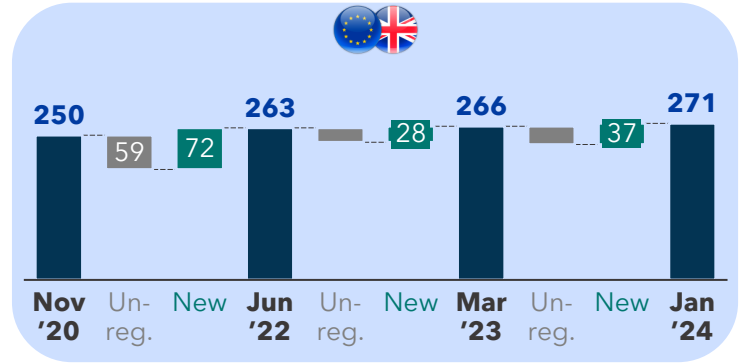
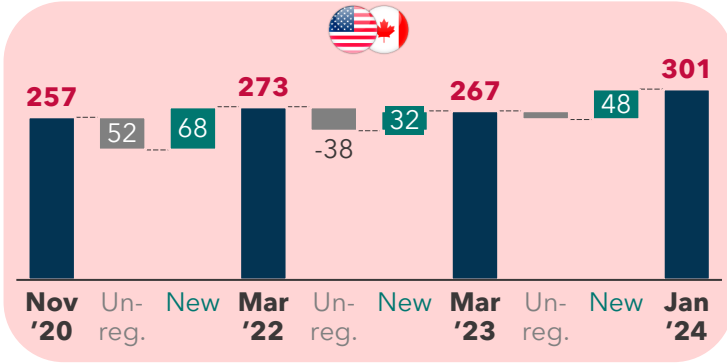




Comparing North American and European PayFacs, 2024

We previously compared North American and European (including the UK) payfacs (payment facilitators) in late 2020 [here](#) and revisited the registries to see how things have changed...

1 REGISTERED PAYFACS (total number; US & Canada; EU¹ & UK, as of Jan 2024)



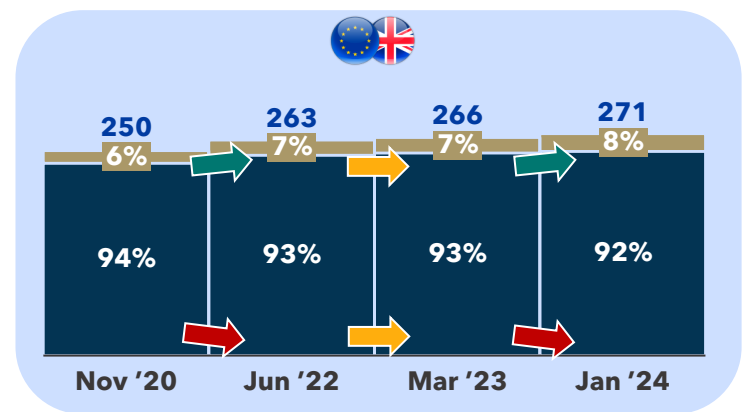
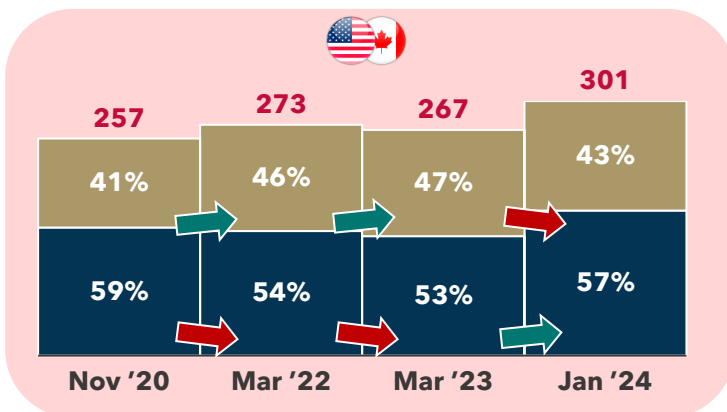
¹Payfac count excludes non-EEA countries and unidentifiable or defunct companies

Sources: MC North America and Europe Payment Facilitator Registry, Flagship Analysis © Flagship Advisory Partners February 2024

COMMENTARY

- In North America, 16% of the payfacs registered today are new since Mar '23. However, 5% of the payfacs from Mar '23 were unregistered by Jan '24, a 6% annual attrition rate.
- In the EU & UK, 14% of the payfacs registered today are new since Mar '23, on the other hand, 12% of the payfacs from Mar '23 were unregistered by Jan '24, a 14% annual attrition rate.
- We believe that payfac model continues to be a popular operating model to enable payments; however, a relatively high attrition rate in both regions suggests that companies realize the operating burdens of payfac model, and thus decide to pull out.
- The maturation of PSP's managed payfac offerings have also made it easier for companies to realize the benefits of the model without registering.

