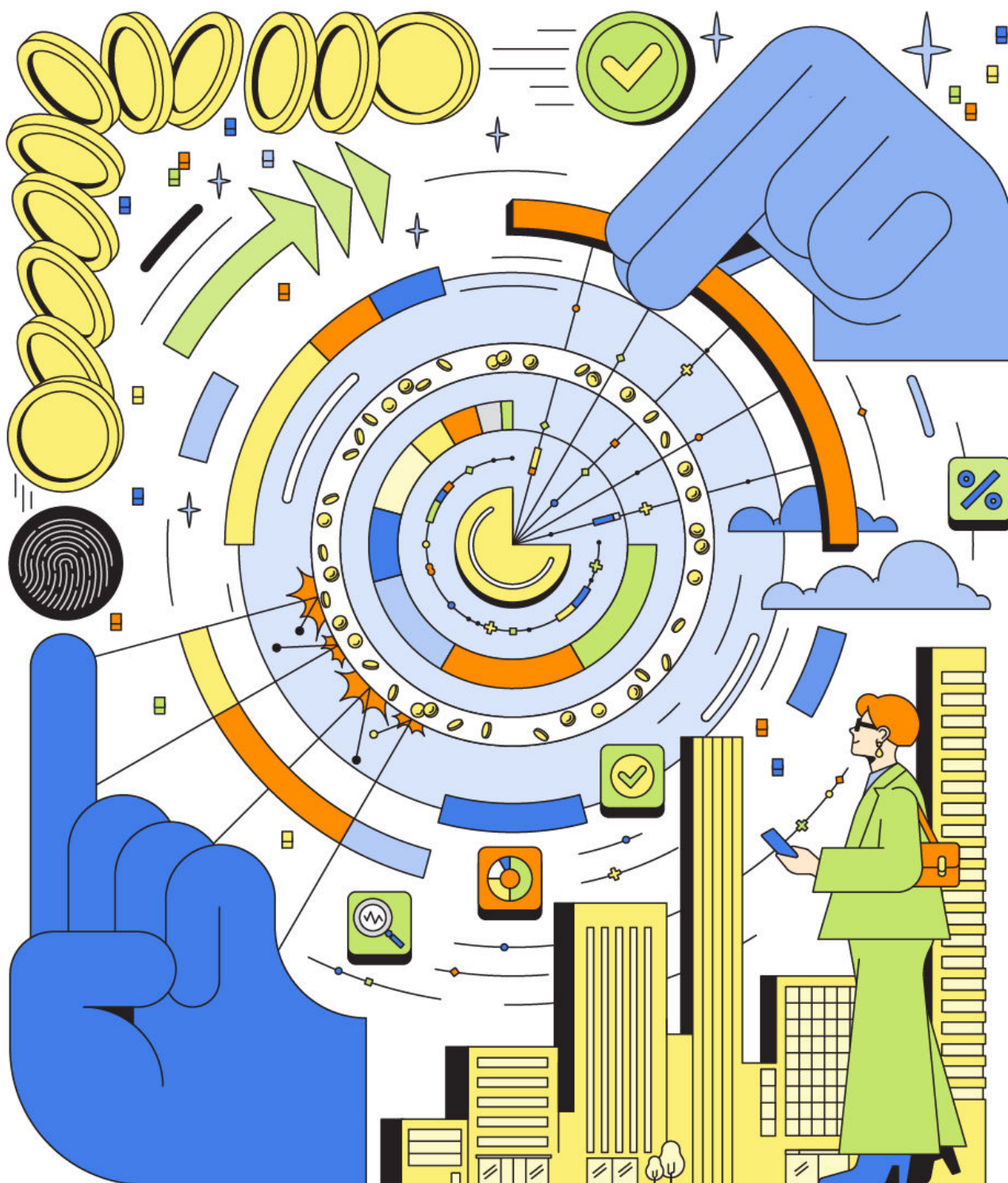


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Advent International

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PAYMENTS SECTOR REPORT



TREMENDOUS CHANGE WITH MORE TO COME

Foreword by Jeff Paduch, Managing Partner

The digitalization of payments has driven a massive wave of innovation and created significant value for stakeholders over the past two decades, and there is still a long way for this trend to run.

