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Vantiv To Acquire Paymetric For B2B Payment Workflow

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VentureDeal

Vantiv To Acquire Paymetric For B2B Payment Workflow

Quick Take

Payment processor Vantiv (VNTV) has agreed to acquire B2B payments workflow company Paymetric from owner Francisco Partners for an undisclosed sum.

Paymetric has developed a B2B payment processing and workflow solution for the enterprise.

Assuming Vantiv isn't paying too much, the buy should have low integration risk and propel the company into the fast-growing enterprise payment space.

Target Company

Atlanta, Georgia-based Paymetric was founded in 1998 to automate payment workflows within and between enterprises and to tokenize payment data to increase payment security throughout the supply chain.

Management is headed by President and CEO Asif Ramji, who has been with the firm since June 2009 and was previously SVP & GM for RBS WorldPay's Prepaid, Loyalty and ATM Services division.

Paymetric has developed a significant partnership structure that includes:

- System Integrators
- Independent Software Vendors
- Qualified Security Assessors
- Processors

Notably, Vantiv was a pre-existing Processor partner, so the two companies had already developed a technology relationship prior to the acquisition.

Investors in Paymetric supplied an unconfirmed amount of funding, with Austin Ventures being an early lead investor in the firm.

It is likely Paymetric raised in the neighborhood of $20 million in financing before being acquired by private equity firm Francisco Partners in August 2013 for an undisclosed amount.

Acquisition Terms

Neither Vantiv or Paymetric disclosed the acquisition amount or terms, and there have been no 'whisper' numbers appearing in various press reports.

As of December 31, 2016, Vantiv had $139 million in cash and equivalents.

Vantiv hasn't been shy about paying the necessary price for acquisitions, as it paid private equity firm Silver Lake and other shareholders the sum of $1.65 billion for competitor Mercury Payment Systems in May 2014.

Vantiv has not filed an 8-K on the transaction, nor has it disclosed the amount, so that leaves me to wonder whether the transaction was material.

Without a disclosed metric to provide a way to value the deal, it's impossible to know for sure what the consideration will amount to, but my best guess is that it will be for less than $100 million, since anything over that would have likely compelled Vantiv to disclose the amount as 'material.'

Rationale and Commentary

Unlike the Mercury Payment deal, the rationale for acquiring Paymetric is not to take out a competitor, but to expand Vantiv's offerings into the B2B payment workflow space.

Additionally, Paymetric is well-positioned in the growing B2B card-based transaction segment, which utilizes its tokenization technologies to improve data security and reduce PCI DSS audit costs.

As Vantiv CEO Charles Drucker stated in the acquisition announcement,

Acquiring Paymetric builds upon our strategy to expand into high-growth channels and verticals. Paymetric's deep system integration and workflow automation expertise will enhance our already-leading ecommerce technology capabilities. Paymetric's B2B focus will also enable us to enter this fast-growing vertical in a unique and differentiated way.

So, Vantiv is bringing Paymetric in-house in order to spearhead a further expansion into B2B payments.

The advantages to Vantiv include diversifying revenue streams and building on its existing platform and vendor ecosystem to pull more transaction activity through its growing network.

Paymetric also brings existing partnership relationships with SAP (SAP), Oracle (ORCL) and Salesforce (CRM).

Also, as businesses of all types conduct more transaction activity in the cloud and integrate more deeply with their supply chain, the need for automated and efficient payment processes has grown accordingly.

It’s a smart deal by Vantiv, assuming it isn’t overpaying for Paymetric.

GE Completes Acquisition Of LM Wind Power For Wind Blades

Quick Take

General Electric (GE) subsidiary GE Renewable Energy has completed the previously announced acquisition of LM Wind Power for $1.65 billion from private equity owner Doughty Hanson.

LM makes some of the world's largest and most advanced wind turbine blades.

The deal promises to help the combined operation lower total cost of ownership for customers, especially in major growth markets of China, India, Brazil and Turkey.

Target Company

Denmark-based LM Wind Power was founded in 1940 originally to manufacture wooden furniture.

In 1953, the company divided its operations into camping and glass fiber divisions, with the glass fiber division providing the initial impetus and expertise to begin manufacturing wind turbine blades.

In 1978, the company supplied its first set of wind turbine blades to the Orkney Islands near Scotland.

Management is headed by CEO Marc de Jong, who has been with the firm since June 2015. Previously, he was CEO Professional Lighting Systems at Philips (PHG).

