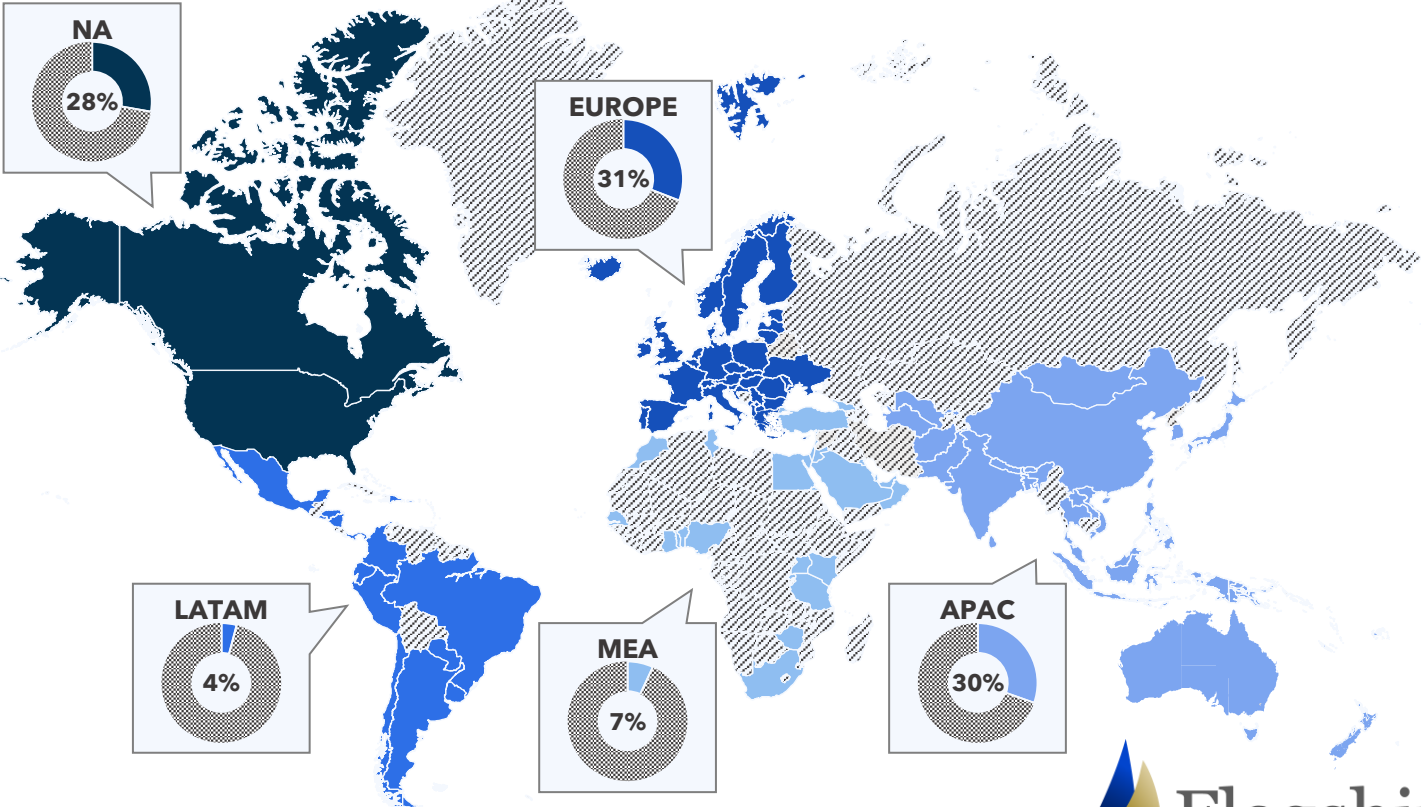


# Regional Payments & Fintech Highlights

## Q1 2024 Report Global Fintech M&A Poised for Rebound in 2024

April 2024

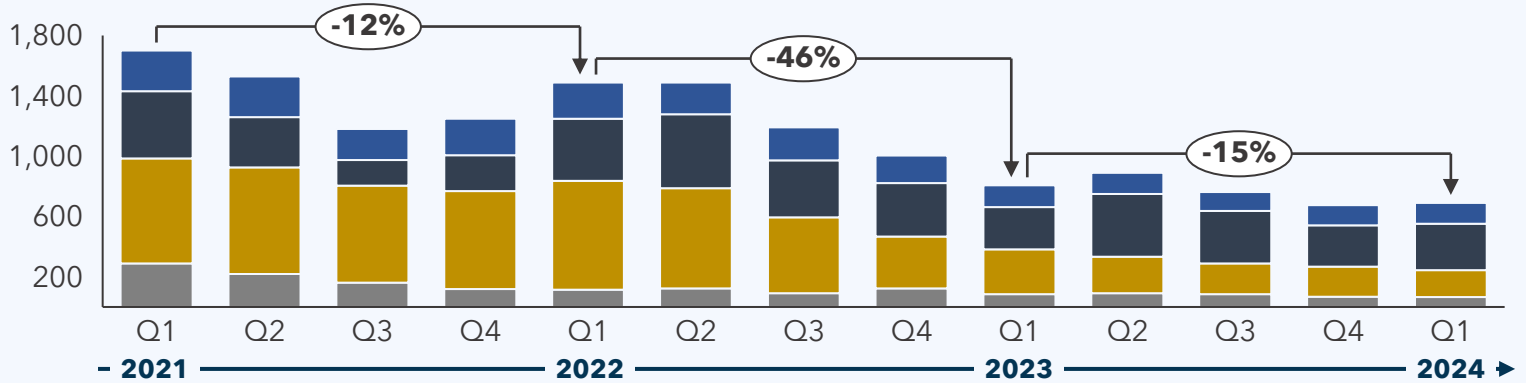
**Deals in Fintech & Payments by Geography**  
(% total