2 SOFTWARE PAYFACS GROWTH (% of payfacs, as of Jan 2024) ■ ISV/SaaS ■ Not an ISV¹



¹Non-ISV/SaaS companies predominantly dedicated payment services providers (not payments as an add-on)

Sources: Mastercard North America and Europe Payment Facilitator Registry © Flagship Advisory Partners February 2024

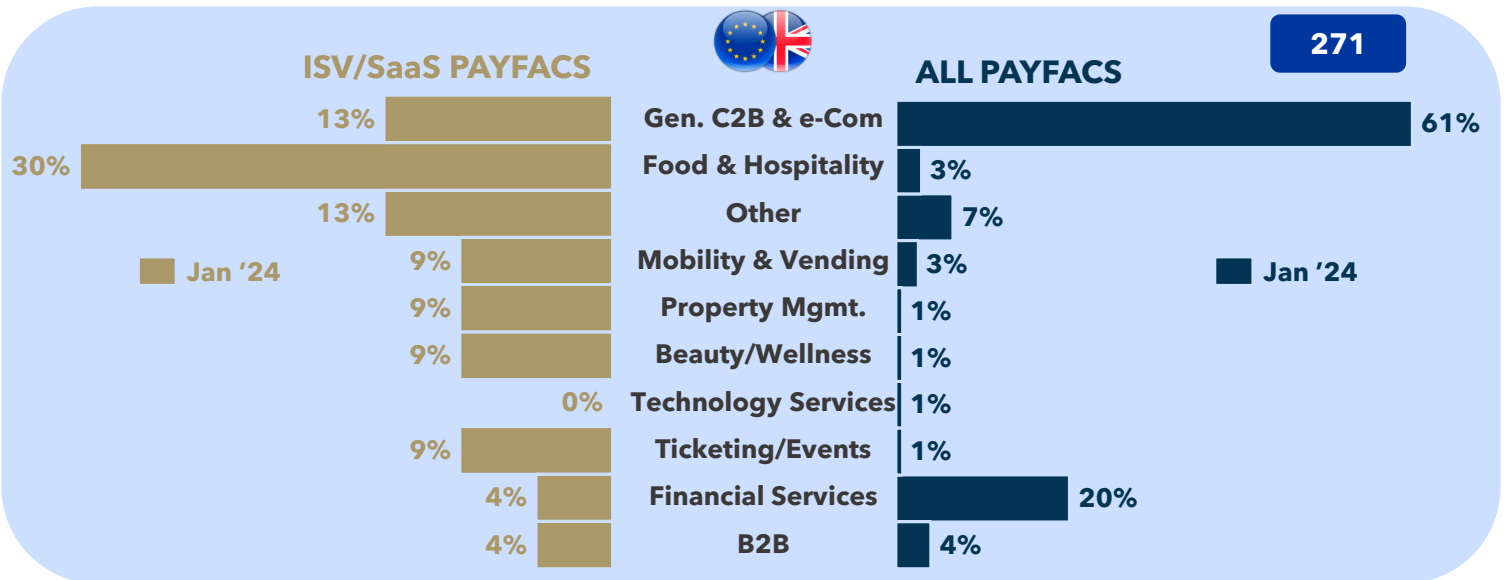
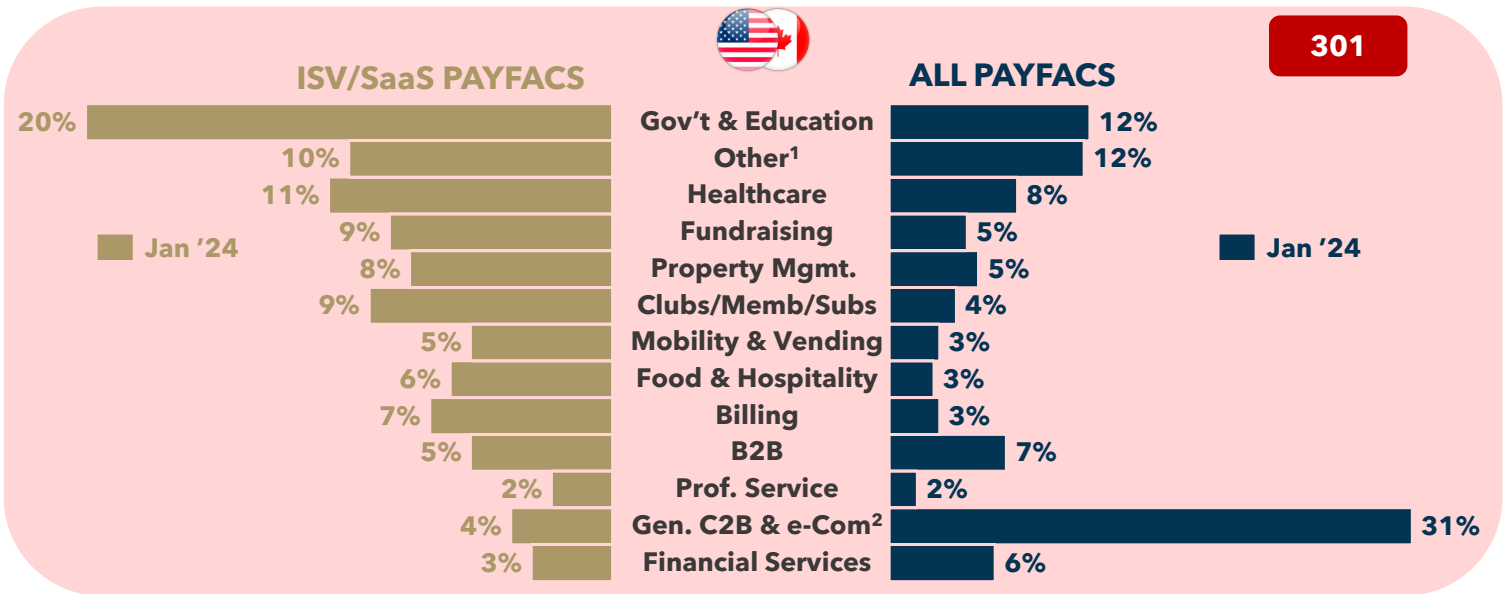
COMMENTARY

