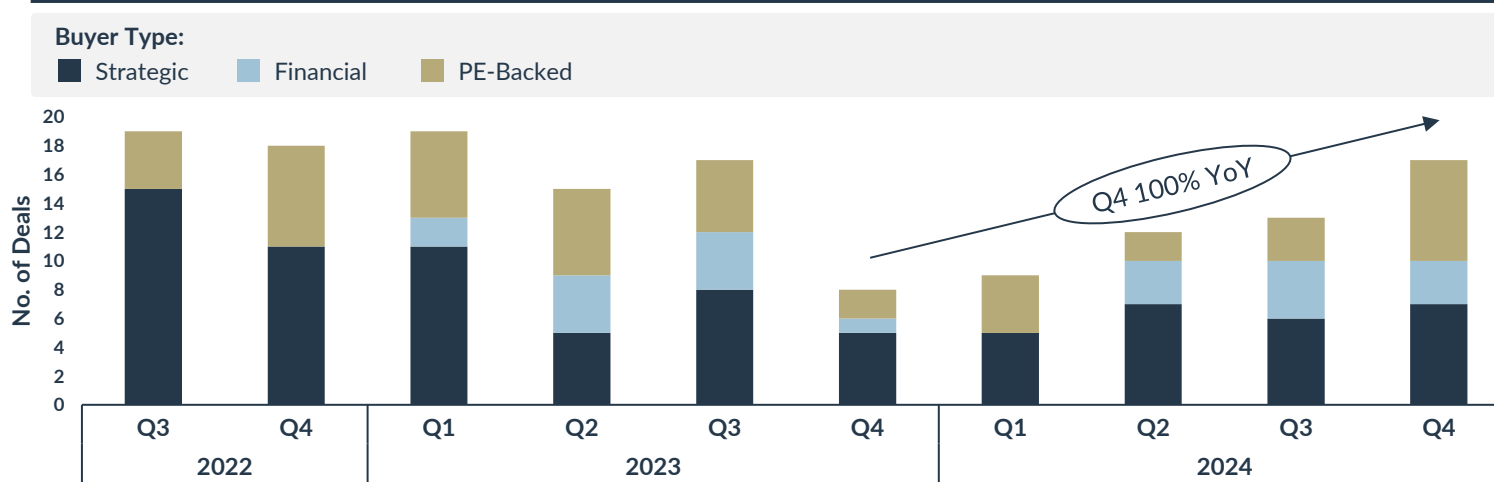
- The transaction data presented on the following pages is based on ICON's PayTech sector dataset in the UK and European mid-market
- Specifically, our dataset<sup>1</sup> includes:
  - Transaction targets headquartered in Europe
  - M&A transactions with enterprise value up to £300m
  - VC fundraisings - Series A through late stage
  - Buyout and Growth PE investments