completed/announced deals; 12-month period; Q2'23 - Q1'24)



# Global Fintech M&A and Fundraising Poised for a Rebound from Q1 2024

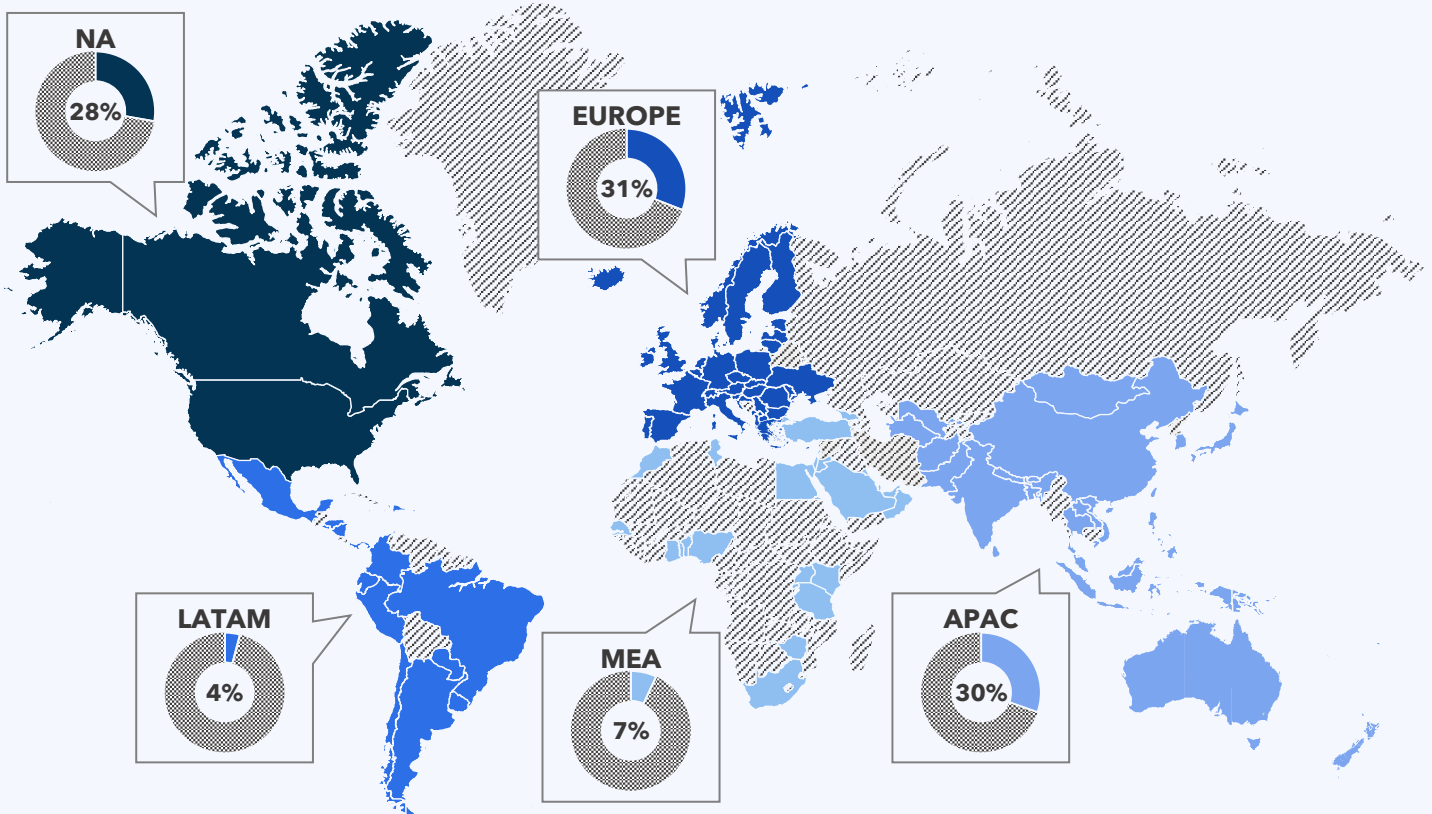
## 1 Global: Number of Deals in Payments & Fintech by Type (quarterly announced deals)

