



Merchant Portfolios

Analytical Capabilities

SEAA 2025 Information Packet

A Division of



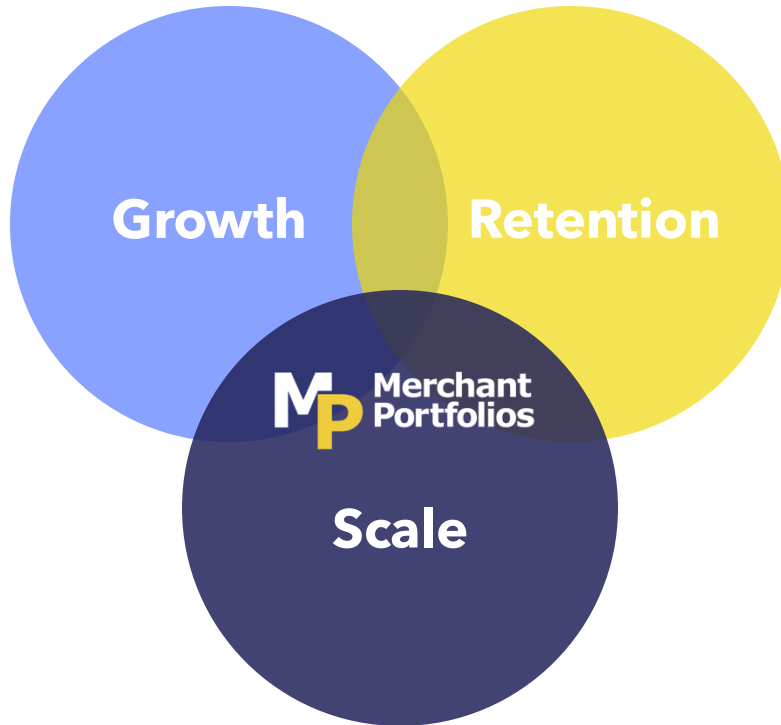
Wellesley Hills
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Investment Banking - Fintech | SaaS | Payments

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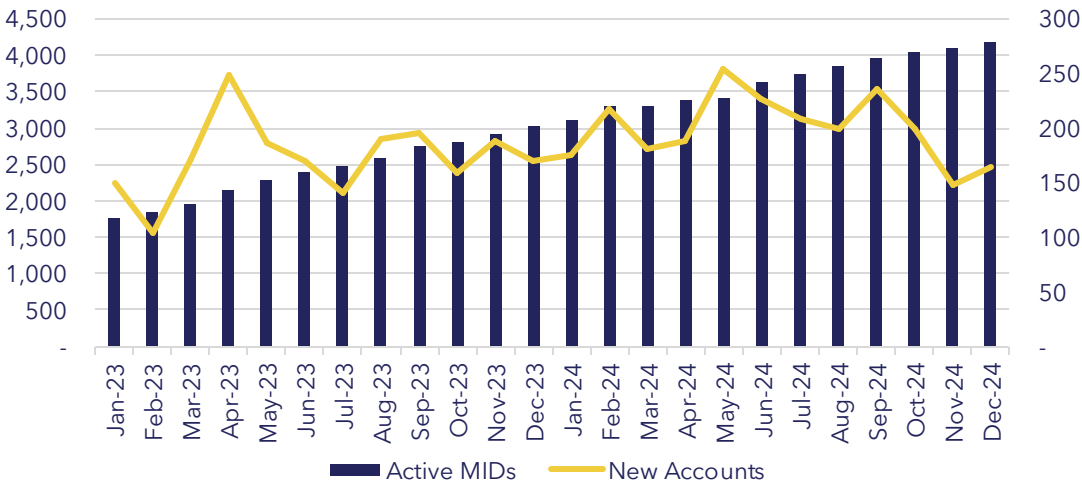
Leading Indicators of Value