As an investor, Advent has been privileged to support many exciting businesses that have helped to define this sector. Carveouts from banks, such as our acquisitions of Worldpay or Vantiv, proved how payments divisions could become global champions when transformed into independent businesses. Evolving business models offering vertical software and seamless payments have shown how customer-centric innovation can help merchants run their businesses better. Deals on this theme since 2020 include Xplor, Planet, Zenoti, Medius and Mangopay.

We like to think Advent's investments in payments have helped to shape this dynamic sector into its current form. We have invested or committed more than \$7.8 billion in 18 payments and fintech companies globally since 2008. A list of our payments investments in this period is on page 11.

We continue to make large and meaningful investments in this sector, for example our pending investment in Nuvei, announced in April 2024.

Our work in payments has always depended on talent and supporting the development of high performing organizations and teams. We have been incredibly fortunate to work alongside defining advisors in the ecosystem and some

of the best teams in the space, many of whom continue to work with us across multiple deals today.

This is a market that has developed rapidly driven by technological change, customer demand and the desire of regulators to make payments architecture safer, more resilient and more transparent. And these trends show no sign of slowing.

That means there will be more change to come. As investors, what might have been successful in the past will likely not be successful in the future; no one in this sector can afford to be complacent. At Advent, we look forward to working with the talent in our portfolio and wider ecosystem to find the next generation of deals in the sector. •



FROM BANK OWNERSHIP TO VERTICAL INNOVATION

The growth of the payments sector is fundamentally driven by the move from physical cash payments to digital ones. Initially, the largest players were the banks and credit card companies.

Advent played an important role in this early stage of the market's development. Between 2008-10, we invested in Monext, Vantiv and WorldPay. Each were carveout investments, in which we took a payments processing division of a larger entity and shaped it into a separate, free-standing business.

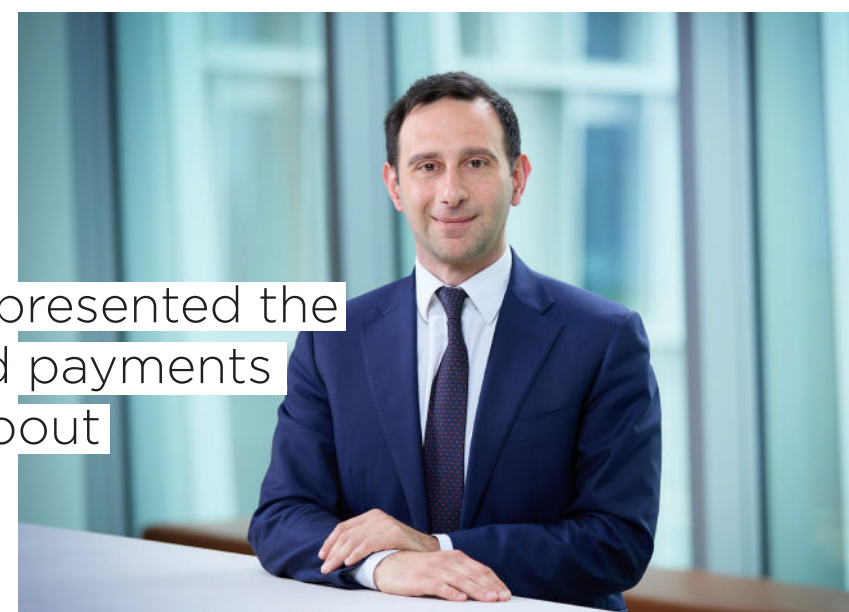
These carveouts were complex. Separating the IT platform at Vantiv from that of its parent was like "un-mixing paint", according to one executive at the bank. However, the daunting efforts were rewarded. Driven by significant investment, each business grew and thrived in its new form. This prompted us to make four more complex carveout deals in the subsequent decade, of Nexi in Italy, Concordis in Germany, Nets in Denmark, and Prisma Medios de Pagos in Argentina. These investments were aimed at consolidating regional players to make cross-border leaders, and can be described as "horizontal".