- In North America, 43% of the payfacs registered today are ISVs/SaaS companies. North America continues to be the bellwether for integrated payments. Although, this is a contraction from Mar '23 when ISVs/SaaS companies accounted for 47% of registered payfacs; likely evidence of the maturation of managed payfac models in NA.
- In the EU & UK only 8% of the payfacs registered today are software companies. While embedded payments is gaining steam in the EU & UK the registered payfac model is still relatively nascent.



Comparing North American and European PayFacs, 2024

3 REGISTERED PAYFACS BY VERTICAL (% of total PayFacs, as of Jan 2024)



(1) Other includes clubs/membership/subscriptions, billing, fuel & automotive, retail etc.

(2) General C2B & e-commerce payfacs function as general merchants PSPs without a specific vertical focus

Sources: Mastercard North America and Europe Payment Facilitator Registry, Flagship Analysis © Flagship Advisory Partners February 2024

COMMENTARY

- **North American payfacs tend to be vertically specialized.** As of Jan '24, 31% of North American payfacs offer general consumer-to-business and e-commerce payments, while the remaining 69% of payfacs are vertically specialized. The leading verticals of North American ISVs include government & education, healthcare, fundraising, property management, membership services, mobility & vending, and hospitality.
- **Payfacs in the EU & UK are less vertically specialized and diversified,** as of Jan '24, 61% of payfacs are consumer-to-business, and e-commerce payments generalists and 20% of payfacs are financial services providers; the rest of verticals have < 4% of the payfac list.
- U.S. payfacs are more commonly vertical software providers than European payfacs because in Europe payfacs are also required to be registered payment institutions whereas in the U.S., payfacs are not required to have any form of banking license.
- ISVs/SaaS platforms in Europe generally operate under the payfac lite operating model that does not require a PI license. In the U.S. ISVs/SaaS at scale often favor full payfac registration.

Navigating fintech innovation

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Thank You!

For any questions, please do not hesitate to contact the authors:



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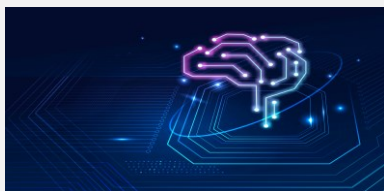
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