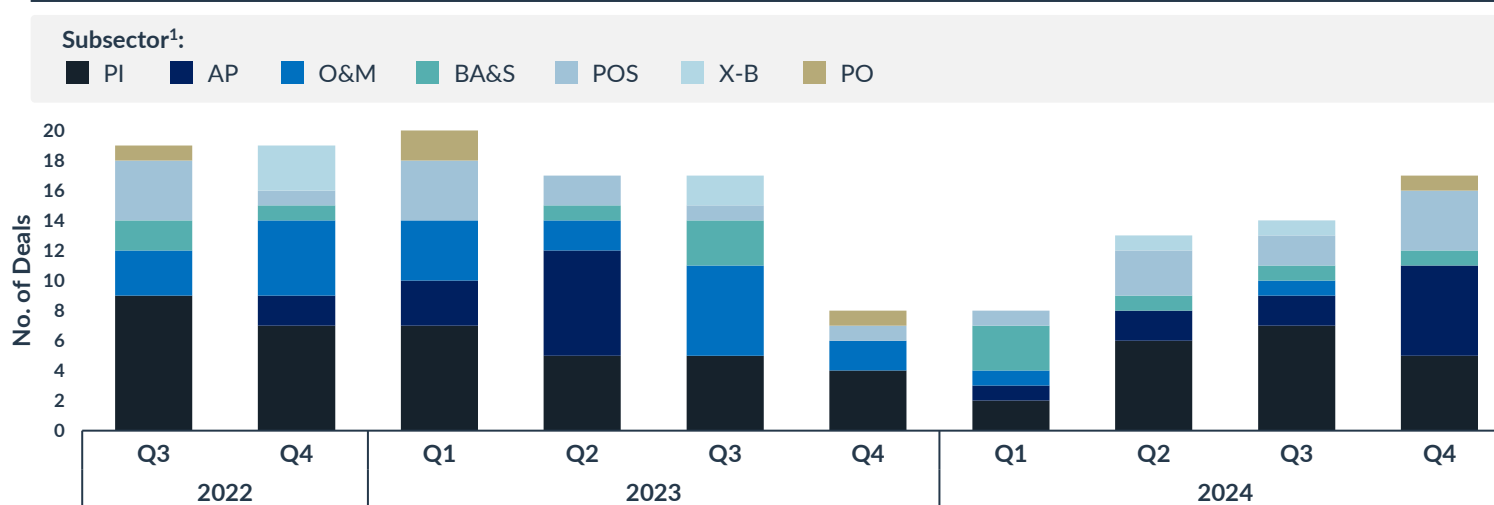
# M&A Activity: Growing interest in payment capabilities

2024 activity has rebounded driven by Financial and PE-backed buyers as they seek to meet rising demand for integrated payment solutions