■ Mergers & Acquisitions ■ Debt Offerings ■ Venture Financing ■ Other Deals



Sources: Global Data, Company websites and press releases  
© Flagship Advisory Partners April 2024

## 2 Global: Deals in Fintech & Payments by Geography (% total completed/announced deals; 12-month period; Q2'23 - Q1'24)



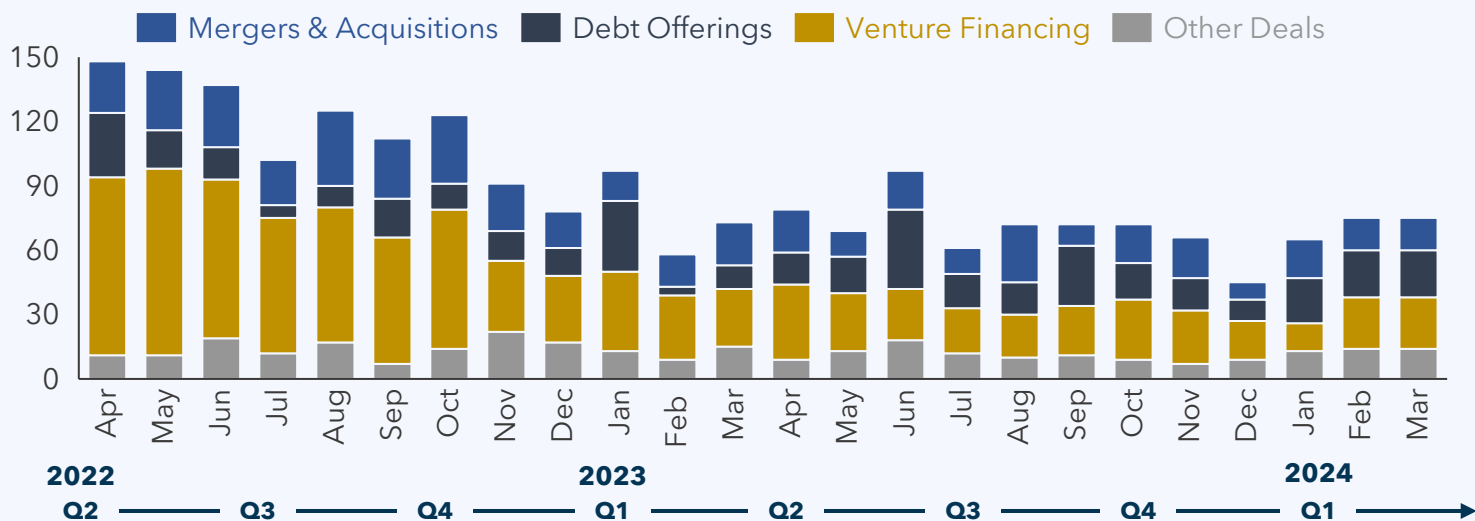
Sources: Global Data, Company websites and press releases  
© Flagship Advisory Partners April 2024

### Key Highlights

- Deal volume of global fintech M&A deals remained subdued in Q1, with the number of deals dropping 15% in 1Q 2024 (compared to 1Q 2023).
- We expect an acceleration of deal activity through 2024 and we are already seeing evidence of this acceleration in North America and Europe.