LM currently has over 9,000 employees in 10 countries and has produced more than 190,000 wind turbine blades enabling over 77 GW of installed wind power generating capacity and replacing 147 million tons of CO_2 annually.

Doughty Hanson invested in LM in order to expand its manufacturing facilities and sales operations into key markets such as China and India.

Acquisition Terms

GE paid €1.5 billion ($1.65 billion) for LM to its owner Doughty Hanson, which acquired LM in 2001.

The deal valued LM at **8.3x** 2016 EBITDA. LM notched first half 2016 sales of €491 million, so on a Price/Sales multiple, the deal likely was priced at approximately **1.5x**.

GE [said](#) 'the deal will be accretive to GE earnings in 2018.'

LM will continue to operate as an individual unit within GE Renewable Energy and will provide blades for GE's onshore and offshore business units.

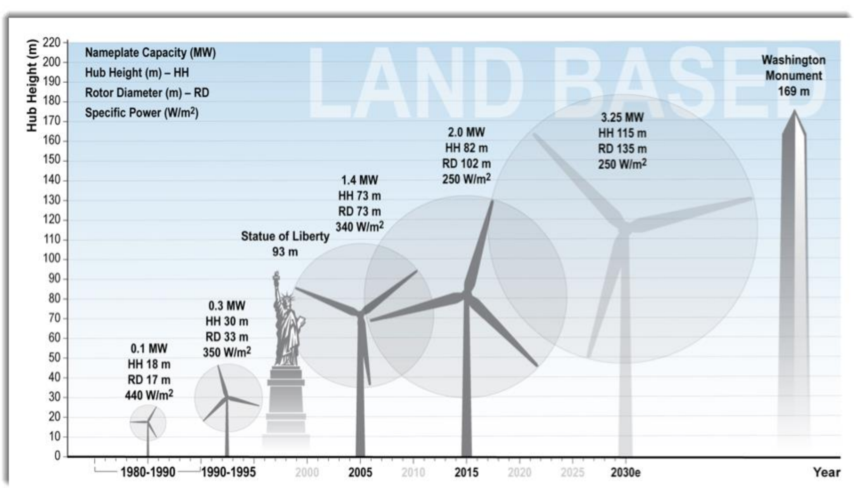
Rationale and Commentary

GE Renewable Energy is acquiring LM to drive cost savings as the industry becomes more competitive.

The unit is competing against leading wind blade providers such as Vestas (Denmark), Goldwind (China), Enercon and Siemens (Germany).

A number of factors are converging to reduce wind energy costs, including improved power transmission infrastructure, energy storage and larger wind turbine sizes.

Below is a chart showing the historical growth and forecasted growth of land-based turbine size in the U.S.



(Source: [UtilityDive](#))

GE Renewable's President and CEO Jerome Pecresse identified LM as providing GE:

"with the operational efficiencies necessary to support the growth of our wind turbine business, which is the fastest growing segment of power generation. With LM's technology and blade engineering, we are now able to improve the overall performance of our wind turbines, lowering the cost of electricity and increasing the value for our customers."

The two companies have an existing relationship, including partnering on the first offshore wind farm in the U.S.

Due to that preexisting relationship, integration risks should be minimal, allowing the new combination to increase GE's visibility in the marketplace along with lowering the cost of ownership for customers.

Time will tell if the new combination can develop blades that are more competitive in the market. The competition is not standing still, so GE and LM have much work ahead.

Becton, Dickinson Acquires C. R. Bard For $24 Billion

Quick Take

Medical device manufacturer Becton, Dickinson and Company (BDX) has agreed to acquire C. R. Bard (BCR) for $24 billion in cash and stock.

Bard sells a range of medical device treatments and products to hospitals and healthcare professionals in North America and abroad.

The bold transaction isn't cheap for BDX shareholders, but based on management's past success with integrating large acquisitions, the outcome is likely a positive one.

Target Company

Murray Hill, New Jersey-based C.R. Bard was founded in 1907 and operates in three medical industry verticals: vascular, urology and oncology.

In vascular, its products are primarily medical devices that aim to be minimally invasive treatments of peripheral vascular conditions in addition to various catheters.

For urology, Bard sells catheter products as well as stents, pelvic floor repair and incontinence products.

In cancer, it provides vascular access catheters, ultrasound devices and enteral feeding devices that treat or manage various cancers.

