



Uptick in M&A expected in cross-border payments

By Rachel Stone

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Global cross-border payment providers are likely to see an increase in M&A activity within the next 24 months, according to several sources and experts.

Issues around compliance from country to country and the need for faster cross-border payments will continue to drive the adoption of business-to-business (B2B) solutions. Meanwhile, traditional peer-to-peer (P2P) remittance payments need to digitize.

As the remittances space has become extremely price-competitive, some companies may look to divest those business lines in favor of a lower-cost partnership route, said Zachary Aron, principal at **Deloitte Consulting**. He also expects larger institutions to drive M&A in the B2B space as they determine expansion strategies.

FLEETCOR Technologies [NYSE:FLT], for one, is targeting buys in the B2B cross-border payments space and finds especially attractive founder-controlled firms that have reached a certain level of maturity or sponsor-controlled assets that have been held for five to six years, said Mark Frey, group president of Corpay Cross-Border Solutions, a division of FLEETCOR.

While **Western Union** is the behemoth in the space, it isn't a driver of M&A activity. The US-based company's most recent deal was [a divestiture of its B2B cross border unit](#) to private equity firm **Goldfinch Partners** and investment firm **Baupost Group** for USD 910m announced in August 2021. That business, now called Convera, is likely to be an attractive target in the coming years, a sector advisor said.

In the near term, San Francisco-based **Veem**, a cross-border payments provider for small businesses, is expected to go up for sale. CEO Marwan Forzley recently told *Mergermarket* that Veem is working with **Raymond James** to [explore strategic opportunities](#). A sale process is expected to launch within a few weeks, the sector advisor said for this report.

B2B corporate players like **Wex** [NYSE:WEX] and FLEETCOR as well as smaller players like **Corcentric** and **WePay** are among logical buyers for Veem, the advisor said. Card networks **Visa** [NYSE:V] and **Mastercard** [NYSE:MA]; B2B players **Bill.com** [NYSE:BILL], **AvidXChange** [NASDAQ:AVDX] and **Payoneer** [NASDAQ:PAYO]; and software developer **Intuit** [NASDAQ:INTU] are also logical buyers for the asset, as reported.

There could even be a thesis around Payoneer as a take-private candidate, a second advisor said. The New York-based company is trading down more than 55% since going public in June 2021 after merging with a special purpose acquisition company.

In the EMEA region, 2023's landmark deal saw **Brookfield** [NYSE:BAM] acquire UAE-based digital payments provider **Network International** [LON:NETW] [for GBP 2.2bn](#) in June. **CVC** and **Francisco Partners** [had made a joint offer](#) to acquire the Dubai-based asset in April before Brookfield stepped in.

Other deals in the pipeline include foreign exchange specialist **Moneycorp**. The London-based company's owner **Bridgepoint** [LON:BPT] is working with **Goldman Sachs** and **Perella Weinberg Partners** to [gauge interest in a buyout](#) ahead of a potential 2024 sale, *Mergermarket* reported last August.

And **Marlin Equity** is [weighing early-stage exit options](#) for cross-border payment solutions provider **iBanFirst**, sources told *Mergermarket* late last year. The private equity sponsor was expected to seek a valuation for the Brussels-based fintech firm of around EUR 800m.

Multiples vary depending on the type of target, according to FLEETCOR's Frey. Large, mature players with established growth models see multiples on forward-looking EBITDA in the low-teens, whereas fintechs with a growth-story look to revenue multiples in the mid-to-high teens, he said.

Geo expansion to drive deals

Geographic expansion is likely to drive transactions as B2B-focused companies like FLEETCOR look to build out certain corridors, sector advisors said.

Frey noted a "massive" focus on corridor expansion in the last five or six years, specifically in Latin America and Africa. While those efforts were largely organic, the company sees more opportunity for acquisitions to establish corridors in Asia, Frey said.

Activity in the P2P space is also likely to be driven by purchases of single-corridor geographic assets, with countries in Latin America and Asia of particular interest, sources said.

In December 2023, Visa announced it would [acquire a majority stake in Prosa](#), a top payments processor in Mexico, to boost the adoption of digital payments in the country. London-based **Paysend** announced the month before that it was [partnering with Spanish language media company TelevisaUnivision](#) to target the USA-Latin America money-transfer corridors. Miami, Florida-based **International Money Express** [NASDAQ:IMXI] purchased a holding company in 2022 that included Spain-based I-Transfer, which [enables money transfers](#) from Spain, Italy, Germany and Canada.

Some of the biggest players in P2P cross-border payments are Western Union, **MoneyGram**, **Euronet Worldwide** [NASDAQ:EEFT]-owned **Ria**, and **PayPal** [NASDAQ:PYPL]-owned **Xoom** as well as new age player **Remitly**.

PayPal was reportedly working with **Goldman Sachs** last year to solicit buyers for Xoom, an international funds transfer company that the US-based fintech giant purchased in 2015 for USD 1bn.

Private equity may play a role here, too.

Sector experts were split as to whether private equity would engage with a roll-up strategy given lower EBITDA multiples and revenue pressures in remittances.

Deloitte's Aron said there is a growing focus on unique corridors and buying multiple smaller players to extract more profit from scale. Sponsors could also get involved with deconsolidation from larger strategic players, he added.

There are many sub-USD 50m EBITDA P2P players that would make good acquisition targets, the first advisor said.

Many P2P deals, echoed the second sector advisor, would be smaller USD 100m-USD 500m valuation transactions, some even lower depending on the geographic corridor and volume of transactions the seller processes.

Recent notable deals in the space include the [merger of DoLEX Dollar Express and Barri Financial Group](#) announced in August 2022 for an undisclosed sum as well as Dallas, Texas-based [MoneyGram's take-private](#) by **Madison Dearborn Partners** announced in February 2022 for USD 1.8bn.

So long as potential sellers moderate their valuation expectations from 2021 highs, deals are expected to get done from strategic and private equity buyers, advisors said.