# North America Evidencing Expanded Fintech Deal Flows in Q1 '24

## 1 North America: Number of Deals in Fintech & Payments by Type (monthly announced deals, including global and regional deals)



Sources: Global Data, Company websites and press releases © Flagship Advisory Partners April 2024

## 2 North America: Deals by Geo (includes completed/announced deals)



Sources: Global Data, Company websites and press releases © Flagship Advisory Partners April 2024

## 3 North America: Deals in Q1 '24 (non-exhaustive list of deals)



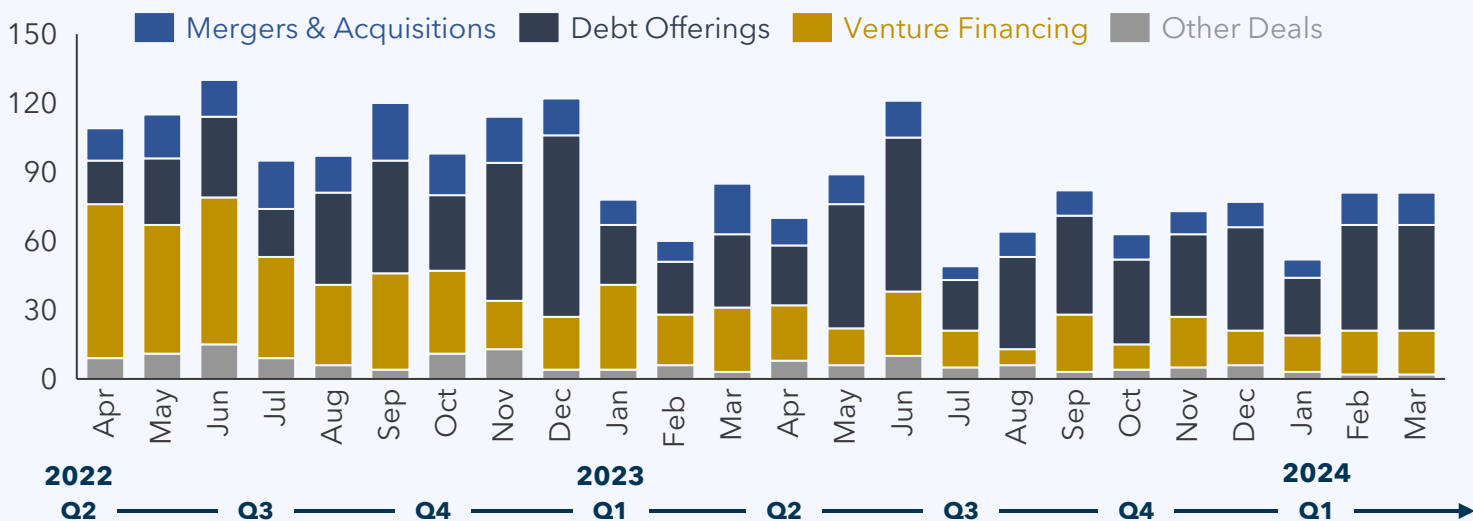
Sources: Crunchbase, Company websites and press releases © Flagship Advisory Partners April 2024

### Key Highlights

- North America rebounding from a market low in fintech deal activity in Dec 2023.
- We expect growth momentum established in Q1 to continue through 2024 culminating in growth vs. 2023.

