William Blair

January 2021

Investment Banking

In This Report

Payments Technology

Governance, Risk, and Compliance

Banking and Mortgage Technology

Insurance Technology

Human Resources Technology

FinTech: 2020 in Review

William Blair FinTech: 2020 in Review

The push toward automation, digitalization, and predictive analytics across all aspects of financial services gained momentum during the pandemic. This has set the stage for what should be an incredibly active year in 2021 in terms of consolidation and capital raising.

One of the few activities that the COVID-19 pandemic did not disrupt in 2020 was the expansion of the financial technology industry. In fact, the pandemic has added to the growing importance of fintech by forcing companies and consumers to accelerate their adoption of tools that facilitate virtual commerce and by creating new risks related to compliance, underwriting, and a host of financial operations.

We expect this momentum—and the associated M&A and capital-raising activity—to continue in 2021. In addition to the tailwinds related to the pandemic, constituents across all aspects of the financial services ecosystem are looking to capitalize on increased consumer-facing digitization and back-office automation as well as the broader technological evolution of financial services.

On the heels of an extremely active year for William Blair's fintech investment banking team, we examine the sub-verticals that are poised to generate the most interest from strategic acquirers and financial sponsors in 2021.

Payments Technology

Payments technology is one of the most dynamic and attractive segments of fintech. Software-led payments and payment infrastructure enablement as well as B2B payment automation and businesses that leverage network effects are the major themes being pursued by strategic buyers and financial investors, which we see continuing to drive transaction activity in 2021.

Software-led payments: The continuing shift away from cash-based consumer transactions accelerated in 2020. By highlighting the essential nature of card-not-present and omni-channel payments technology, the pandemic has fundamentally—and we believe, permanently—changed the way payments are issued, processed, and accepted. More specifically, businesses that use vertical-specific software are aggressively looking for ways to capture additional revenue by integrating payments technology inside their own ecosystems. In some cases, these companies are looking to become a payment facilitator themselves; in other cases, companies are partnering with payments infrastructure companies to offer payment acceptance and issuance inside their native software.

This convergence of software applications and payments capabilities is driving consolidation across industries. This was the case in several William Blair transactions in 2020, including Tribute Technologies' October 2020 sale to The Carlyle Group; Upserve's December 2020 sale to Lightspeed; and Storable's pending sale to EQT. Furthermore, companies such as Fattmerchant, which William Blair advised in its November 2020 recapitalization by Greater Sum Ventures, are benefiting from the convergence theme by enabling software companies to monetize payments with an API-driven "payfac-in-a-box" experience, whereby its software partners do not have to become their own payment facilitator. These trends should continue driving transaction velocity in 2021 across a variety of vertical software end-markets.

End-to-end B2B payment automation: The continued rise of B2B payment automation will be a major investor theme in 2021, attracting significant interest from public and private investors as well as strategic investors. During Visa's Q4-2020 earnings call, Chairman and CEO Alfred F. Kelly stated that the B2B payments market is an approximately $120 trillion volume opportunity. Unlike B2C payments, which have already largely shifted to digital transactions, the B2B world continues to be dominated by manual, paper-based processes for buyer-to-supplier communication, invoicing, payment, and reconciliation.

The digitalization of B2B payments is being enabled by two-sided networks and supply chain automation created by software companies, as well as automation of the accounts payable (AP) and accounts receivable (AR) payment processes. William Blair advised several companies in 2020 benefiting from these trends, including Hyphen Solutions (vertical software-led network effect) in its October 2020 recapitalization by Stone Point Capital and GreyLion Capital; CPS Payments (AP automation) in its November 2020 sale to REPAY; Paya (AR automation) in its October 2020 merger by special purpose acquisition company (SPAC) FinTech Acquisition Corp III; TrueCommerce (supply chain technology) in its December 2020 sale to Welsh, Carson, Anderson & Stowe; and Bill.com (AP/AR software network) in its December 2019 IPO and June 2020 follow-on offering.

Heading into 2021, we believe that the convergence of procurement, payables and receivables automation software, payment processing, and financing will be the dominant B2B payments theme over the next 12 months. This will be particularly true in verticals where companies are creating end-to-end platforms that connect buyers and suppliers, resulting in network-effect benefits.

Governance, Risk, and Compliance

Leading software providers that offer robust solutions to improve compliance, reduce risks, and enhance security in an increasingly complex regulatory environment were already top-of-mind for strategic consolidators and investors coming into 2020. By forcing companies to instantly convert to remote working environments and creating a host of other business continuity challenges, the pandemic has further highlighted the importance of strong governance, risk, and compliance (GRC) controls in the digital economy. Moreover, companies have shifted from viewing risk management as a cost center to understanding its role as a core part of the operational strategy.