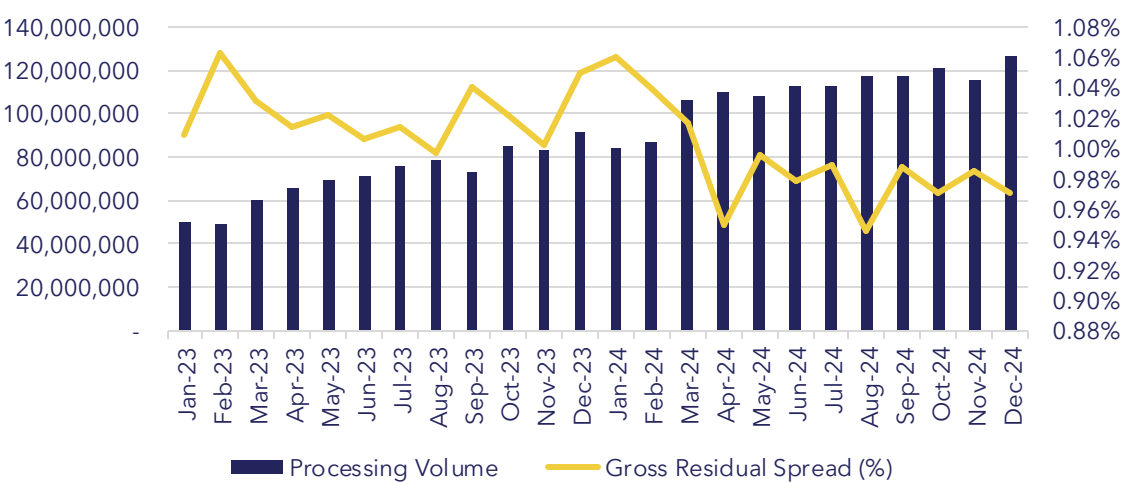
- While we help our clients with many short and medium-term goals, they all move toward the same long-term objective: **increasing merchant portfolio and enterprise value**
- To properly understand how to increase merchant portfolio and enterprise value, **a thorough review of current performance must be completed** with specific attention to core value drivers: **growth, retention and scale**
- The foundation of any payments business is the performance of its **merchant portfolio** which is measured by foundational KPIs
- Foundational KPIs are then synthesized with corporate financial statements to determine fair market value of both the merchant portfolio asset and the company's enterprise value (EV)
- Understanding **the valuation of both the asset and the overall business** has significance beyond a M&A event, including ownership goal setting, timelining, and the ability to secure outside capital and/or investment

Portfolio Trending

Active MIDs & New Accounts



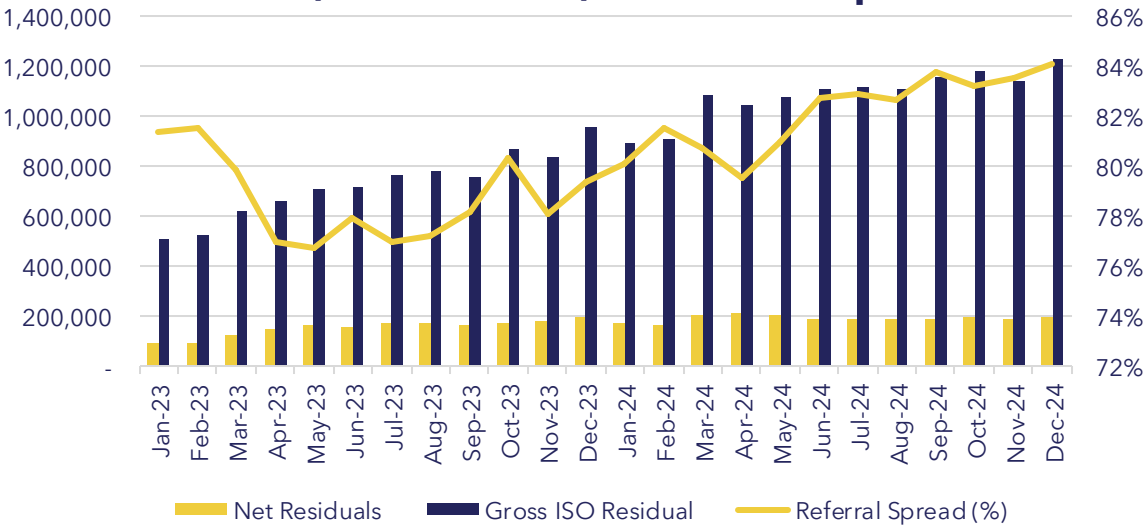
Processing Volume & Gross Residual Spread



Commentary

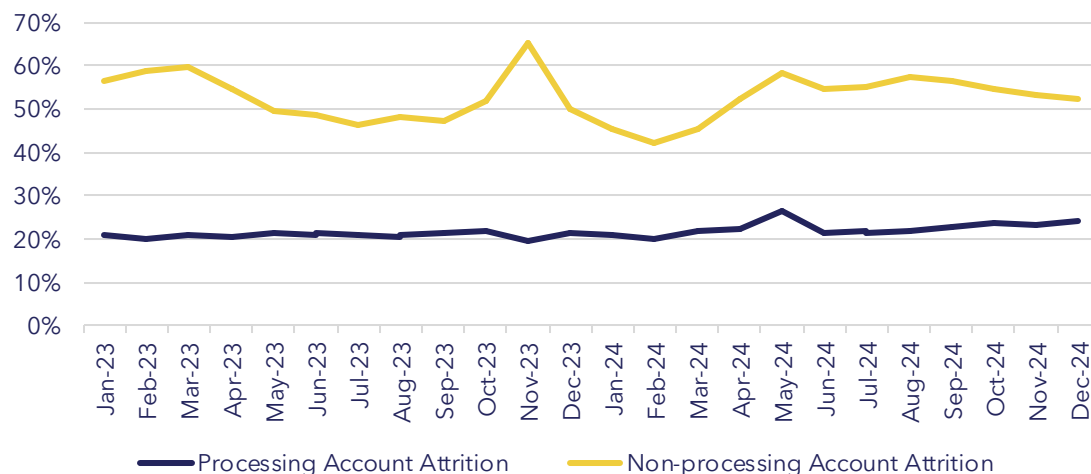
- At the highest level, MP begins all reviews of payments processing businesses with the basic KPIs of the underlying merchant portfolio
- Assessing overall trends in the growth or decline merchant account number, processing volumes, transaction counts, and residual revenues provides a baseline for overall business health, and identifying any outliers in month-to-month performance
- Merchant account status (active vs. inactive) is determined by revenue generation and transaction count
- Monthly residual revenue before and after payouts to agents is examined to determine overall profitability as a function of volume and accounts