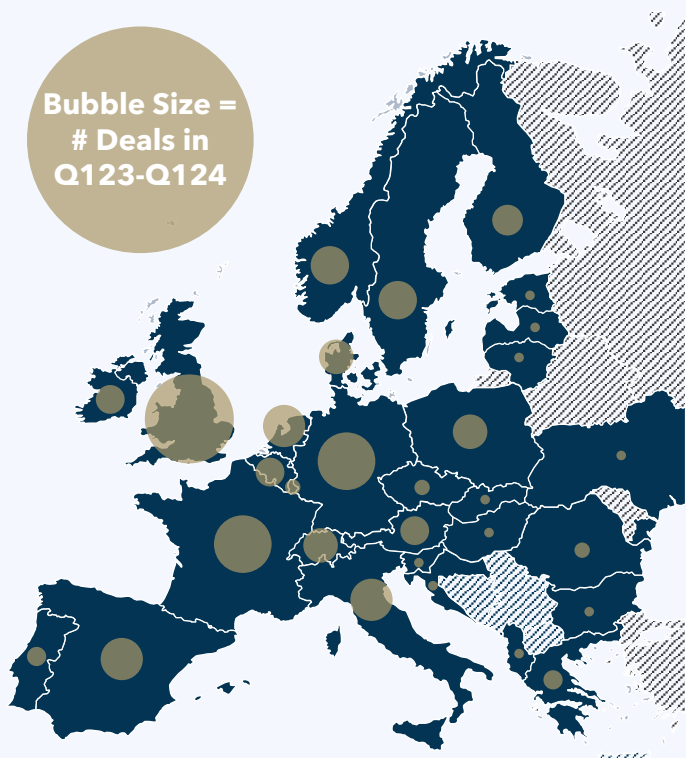
# Europe Also Showing Signs of Rebound with Q1 Ramping up from 2023 Trough

## 1 Europe: Number of Deals in Fintech & Payments (monthly announced deals, including global and regional deals)



Sources: Global Data, Company websites and press releases  
© Flagship Advisory Partners April 2024

## 2 Europe: Deals by Geography (includes completed/announced deals)



Sources: Global Data, Company websites and press releases  
© Flagship Advisory Partners April 2024

## 3 Europe: Deals in Q1 '24 (non-exhaustive list of deals)



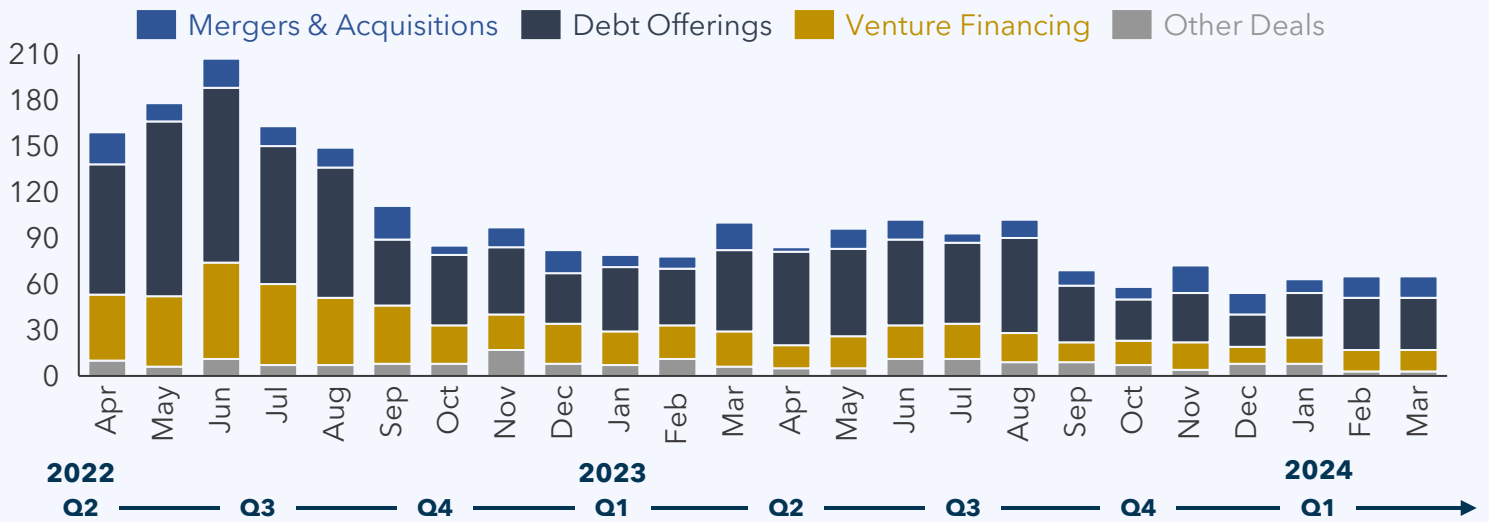
Sources: Crunchbase, Company websites and press releases  
© Flagship Advisory Partners April 2024

### Key Highlights

- 2024 deal activity trending on similar levels to 2023.
- But we expect an acceleration of activity in rest of 2024 as buyers and sellers align to a new normal of valuation.