Integrated solutions: Now that many enterprises have adopted automated point solutions for GRC and other risk management functions, there is a major push to move to integrated risk management platforms or vertical software that bring these siloed offerings together through one solution. William Blair advised PowerDMS on its December 2020 sale to NEOGOV. The acquisition creates a best-in-class HR and compliance platform to meet the complex needs of public sector employers.

Financial crime management: The scope and complexity of financial crime have expanded dramatically in the past decade. This has led to increased demand for companies that provide solutions for thwarting and mitigating these crimes as well as complying with the myriad regulations that governments have passed to strengthen protocols. William Blair has advised leading GRC companies that are leveraging anti-financial crime software, such as Verafin, which announced in November 2020 that is was being acquired by Nasdaq for $2.75 billion. Nasdaq seeks to expand on Verafin's cloud-based platform, which is used to detect, investigate, and report money laundering and financial fraud for more than 2,000 financial institutions in North America.

Tax compliance: Complying with increasingly complex global tax regimes is another major driver of GRC investment activity. William Blair advised several platforms in this space, including Sovos, a portfolio company of Hg, on its sale to TA Associates in October 2020; Vertex in its July 2020 IPO; and Avalara in its June 2019 and August 2020 follow-on offerings.

Banking and Mortgage Technology

Banks and other traditional financial institutions faced pressure on multiple fronts to modernize their platforms in 2020. Customers are demanding a more personalized and enhanced banking experience. Meanwhile, banks are looking for ways to cut costs while also battling the rise of consumer-centric challenger banks and direct-to-consumer, technology-centric mortgage originators such as Loan Depot.

Proliferation of technology: Legacy banks historically have been protected by high barriers to entry, but those have now been lowered. As a result, legacy financial institutions are seeing the emergence of a new generation of cloud-based platforms and the entry of Big Tech offering peripheral, banking-style services. In an effort to remain competitive, traditional financial institutions are relying on digital automation and artificial intelligence to deliver a client-centric experience, while remaining secure and compliant. Companies such as Open Lending, which William Blair advised on its December 2020 public equity offering, are helping credit unions, regional banks, and captive finance companies underwrite more automotive loans through the use of deep analytics, risk-based pricing and risk modeling, and software solutions.

Commercial banking enhancements: Financial institutions are also facing extreme pressure to modernize the commercial banking side of their businesses. William Blair advised PrecisionLender on its November 2019 sale to Q2 Holdings. Through the acquisition, Q2 seeks to leverage PrecisionLender's ability to modernize commercial banking with its enterprise SaaS platform that drives sales enablement, pricing, and portfolio management solutions for financial institutions.

Insurance Technology

The insurance industry has historically lagged in adoption of technology and continues to represent a massive, complex, and highly regulated end-market that is ripe for technology-driven disruption. These changes are being driven by enhanced software workflows, accelerated cloud adoption, and modernization of data analytics capabilities at every point of the insurance value chain.

In 2020, large insurance carriers and insurance distributors continued their focus on increasing technology spend to streamline all aspects of selling, underwriting, policy administration/maintenance, and claims processing. The pandemic only accelerated these trends, and we expect them to continue to drive intense investment and transaction activity in 2021.

William Blair has advised on a number of transactions in the past 12 months that highlight some of the most important trends in insurance technology:

Modernizing distribution networks and brokers: The emergence of digital-first insurance platforms and marketplace models has forced traditional players to evolve rapidly to meet the demands of today's consumer. William Blair advised Insurance Technologies, a SaaS platform that provides automated sales and regulatory solutions for life insurance and annuities carriers and brokers, on its October 2020 sale to Thomas H. Lee Partners. William Blair also advised Zywave, a SaaS provider of sales, distribution, CRM, and agency management solutions for benefits and P&C insurance brokers, on its November 2020 sale to Clearlake Capital.

Creating end-to-end software suites: There is tremendous demand for software platforms that connect all aspects of the insurance lifecycle. William Blair advised Limelight Health on its August 2020 sale to FINEOS, an acquisition that creates an end-to-end SaaS platform for the global life, accident, and health industry. The acquisition enables FINEOS to expand beyond its focus on core systems for carriers and reach closer to distributors and brokers as well as the end-customer.