PayTech M&A deals by buyer type



PayTech M&A deals by subsector



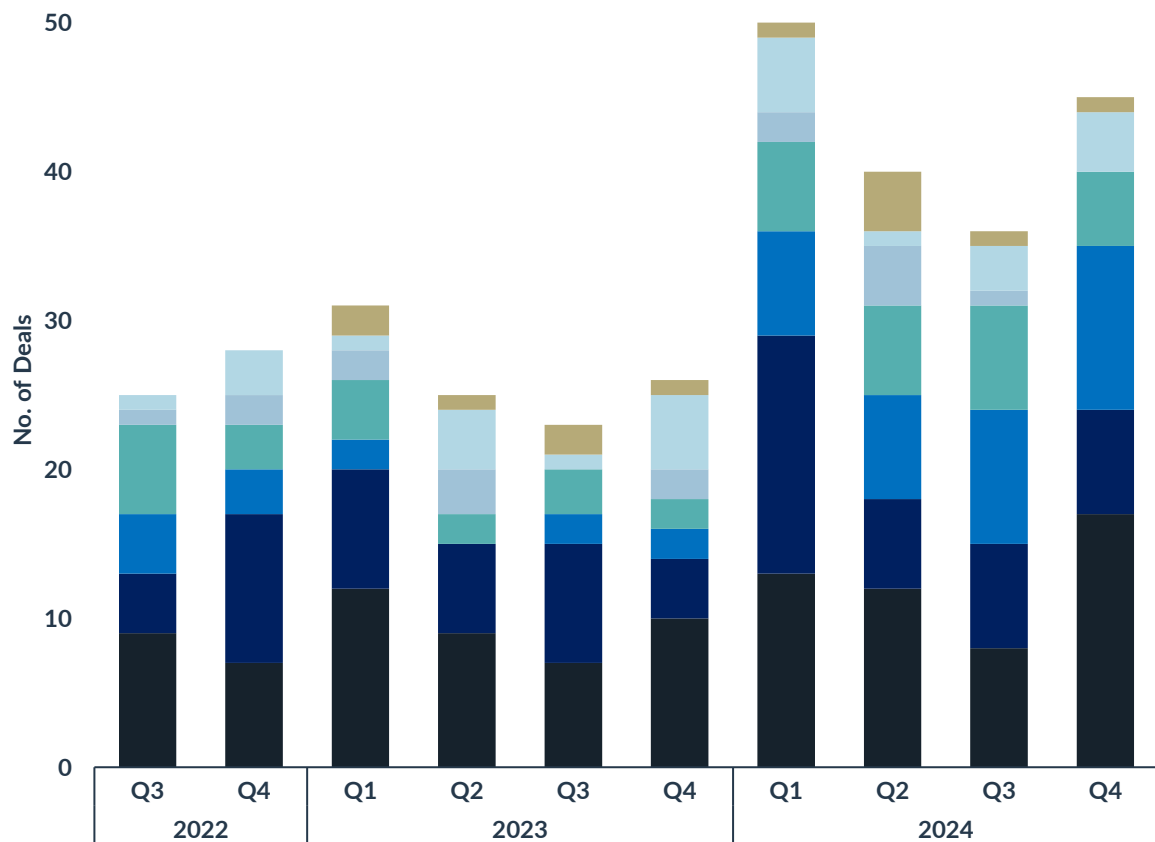
## Perspectives

- The PayTech M&A market recovered well in 2024, with deal volumes gradually increasing from the low point in Q4 2023.
- Strategic buyers continue to underpin activity while PE-backed and financial buyers led the rebound, especially in Q4
- Financial and PE-backed buyers focused on adding to specialist payment infrastructure capabilities, and expanding geographical reach through new online/mobile payment methods
- Appetite for payment infrastructure as well as alternative and online/mobile payment methods continue to occupy buyers' attention as digital payments represent an ever-increasing share of transaction flows
- With independent software businesses looking to add payment capabilities to their product offerings, acquisitions of vertical-specific and regional PSP/ orchestration solutions are gathering pace

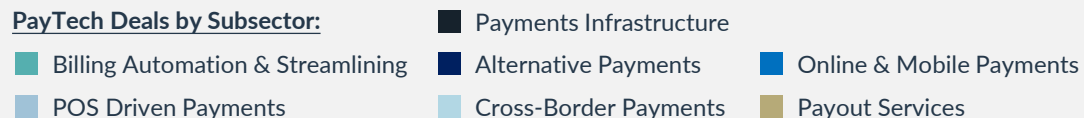
# Fundraising Activity: Recovery in motion

Growth capital most accessible for companies in payment infrastructure, alternative payments and online/mobile payments

Fundraising deals by subsector



PayTech Deals by Subsector:



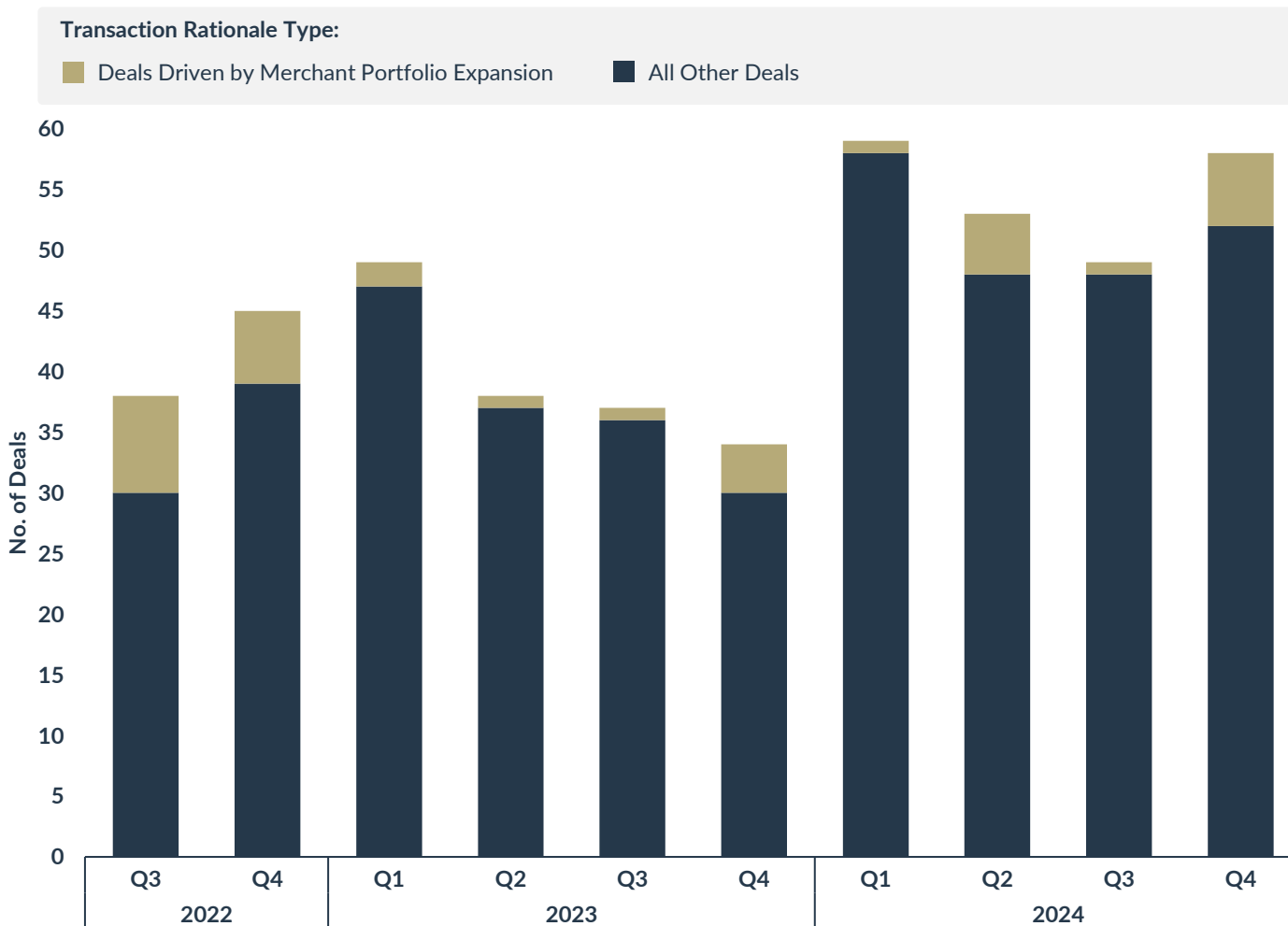
Select fundraising deals by stage

Stage	Company	Dates	Equity Raised	Category
Early Stage	twill	April 2024	Undisclosed	Online & Mobile Payments
	stitch	July 2023	\$25m	Open Banking APIs
	qomodo	Nov 2023	\$37m	Alternative Payments
	NearPay	Jan 2024	\$12m	Payments Infrastructure
	operi data	May 2024	\$1m	Payments Infrastructure
Growth Stage	HOKODO	April 2023	\$45m	Alternative Payments
	Brite*	Oct 2023	\$60m	Payments Infrastructure
	FNALITY	Nov 2023	\$95m	Payments Infrastructure
	erface	Nov 2023	\$58m	Payments Infrastructure
	pliant	April 2024	\$163m	Payments Infrastructure
Mature Stage	ppro	March 2024	\$93m	Cross-Border Payments
	zilch	Oct 2023	Undisclosed	Alternative Payments
	NIUM	June 2024	\$50m	Cross-Border Payments
	sumup	Dec 2023	\$306m	POS Driven Payments

# Activity Spotlight: Shifting focus away from adding merchant portfolios

From consolidation to capability expansion – in infrastructure, omnichannel, and alternative payments

Acquisition of merchant portfolios in decline; no longer a preferred path to expansion



## Perspectives

- In the aftermath of Covid, payment technology providers focused on improving reach and distribution through integrating and acquiring new merchants via acquisitions (i.e. consolidation) – fundamentally improving the reach of their platforms
- Since 2023, however, the consolidation of merchant accounts has slowed and been replaced by a focus on adding core capabilities in infrastructure, omnichannel capabilities, and alternative payments methods
- Going forward, we expect continued focus on the expansion of payment capabilities as firms cater to the ever-wider range of tools required to serve a growing and demanding customer base

### Merchant Consolidation

**nexi**

Invested in

**Computop**  
the payment people

Undisclosed<sup>1</sup>

**WORLDLINE**

Acquired

**Banco Desio**  
Merchant Acquiring Business

For \$87M<sup>2</sup>

### Capability Expansion

**fiserv.**

Acquired

**EMS**

For \$56M

**access** PaySuite

Acquired









**pay** 360

For \$179M









# 2024 Prominent global PayTech deals

Advent's take-private of Nuvei represents the highest-profile acquisition in PayTech sector this year, signalling strong appetite for fast-growth assets in the sector