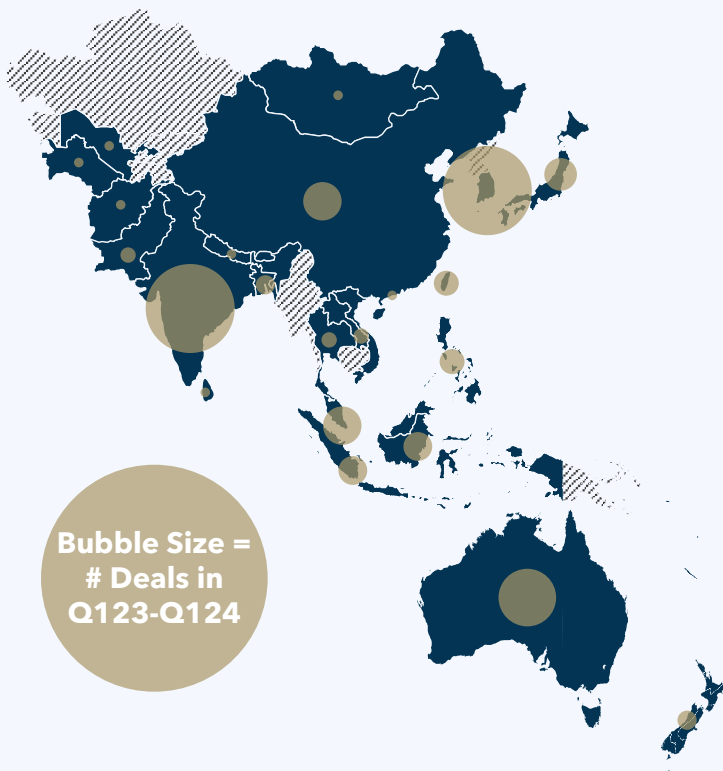
# APAC Fintech M&A Remains Somewhat Subdued Thus Far in 2024

## 1 APAC: Number of Deals in Fintech & Payments (monthly announced deals, including global and regional deals)



Sources: Global Data, Company websites and press releases  
© Flagship Advisory Partners April 2024

## 2 APAC: Deals by Geography (includes completed/announced deals)



Sources: Global Data, Company websites and press releases  
© Flagship Advisory Partners April 2024

## 3 APAC: Key Deals in Q1 '24 (non-exhaustive list of deals)



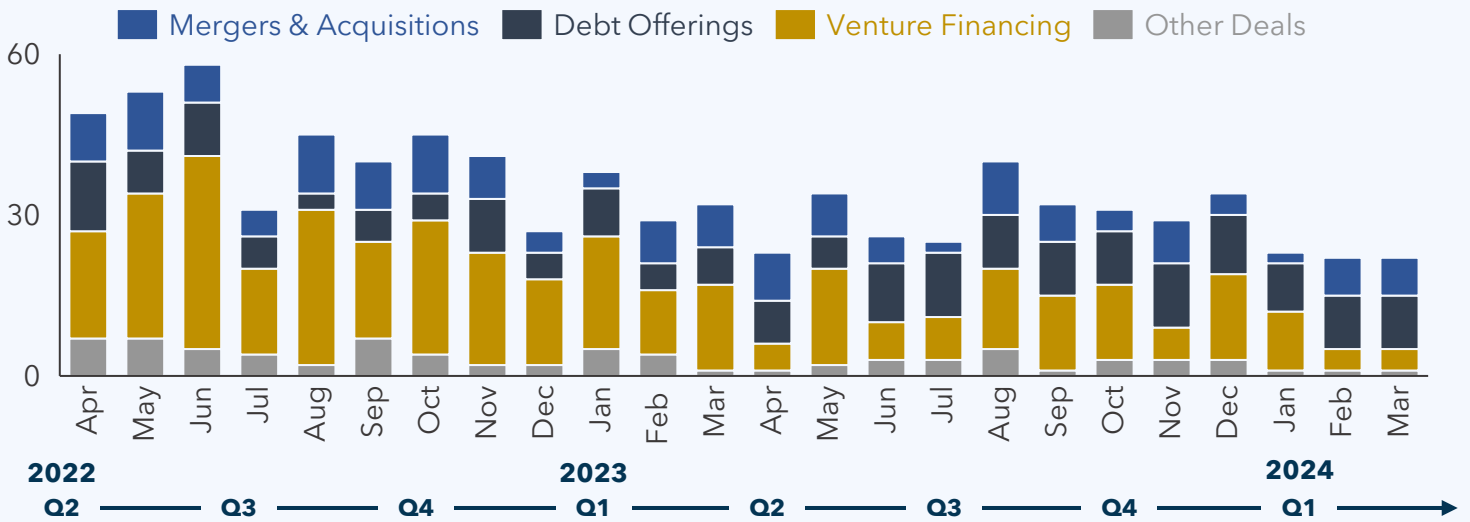
Sources: Crunchbase, Company websites and press releases  
© Flagship Advisory Partners April 2024