Expanding software functionality across insurance end lines: Insurance software vendors that have traditionally focused on one or two insurance lines are looking to expand into other lines. William Blair advised FAST, a cloud-native SaaS platform that provides comprehensive core systems functionality for life and annuities carriers, on its December 2019 sale to Verisk. By purchasing FAST's massive, novel dataset, Verisk is able to drive data analytics into new end-markets beyond property and casualty and expand workflow solutions for carriers more broadly.

Bringing data analytics to underwriting and claims management: Carriers are increasingly focused on strengthening their underwriting and claims management by leveraging non-traditional, external data analytics that enable predictive decision-making. Duck Creek Technologies has been at the leading edge of this trend, and William Blair served as an underwriter for Duck Creek's August 2020 IPO, which allows the company to continue adding to core systems capabilities with enhanced alternative data analytics and predictive capabilities for carriers.

Scaling digital-first, full-stack insurance providers: Lemonade is a pioneer in the growing field of full-stack digital insurance platforms, several of which are starting to achieve true scale and sustainability relative to traditional models of insurance. William Blair advised on Lemonade's July 2020 IPO, which is likely to be the first of many IPOs in this field while other platforms continue to raise large rounds of private funding.

Human Resources Technology

The COVID-19 pandemic has fundamentally changed the office environment and the role of human resources (HR) departments. Millions of workers moved to remote and hybrid work arrangements in 2020, and many of these arrangements could become the new norm. In this challenging and fluid situation, HR professionals have had to find new ways to connect with and support their workforce while continuing to identify, recruit, onboard, and retain new talent. As a result, HR technology will be an important space to follow in 2021 as companies seek to invest in new technologies to help drive efficiency and productivity.

William Blair has advised on several transactions in the past 12 months that highlight some of the most important trends in HR technology:

AI adoption in talent management: Artificial intelligence (AI) is a vital technology for recruiting talent considering the massive amounts of data and time-intensive nature of reviewing large candidate pools. Companies are increasingly looking to invest in AI technology that goes beyond recruiting new employees and focuses on training and managing performance. AI and machine learning can provide HR departments with real-time insights on how to best deploy their workforce. William Blair advised Saba Software, a premier cloud-based talent management software provider, on its April 2020 sale to Cornerstone OnDemand.

Acceleration of digital transformation: As a result of the pandemic-induced remote work environment, HR departments are increasingly focused on using technology to automate workflows and improve overall efficiency. Self-service technology tools not only free

HR professionals' time to pursue more strategic projects, but also help increase both employee engagement and employee self-sufficiency. Self-service tools have proved especially valuable in the benefits administration space, where employees can select their own benefit plans and access tools and training to guide their decision making. As employees take a more active role in managing their benefits, companies can now better track what employees think about their benefits and how to better serve them. William Blair advised Quantum Health, a leading consumer healthcare navigation and care coordination company, on the growth investment it received from Warburg Pincus in December 2020.

Navigating complex, fragmented markets with technology: Third-party administrators (TPAs) are crucial partners for small- and medium-sized businesses (SMBs). TPAs help consolidate and streamline options in complex markets such as individual and group benefits by providing technology that integrates the entire universe of providers and thereby gives customers the most selection. This bundled solution approach ultimately makes decision-making easier and improves customer satisfaction. William Blair advised People Corporation, a TPA that is a leading Canadian provider of group benefits, group retirement, and HR services, on its pending sale to Goldman Sachs Merchant Banking, which was announced in December 2020.

To learn more about these and other trends that are shaping the M&A and capital-raising landscape in fintech, please do not hesitate to contact us. Our team at William Blair welcomes the opportunity to speak to you about how we can help you achieve your strategic initiatives in 2021.

2020 Year in Review FinTech Tombstones

Not Disclosed Storable has agreed to receive a majority investment from EQT Pending	CAD$1,130,000,000 people CORPORATION has agreed to be acquired by Goldman Sachs Pending	$2,750,000,000 VERAFIN has agreed to be acquired by Nasdaq Pending
Not Disclosed TrueCommerce has been acquired by WCAS December 2020	Not Disclosed ZYWAVE has acquired ITC December 2020	Not Disclosed 365 Retail Markets has been recapitalized by PROVIDENCE EQUITY December 2020
Not Disclosed PowerDMS has merged with NEOGOV a portfolio company of Warburg Pincus December 2020	$305,900,000 OpenLending Follow-on Offering December 2020	$430,000,000 Upserve has been acquired by lightspeed December 2020
Not Disclosed Quantum Health a portfolio company of Great Hill Partners has received an investment from Warburg Pincus December 2020	Not Disclosed fattmerchant has been recapitalized by GSV Greater Sum Ventures November 2020	Not Disclosed ZYWAVE has been acquired by Clearlake November 2020
$93,000,000 CPS Payment Services has been acquired by REPAY Realtime Electronic Payments November 2020	$377,200,000 Duck Creek Technologies Follow-on Offering November 2020	Not Disclosed Tribute Technology has been acquired by CARLYLE October 2020