Gross, Net Residuals, and Referral Spread

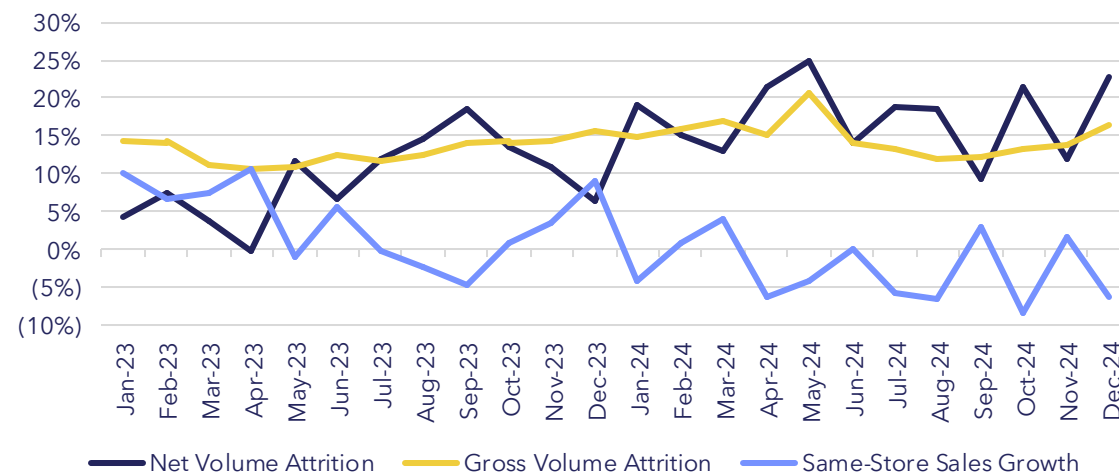


Portfolio Attrition Metrics

Merchant Account Attrition



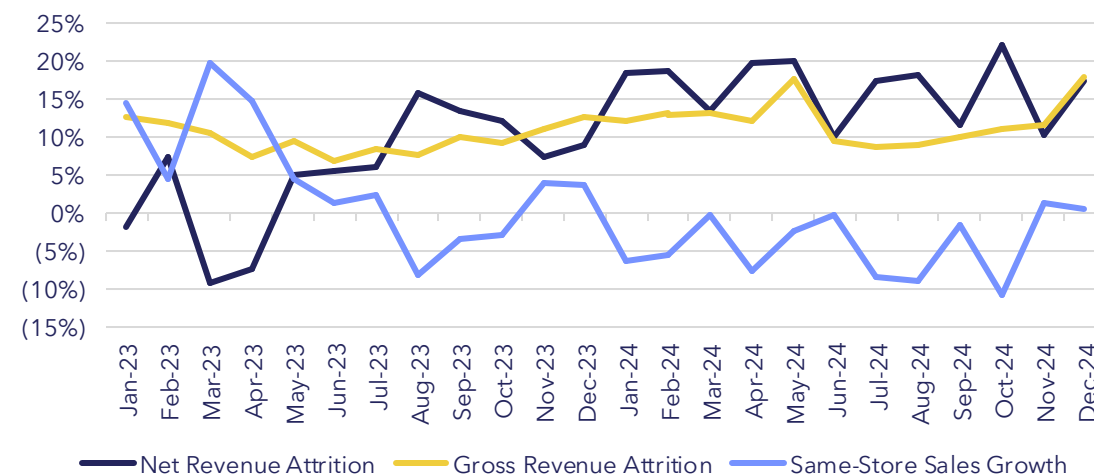
Processing Volume Attrition



Commentary

- Critical to any assessment of a merchant portfolio is a comprehensive understanding of attrition across account totals, processing volume, transaction count and net residual
- All attrition analyses are conducted on a static-pool basis comparing the same month, year-over-year, with percentages showing the annual loss rate
- Merchant accounts are segregated into both processing and non-processing buckets to show the relative disparity in retention between performing and non-performing merchants
- Volume, transaction, and revenue attrition rates are measured in three ways:
 - **Gross Attrition** - rate of loss of merchants that have become inactive since the previous year
 - **Same-Store-Sales** - growth/loss of merchants that have remained active since the previous year
 - **Net Attrition** - gross attrition rate +/- same store sales