### Key Highlights

- Fintech M&A deal activity remains subdued in the Asia Pacific, including a 25% decline in number of transactions in Q1 2024 vs. 2023.
- China macro challenges expected to drive ongoing conservatism in this market, although markets such as Japan could see an increase in deal activity.

# Fintech M&A in LATAM and MEA Remain Subdued, Facing More Macro-Headwinds

## 1 LATAM & MEA: Number of Deals in Fintech & Payments (monthly announced deals, including global and regional deals)



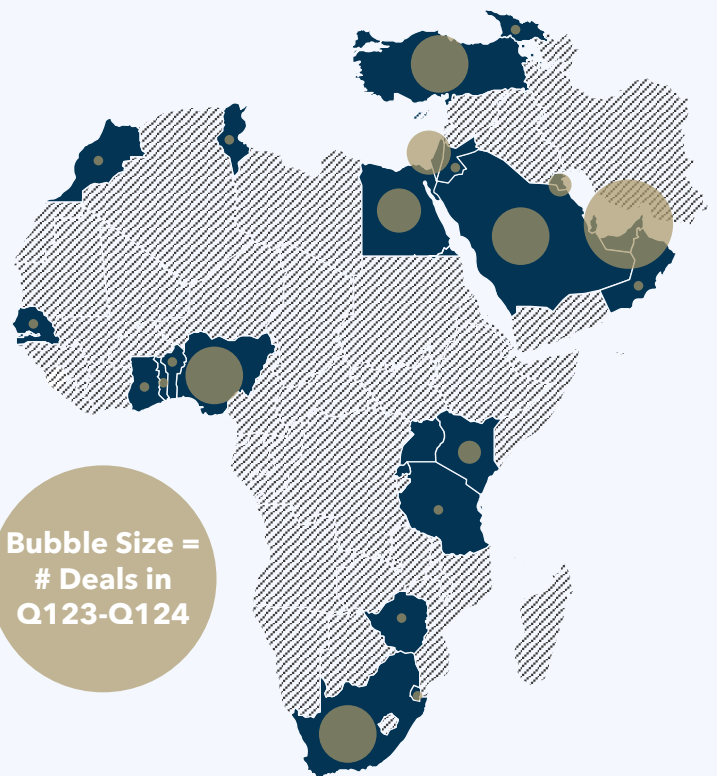
Sources: Global Data, Company websites and press releases  
© Flagship Advisory Partners April 2024

## 2 LATAM: Deals by Geography (includes completed/announced deals)



Sources: Global Data, Company websites and press releases  
© Flagship Advisory Partners April 2024

## 3 MEA: Deals by Geography (includes completed/announced deals)



Sources: Global Data, Company websites and press releases  
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### Key Highlights

- Fintech in rest of the world (LATAM and MEA regions) is muted by macro headwinds including political instability and armed conflict, which is likely to continue in 2024.
- But the attractive fundamentals of these high-growth markets remains and a return to higher deal volumes will come quickly if the market reaches greater stability.