## Strategic deals

Deal	EV	Target Description	Acquisition Rationale
 Acquisition by  Aug '24	\$1.6bn	Provider of campus and payments technology	To help grow Roper's Education & Healthcare business
 Acquisition by  Jun '24	\$475m	Paymerang is a leader in accounts payable automation	Adding 250,000 to merchant network, increasing Corpay's base of >1 million vendors
 Acquisition by  Feb '24	\$381m	Simplifies construction payments with integrated systems	Enhances their payment processes and strengthens Construction Cloud capabilities
 Acquisition by  Jan '24	\$798m	Simplifies construction payments with integrated systems	Enhances ONESOURCE, address e-invoicing mandates, and expand market reach

## Financial deals

Deal	EV	Target Description	Acquisition Rationale
 Investment by  Nov '24	\$6.3bn	Global payment processing, supporting 700+ methods across 200+ markets in 150+ currencies	Accelerate growth, leverage expertise, and capitalise on global payments industry opportunities
 Investment by  Oct '24	\$222m	Eckoh provides secure, PCI-compliant payment solutions for contact centres across phone, chat, and digital channels	Expand geographically, innovate products, and meet growing demand for secure payments
 Investment by  Aug '24	\$4.3bn	Processes credit and debit card payments, supporting merchants with secure, seamless transactions across Brazil	Privatising Cielo will enhance agility, integrate services, and better support SMEs
 Investment by  Jan '24	\$2.6bn	Simplifies operations with tailored software for billing, scheduling, fundraising, and customer engagement solutions	To accelerate growth, enhance innovation, and strengthen customer engagement software solutions

# PE interest in PayTech remains strong through the cycle

## Select PE buy-and-build vehicles



**Deal Spotlight:** TA ASSOCIATES

**AFFINIPAY**  
Vertical-Specific Payments Solutions Payments Infrastructure

TA Associates' investment in AffiniPay aligns with their strategy of backing scalable, niche-focused businesses with recurring revenues and strong growth prospect



**Deal Spotlight:** CORSAIR

**AURORA PAYMENTS**  
Merchant Acquiring and Payment Processing POS Driven Payments

SMB Merchant Segment represents a vast and growing customer base with increasing demand for digital solutions

**Deal Spotlight:** Advent International GLOBAL PRIVATE EQUITY

**MANGOPAY**  
Marketplace-focused payment solutions provider Payments Infrastructure

Advent International's investment in Mangopay reflects its strategic focus on high-growth, tech-driven niches within the payments sector



**Deal Spotlight:** KKR

**Qonto**  
SME Neobanking Billing & Automation Streamlining

KKR's investment in Qonto is driven by a strategic alignment with its goals of backing high-growth FinTech companies that address underserved markets