As the payments sector developed, new players emerged to service the needs of an increasingly digital market. Banks were no

longer the only game in town. A variety of fintech businesses came to market pursuing a "vertical" model. As well as processing payments, they assisted merchants with management software to help them run their businesses, typically processing payments across multiple channels. See page 8 for examples of our investments in these kinds of business.

The market continues to develop. "If horizontal payments represented the first phase of market development and integrated payments the second, the third, and current, is all about connected commerce," says Fabio Cali, Managing Director in Advent's London team.

In this third phase, payments innovators offer suites of services in addition to payments. These span from digital wallets to loyalty schemes and from data analytics to financial services such as insurance. These providers typically operate a software-as-a-service model. See page 9 for more on this portion of the market. •



“If horizontal payments represented the first phase and integrated payments the second, the third is about *connected commerce*.”

Fabio Cali, Managing Director
in the London office



HOW ADVENT SOURCES PAYMENTS SECTOR DEALS

- Advent's deal-sourcing process works by first identifying attractive investment themes. The growth of electronic payments has been a key theme for over a decade.
- Once a theme is identified, we create a "sourcing cell" to map out the landscape of possible investments. Sourcing cells consist of Advent deal team members, at least one external operating partner and multiple industry advisers.
- Sourcing cells build relationships with management teams at potential investee businesses to find those with the potential for transformation and growth.
- Advent has over 50 sourcing cells around the world.



CEASELESS DISRUPTION AS THE INDUSTRY REINVENTS ITSELF

The payments sector continues to evolve, driven largely by the globalization of commerce. Enabled by the internet, more and more companies are growing to a scale that allows them to be truly international. But, rather than operate with different payment partners in each market, they expect their service providers to support them across multiple jurisdictions.

Our pending investment in Nuvei capitalizes on this trend. As of April 2024, the company's global reach extends to more than 200 markets across the globe, with local acquiring in 50 markets and connectivity to 680 local and alternative payment methods.

"Payments firms are the enablers of modern-day global commerce," says Bo Huang. "They must support cross-border, cross-currency transactions across multiple jurisdictions in a simple, efficient way. More than ever, the mantra of successful payments businesses will be 'solving global complexity'."

It is a trend we have played previously. Our investment in EBANX in 2021 was focused on the company's cross-border expertise (see page 10 for more on Nuvei and EBANX).

As the industry develops, we see exciting opportunities for companies in the connected commerce niche that can offer software, lending and other services on top of payments.

Some of these players can not only provide payments architecture, but also support an interactive shopping experience tailored to customers' needs.

As in many other spaces, artificial intelligence is a force of change. Possible implementations include better fraud prevention that would slash the billions of dollars lost each year to financial crime. AI can also help businesses speed up customer service and client onboarding through the use of chatbots.

We are also bullish about digital transformation in business-to-business (B2B) payments. The B2B space is significantly bigger than business-to-consumer (B2C) in terms of dollars transacted. But, unlike B2C, digital penetration in payments is low, and many businesses still rely on paper checks. There are huge opportunities to employ technology to make B2B payments more efficient. •



“More than ever, the mantra of successful payments businesses will be, ‘*solving global complexity*’.”

Bo Huang, Managing Director in the Boston office

VERTICAL LEADERS THRIVE

Payment providers that operate a 'vertical' model are much more than simply facilitators of transactions. It has long been recognized that small and mid-sized businesses need an array of support services on top of their payments processing.

Planet, which we backed in 2021, provides integrated digital payment services on a single platform that includes acquiring, processing, digital wallets, VAT refund and currency conversion services. It provides the platform to merchants in the retail, hospitality, food and beverage, parking and financial sectors.