# Fintech M&A Deal of the Quarter: Capital One Acquires Discover

## Acquisition Participants & Transaction Structure

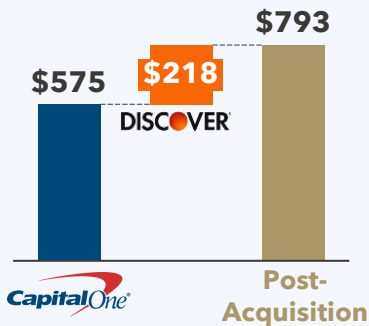
On 2/19/2024, Capital One Acquired Discover Financial Services



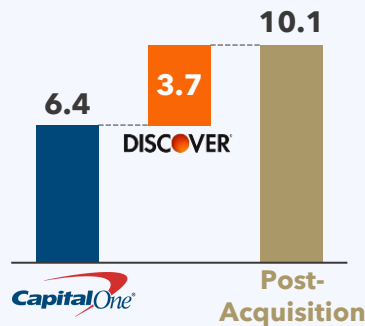
### Company Overview

Capital One Financial Corporation (NYSE: COF) is the 9<sup>th</sup> largest bank with more than \$450B of assets and more than 280 branches. Capital One is the 4<sup>th</sup> largest credit card issuer in the US.

#### Purchase Volume (2023; in \$bil.)



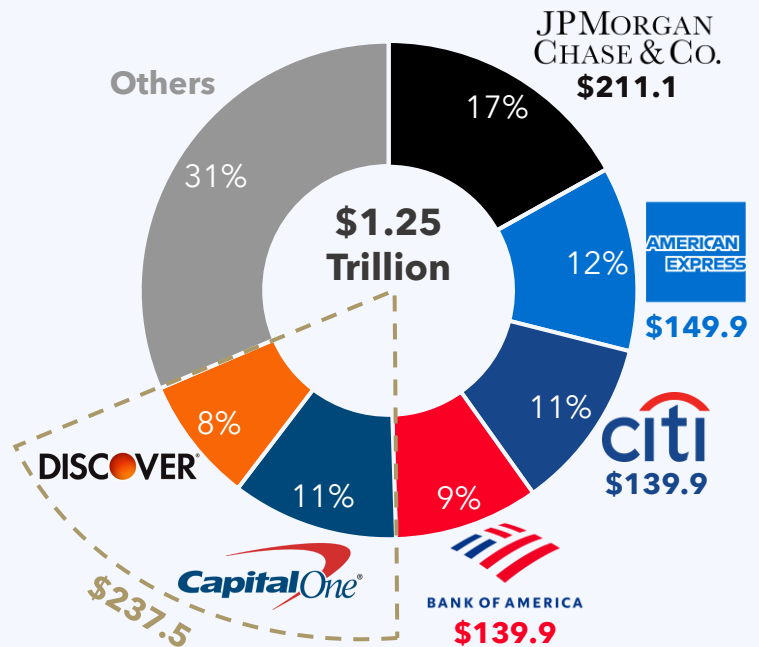
#### # of Transactions (2023; in bil.)



### Company Overview

Discover Financial Services (NYSE: DFS) is a leading financial services company and the 6<sup>th</sup> credit card issuer in the US. It provides credit cards, banking, and loan solutions.

#### Market Share of US Largest Credit Card by Outstanding Balances (2023; in \$bil.)



### Deal Highlights

- Capital One acquired Discover in an all-stock transaction valued at **\$35.3B**, the **second-largest acquisition in the payment card industry** (after FIS's acquisition of Worldpay for \$43B in 2019)
- Discover shareholders will receive 1.0192 Capital One shares for each Discover share at a **26.6% premium**. **Capital One will own 60% of the new company**.
- A \$1.38-billion termination fee applies if either party withdraws the transaction, not applicable if regulators or oversight agencies deny the deal.

**Post-acquisition, top 5 issuers account for 68.6% of US credit card outstandings**

Sources: The Nilson Report, Company websites, and press releases  
© Flagship Advisory Partners April 2024

### Key Highlights

- Capital One + Discover will become the largest credit card issuer in the US market, accounting for 19% of the US credit card market.
- The acquisition will generate expense synergies of ~\$1.5B in operating expenses and ~\$1.2B in network expenses by 2027.
- The acquisition will drive cost of funding efficiency, cross-selling opportunity, and create an appealing opportunity for innovation by owning a national payment network that also has a strong international presence.

# Navigating fintech innovation

Flagship Advisory Partners is a boutique strategy and M&A advisory firm focused on payments and fintech. We serve clients globally and have a team of 30+ professionals who have a unique depth of knowledge in payments and fintech.



## Thank You!

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



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