Management is headed by Chairman and CEO Timothy Ring, who has been with the firm since 1992 as Corporate VP – Human Resources. Previous to Bard, Ring was Director of Personnel for the Hospital Products division at Abbott Laboratories for 10 years.

Prior to the takeover announcement, Bard had a market capitalization of around $18 billion and $3.7 billion in 2016 calendar year revenues.

Acquisition Terms

BDX is acquiring Bard for $317 per Bard common share, comprised of $222.93 in cash and 0.5077 shares of BD stock for each Bard share.

This represents a premium of roughly $25% over its previous day's close.

Of the $24 billion in total consideration, BDX will contribute $1.7 billion in 'available' cash. Interestingly, BDX's most recent 10-Q (December 31, 2016) indicates cash on hand of only $919 million, so I'm not sure where they're getting the cash, unless they're breaking a piggy bank somewhere.

Additionally, BDX will issue $10 billion in new debt and $4.5 billion in 'equity and equity linked securities.'

Not surprisingly, BDX's stock has dropped by 3.5% on the news of the dilution and new equity issuances.

The acquisition is scheduled to close in 2H 2017 and to be 'immediately accretive and is expected to generate high-single-digit accretion to adjusted earnings per share (Not GAAP) in fiscal year 2019.'

Rationale and Commentary

BDX is acquiring Bard to diversify and expand its product line from diabetes-focused to vascular, urology and oncology.

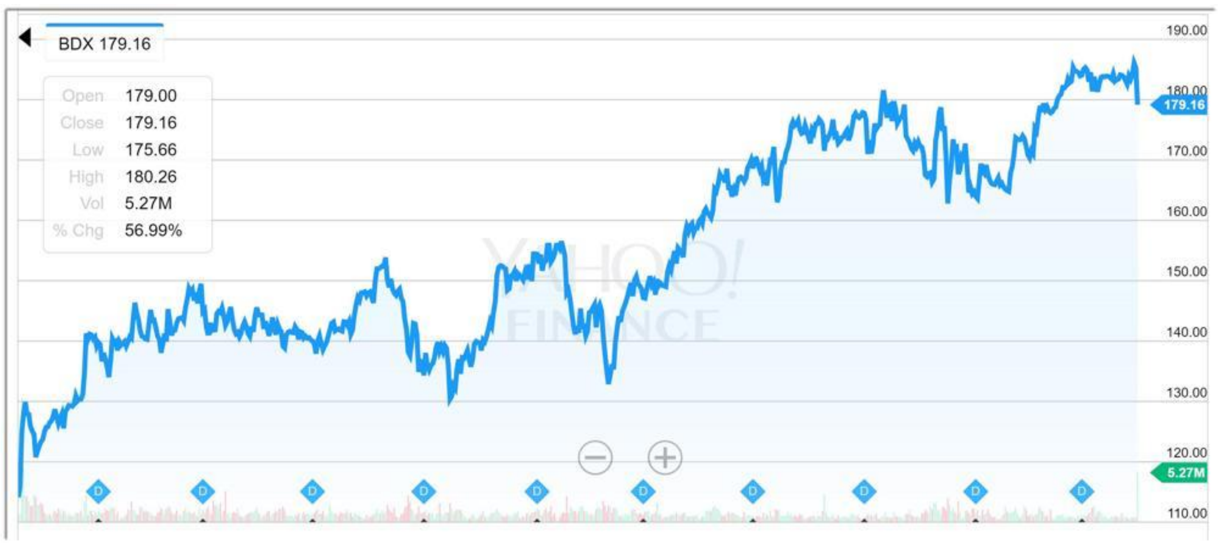
Becton has a significant market presence in medication management and infection prevention devices, which management believes it can build on with the addition of Bard.

Also, the combination promises to bring cost-saving synergies of $300 million pre-tax by fiscal 2020.

BDX is paying a 25% premium to the market for Bard's faster growth trajectory by virtue of its focus in the large markets of vascular and oncology.

Management says they're experienced at large integrations, citing the acquisition of CareFusion for $12.2 billion in October 2014.

A look at BDX's stock since then seems to confirm that view since it has risen from $115 per share to $185 per share during the time period:



(Source: [Yahoo Finance])

Although we won't really see the results of such a large and transformational merger for at least two fiscal years, management does have significant credibility based on its recent track record.

It's not getting Bard on the cheap, but I'm willing to bet on this bold move.