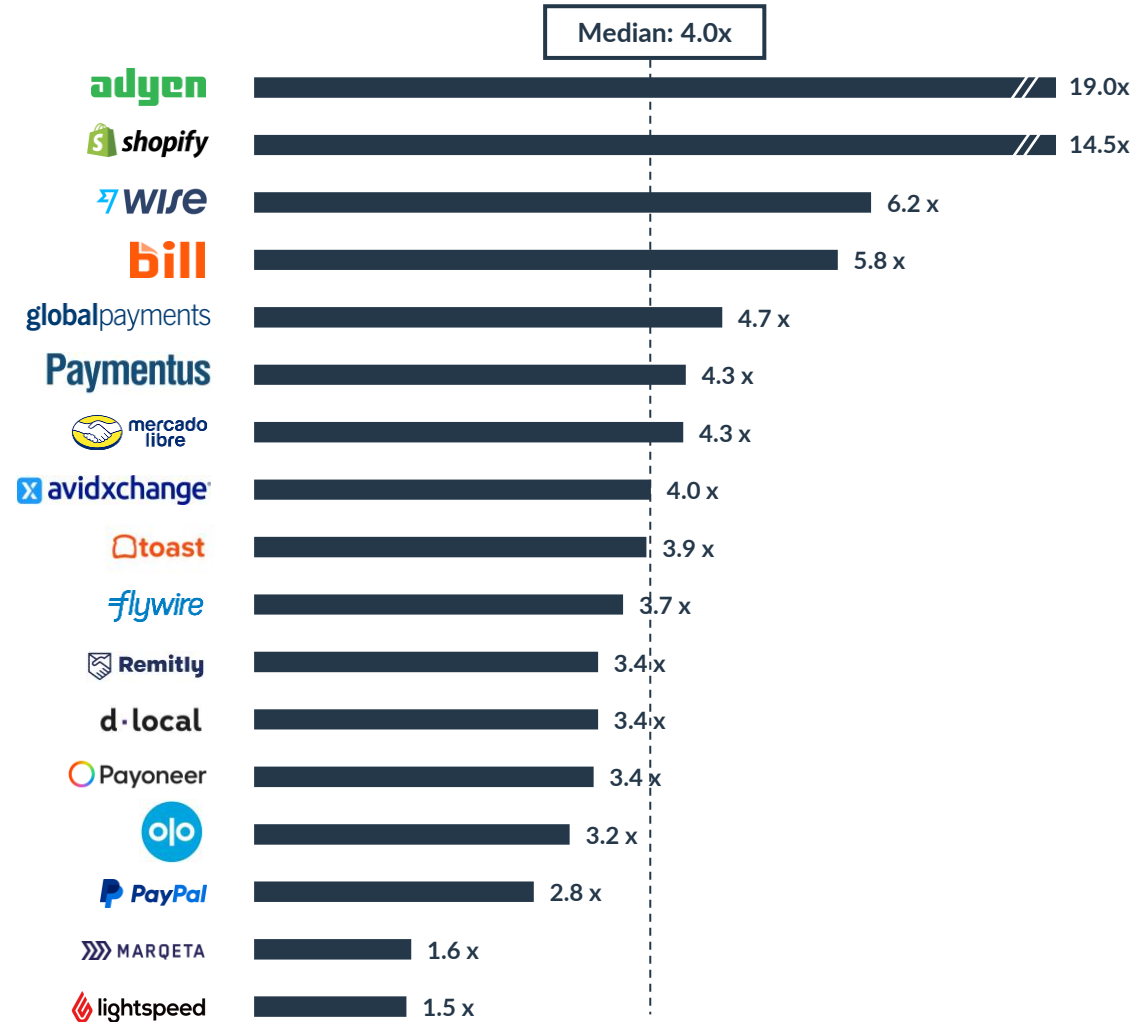




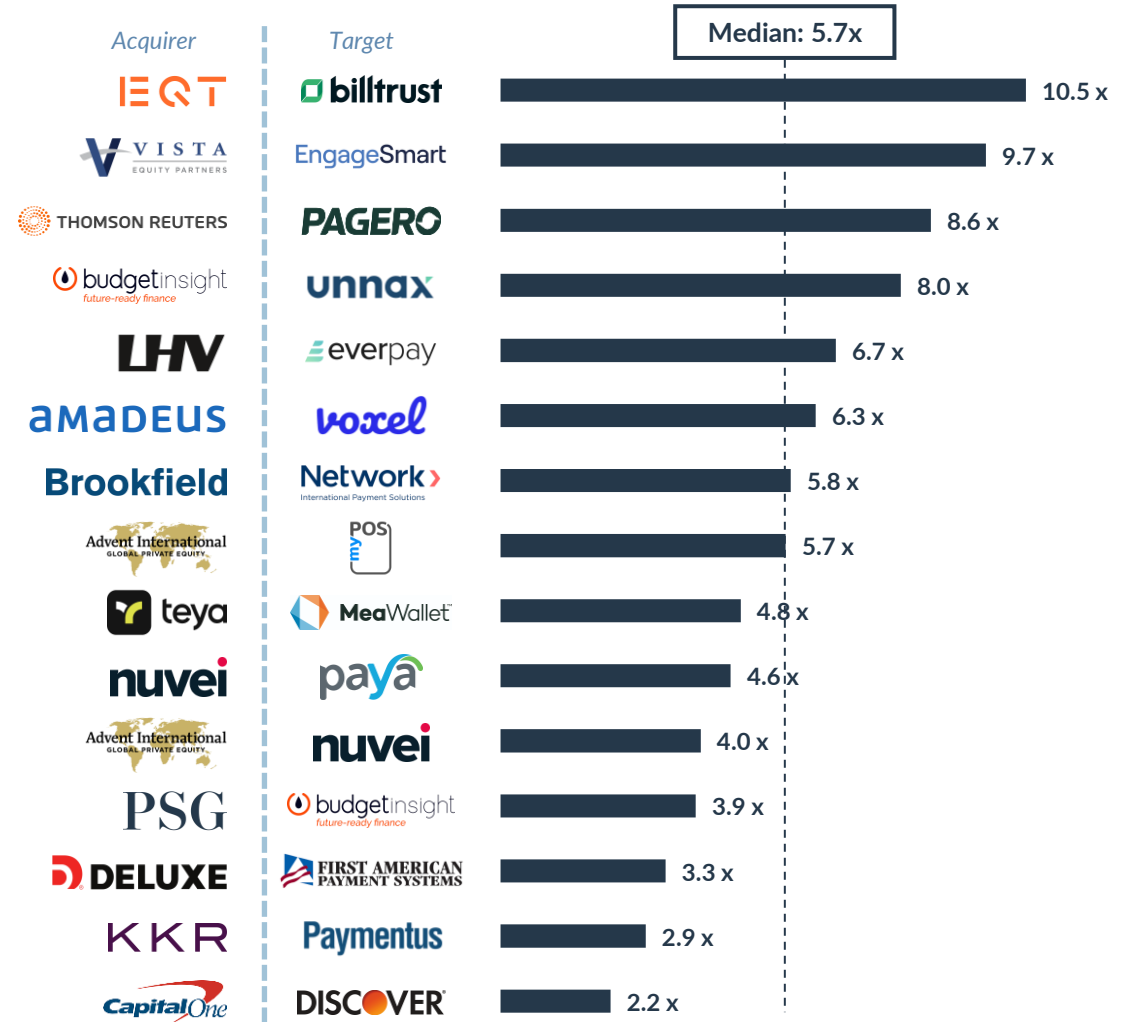
# Valuation multiples diverging across subsectors

Multiples rebound driven by continued earnings growth, improved revenue mix<sup>1</sup>, and margin gains

Publicly listed PayTech companies (FY24A EV/Revenue multiples<sup>2</sup>)



Precedent PayTech M&A transactions: (EV/Revenue multiples)



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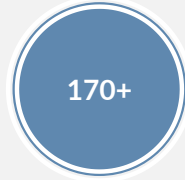
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# About ICON

Specialist independent M&A and fundraising advisor to fast-growing technology businesses



300+  
Deals Completed



170+  
Combined years of  
deal making



8/10  
8 of last 10 deals  
were cross-border



100%  
Dedicated to tech  
sector



14  
Senior Investment  
Bankers

## Independent



Independently owned and 100% committed. Fully aligned with clients with results-based fees

## Trusted



Consistent track record over 20 years. Built significant intellectual capital. Partner-led teams

## Global



Local advice but extensive global reach. Superb record of cross-border deals

## Tech Focus



Deep understanding of disruptive Tech business models and the entrepreneurial journey



FinTech



PayTech



InsurTech



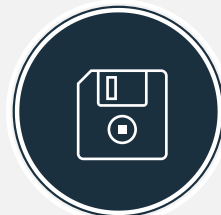
CyberSecurity



eCommerce



Enterprise  
Software



DataTech



Cloud  
Solutions



HealthTech

LONDON



BRISTOL



SAN FRANCISCO



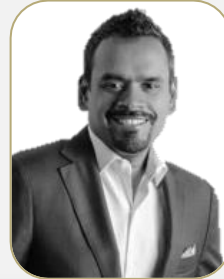
NAIROBI

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