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Payments firms turn economic uncertainty into M&A opportunity

Article

Trendspotting: Payments mergers and acquisitions (M&As) have ramped up recently. Here are a few that made headlines this week:

- Paytech **Jack Henry** will acquire payment infrastructure provider **Payrailz**, per a press release. Payrailz's offerings—including tech for bill pay, peer-to-peer transactions, and disbursements

—will help build out Jack Henry's payments ecosystem, which supports banks and credit unions.

- Restaurant paytech **ParTech** acquired omnichannel restaurant ordering provider **Menu Technologies**, per a press release. ParTech already offers payments hardware and software for the restaurant industry; it plans to integrate Menu's ordering and delivery solutions into its platform to better serve clients.
- Travel and hospitality tech provider **Sabre** acquired long-time payment partner **Conferma Pay**, per Business Travel News Europe. Sabre offers a wide array of payments and commerce solutions for hotels, airlines, and travel agencies. The acquisition will give Sabre more control over its payments processes.

And last week, we covered **Global Payments' EVO** acquisition, an all-cash deal that valued EVO at a whopping $4 billion.

Key context: There were 66 payments-related M&As in the first half of 2022, compared with 59 in the same period last year, per data from The Strawhecker Group (TSG) cited by Payments Dive.

There were 127 deals collectively worth $76.6 billion in 2021. While impressive, it pales in comparison to 2019's record $169.4 billion in M&As. A series of megadeals that year—including **FIS' Worldpay** acquisition and **Fiserv's First Data** purchase—significantly consolidated the payments space.

What this means: Economic uncertainty may be fueling an uptick in payments-related M&A deals—here's why.

- **Payments companies may be prioritizing business efficiency.** M&As let firms minimize service outsourcing, which can help them streamline internal processes and limit costs. That may be more important during economic hardship. Acquisitions can also expand product suites, helping companies serve more customers and bolster revenues. This can also increase their value propositions against competitors.
- **And the decline in fintech valuations might make this an opportune time for M&As.** Fintechs have lost almost a half-trillion dollars in valuation so far in 2022 because of macroeconomic factors like rising interest rates, per data from CB Insights. While this isn't great for the fintechs themselves, it may present buyout opportunities for larger payments companies.

What's next? TSG project manager Zach Spellman expects more M&A activity through the year, but the number of deals will roughly match last year.

Payment processor **Paya**, for example, has expressed interest in completing "larger" M&As this year, CEO Jeff Hack said during the company's earnings call. As the year progresses and economic uncertainty persists, more firms may do the same: **21% of US finance decision-makers said merging or acquiring businesses will be a strategy they employ to drive revenue growth in 2022**, per BillingPlatform.

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