It is a similar story for Xplor Technologies, another portfolio business, which we formed in 2021 from the merger of Clearent, an integrated payment provider, and Transaction Services Group, a provider of business management software and integrated payments for the subscription economy.

Xplor offers enterprise software alongside a global, cloud-based payment processing platform. It supports businesses in five sectors: education, health and fitness, boutique wellness, field services and personal services.

Other examples from the portfolio are Zenoti, which provides payments services and software to the spa and salon sector; Thredd (formerly Global Processing Services), a payments issuer processing technology platform; Medius, which offers accounts payable automation, B2B payments, sourcing, and procurement software; and myPOS (below). Mangopay (right) and EBANX (see page 10) also provide software for payments.

We believe the market for vertical payments businesses is on track to expand, as small and mid-sized businesses in both Europe and the developed markets of Asia adopt these services, which are already widely used in the US. •

SMALL MERCHANTS, BIG IMPACT

Vertical payments providers support small and mid-sized companies, but what about businesses that are even smaller - an independent coffee shop, for example, or a sole trader?

Headquartered in the UK, and part of the Advent portfolio since 2023, myPOS serves around 170,000 micro-merchants in continental Europe across multiple sectors. With Advent's backing, myPOS is expanding its customer base as it develops into an end-to-end payments and technology company. It offers card readers, software and developer tools to help merchants process payments, handle admin and maximize profitability.



SPECIALIST TOOLS FOR E-COMMERCE PLATFORMS

The rise of e-commerce has created a flock of popular online marketplaces and platforms, selling everything from clothes to furniture to watches. In Europe, as of 2024, some of the most exciting players in this space include Vinted, Chrono24, La Redoute, Rakuten and Wallapop.

These platforms depend on their ability to connect sellers with buyers, and to do this effectively, they rely on specialist payments providers. When Mangopay joined the Advent portfolio in 2022, it was already serving all five of the marketplaces above. Its e-wallet service allows platforms to onboard sellers, hold and route funds to them safely and at scale. It offers a variety of functions specific to e-commerce platforms, including the flexibility to allow split payments, escrow accounts, fraud prevention and closed-loop payments.

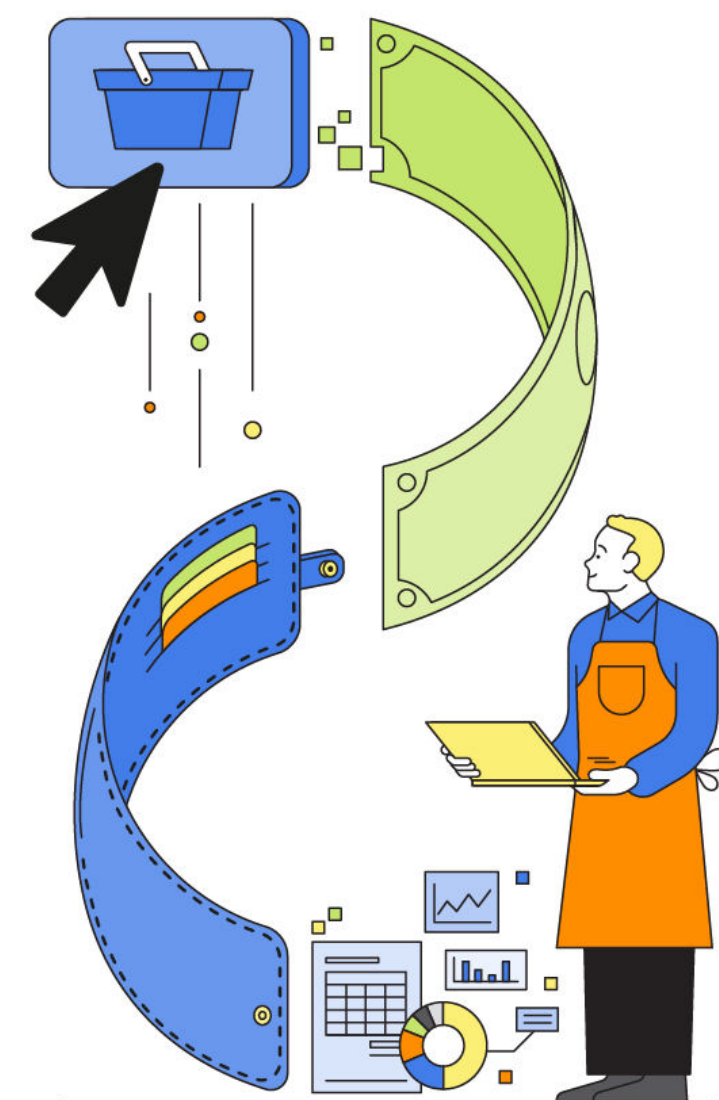
Advent acquired Mangopay from Crédit Mutuel Arkéa, the French banking group, which retains a minority shareholding. The investment thesis anticipates significant growth in e-commerce platforms globally as more retailers migrate to a marketplace model. Advent brought €75 million of primary capital to accelerate Mangopay's growth by helping it create partnerships with more marketplaces. It is also expanding its product offering to include invoicing, accounting, foreign exchange and other features.