Residual Revenue Attrition



Deeper Analysis and Portfolio Segmentation

While understanding detailed KPIs at the company level can be helpful to owners in gaining perspective on their business holistically, **MP specializes in creating custom cuts of portfolio performance to gain deeper insights into overall trends**

MP can build analyses that are as thorough and detailed as the data we receive from our clients

If provided data at the MID level, portfolios can be segmented in any one of the following ways:



**Board Date /
Account Age**



**Sales Team /
Agent**



**Referral /
Integrated
Partner**



CP / CNP



MCC Code



**Sponsor Bank /
Processing
Platform**



**Merchant
Size**

Looking at performance at the MID level allows MP to identify areas of under or over-performance compared to industry averages, and create strategies to reduce attrition, increase profitability, and enhance long term portfolio and enterprise value

Portfolio Valuation Example

DCF Results

	Years					Present Value of	L3M Avg.	Terminal Exit Multiple	Future Value of	% of
	1	2	3	4	5	Cash Flows	Terminal Net Res.	L3M Avg.	Terminal Value	Terminal Value
Cash Flows per Year (Net Residual Revenue, Exc. Debt)										
Base Case	3,103,079	4,097,127	4,982,912	5,779,542	20,018,092	\$14,494,405	563,178	24.0x	13,516,264	25.1%
Downside Case	2,347,235	1,948,801	1,600,478	1,299,238	1,997,076	\$3,676,144	79,591	12.0x	955,097	7.0%
Agent Buyout Case	8,604,589	8,634,857	8,727,264	8,869,125	27,301,548	26,159,080	760,474	24.0x	18,251,364	18.8%
Cash Flows per Year (Revenue After Debt Payments)										
Base Case	1,714,203	2,708,251	3,594,036	4,390,666	18,629,216	\$11,111,701	563,178	24.0x	13,516,264	32.8%
Downside Case	958,360	559,925	211,602	(89,638)	1,563,297	\$1,220,277	79,591	12.0x	1,910,193	42.2%
Agent Buyout Case	4,108,292	4,138,560	4,230,967	4,372,828	22,805,252	\$15,208,035	760,474	24.0x	18,251,364	32.3%

Summary

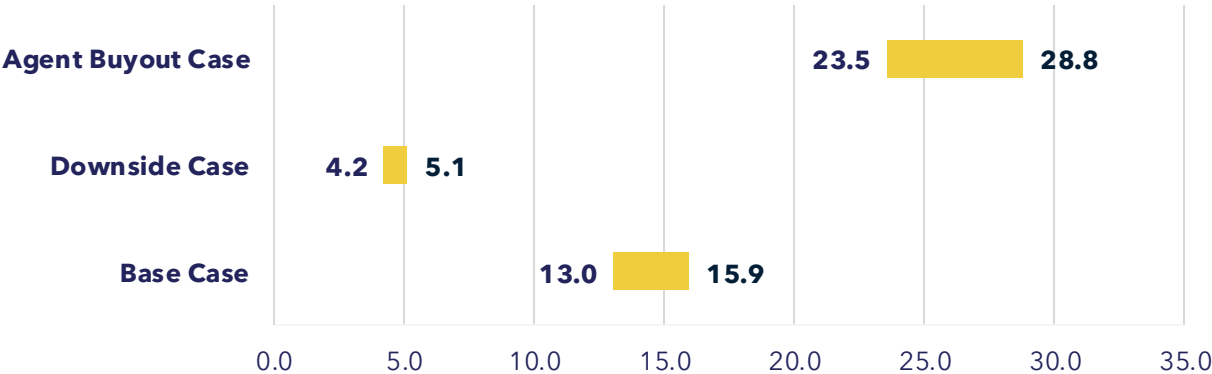
- Once portfolio KPIs are extracted, MP creates a projection for the continued operation of the portfolio to help plan future performance
- MP’s ability to create several scenarios (best-case, worst-case, special-case) allows us to work with owners and establish the performance benchmarks to achieve goals, and **answer questions about operational decisions:**

I want my portfolio to be worth \$XXM in two years – what does my average attrition rate, monthly board count, and merchant size need to be to get this valuation?

I want to raise capital to buyout some of my downline agent commissions and acquire a gateway – what size loan can I support and still remain profitable?

I want to start boarding high-risk business – how much low-risk business do I need to maintain in order to balance my overall portfolio and remain compliant with my acquirer?

Portfolio Valuation Field (Millions)



Contact Information

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