2020 Year in Review FinTech Tombstones (cont'd)

Not Disclosed HYPHEN SOLUTIONS has received an investment from GreyLion Capital, Stone Point Capital October 2020	$114,999,968 SAPIENS Follow-on Offering October 2020	$1,300,000,000 paya has merged with FT FinTech Acquisition Corp. III October 2020	Not Disclosed SOVOS has received a majority & minority investment from Hg, TA Associates October 2020	Not Disclosed INSURANCE TECHNOLOGIES has been acquired by THL October 2020
$221,375,000 Accolade Follow-on Offering October 2020	Not Disclosed eSolutions has been acquired by WAYSTAR September 2020	$700,000,002 nuvei Payment Technology Network Initial Public Offering September 2020	$75,000,000 LimelightHealth has been acquired by FINEOS August 2020	$465,750,000 Duck Creek Technologies Initial Public Offering August 2020
$574,999,866 Avalara Follow-on Offering August 2020	$462,127,500 VERTEX Initial Public Offering July 2020	$913,500,000 GoHealth Initial Public Offering July 2020	$253,574,948 Accolade Initial Public Offering July 2020	$366,850,000 Lemonade Initial Public Offering July 2020
$1,981,047,464 dun & bradstreet Initial Public Offering July 2020	$614,790,000 bill.com Follow-on Offering June 2020	Not Disclosed COLLABORATIVE SOLUTIONS has been acquired by Cognizant June 2020	$300,000,014 REALPAGE Follow-on Offering May 2020	$184,000,000 REPAY Realtime Electronic Payments Follow-on Offering May 2020
$1,295,000,000 saba has been acquired by cornerstone April 2020	Not Disclosed springboardRETAIL has been acquired by Heartland a subsidiary of Global Payments February 2020	$281,750,000 PALOMAR SPECIALTY Follow-on Offering January 2020	$193,500,000 FAST has been acquired by Verisk December 2019	$580,000,000 Buildium has been acquired by REALPAGE December 2019

Drawing on our deep sector expertise and the strength of our relationships with buyers around the world, William Blair has built a leading FinTech banking franchise. Business owners turn to us for outstanding execution for their M&A and capital raising objectives.

FinTech Team

Dan Daul
Managing Director, Chicago
+1 312 364 8457
ddaul@williamblair.com

Pete Dalrymple
Managing Director, Boston
+1 617 235 7533
pdalrymple@williamblair.com

Jamie Hamilton
Managing Director, Atlanta
+1 470 351 6928
jhamilton@williamblair.com

Greg South
Managing Director, San Francisco
+1 415 248 5913
gsouth@williamblair.com

John Ivey
Director, Boston
+1 617 235 7545
jivey@williamblair.com

Crystal Flick
Vice President, Chicago
+1 312 364 5449
cflick@williamblair.com

Scott Zink
Vice President, Atlanta
+1 470 351-6930
szink@williamblair.com

Andrew Arno
Managing Director, San Francisco
+1 415 248 5905
aarno@williamblair.com

Raphael Grunschlag
Managing Director, London
+44 20 7868 4501
rgrunschlag@williamblair.com

Chris Lane
Managing Director, San Francisco
+1 415 254 4218
clane@williamblair.com

Evan Brainerd
Director, Chicago
+1 312 364 5241
ebrainerd@williamblair.com

Michael Capocci
Vice President, Chicago
+1 312 364 5337
mcapocci@williamblair.com

Christin Zindrick
Vice President, Chicago
+1 312 364 8321
czindrick@williamblair.com

William Blair By the Numbers

400+

bankers globally with local cultural knowledge

1,125+

completed advisory and financing transactions since 2016

$430B+

in transaction value for our clients since 2016

About William Blair Investment Banking

William Blair's investment banking group enables corporations, financial sponsors, and owner/entrepreneurs around the world to achieve their growth, liquidity, and financing objectives.

Drawing on the collective intellectual capital and deep sector expertise of a global team that reaches 20 cities on four continents, the investment banking group brings a rigorous and innovative approach to corporate board advisory projects, mergers and acquisitions, and equity and debt financing. From 2016 to 2020, the team advised on more than $430 billion in completed transaction volume.