"With Advent's support and deep payment expertise and network, I am more excited

than ever about our opportunity and ability to serve international platforms in this rapidly growing area of the e-commerce industry," said Romain Mazeris, CEO of Mangopay.

Mangopay continues to expand its network, which now includes Eleanor, a guest management platform for luxury hotels, and mobile.de, the largest automotive marketplace in Germany.

Founded in 2013, Mangopay serves more than 235 million end users as of 2024. •



SOLVING THE CHALLENGE OF CROSS-BORDER PAYMENTS

Large enterprise organizations are increasingly global, and they rely on their payment providers to support them in the complex task of processing payments across the world, in different currencies, while managing operational and compliance risks.

Advent has made several investments in this part of the sector. Our pending investment in Nuvei, based in Montreal, is an example of a sophisticated provider with global reach. Nuvei helps companies across all verticals to accept next-gen payments, offer payout options, and benefit from card issuing, banking, risk, and fraud management services.

As of 2024, its reach extends to more than 200 markets across the globe.

Prior to that investment, in 2021, we backed EBANX, which helps brands such as Amazon, Alibaba, Spotify, and Uber reach over 70 million Latin American consumers across 15 countries through proprietary technology.

As digitalization increases across all sectors, there is an ever greater need for payments providers to supply the architecture that underlies safe and reliable cross-border payments. We look forward to investing in this trend, which we expect will continue to develop for many years to come. •



OUR INVESTMENTS IN PAYMENTS*

Since 2008

- **Nuvei**, committed (deal announced Apr 2024), Canada
- **myPOS**, Feb 2024, UK
- **MangoPay**, July 2022, UK
- **Medius**, Apr 2022, UK
- **Thredd** (formerly *Global Processing Services*), Dec 2021, UK
- **Planet**, Oct 2021, UK
- **EBANX**, Jun 2021, Brazil
- **Xplor Technologies**, (formed by merger of *Clearent* and *Transaction Services Group*), Feb 2021, US
- **Zenoti**, Dec 2020, US
- **Transaction Services Group** (now *Xplor Technologies* post-merger with *Clearent*), Oct 2019, New Zealand
- **Prisma Medios de Pagos**, Feb 2019, Argentina
- **Clearent/FieldEdge** (now *Xplor Technologies* post-merger with *Transaction Service Group*), Mar 2018, US
- **Nets**, Jul 2014, Feb 2018, Denmark
- **Concardis**, Jul 2017, Germany
- **Nexi**, Dec 2015, Italy
- **Worldpay**, Nov 2010, UK
- **Vantiv**, Jun 2009, US
- **Monext**, Oct 2008, France

*Advent's payments portfolio does not materially compete against each other.

