

BOIS CAPITAL

Future of Mobile Payment & Mobile Commerce

Tarang Shah

May 23, 2013

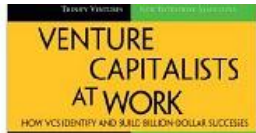
Introduction

Tarang Shah

Investment Banker, Technology Practice



BOIS CAPITAL



Bank of America

SoftBank Capital

ERICSSON

QUALCOMM

- Technology Investment Banker
- Author of Venture Capitalist At Work
- Mobile payment/commerce Executive
- VC focused on mobile, digital media investments
- Lead Product Manager for 3G productline
- Product/Technology Marketing

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 - Strong support for mCommerce and mobile payment
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 - Key drivers, current status and future of mobile payment
 - Mobile wallet
 - NFC
- **Recent Funding and M&A Transactions**

Future is Mobile

major players are creating mobile first experiences where end goal is mCommerce

“Our job is to make mobile the answer to everything...Your phone is your alter ego, an extension of everything we do. Here, right now, we understand the new rule is “mobile first in everything”

- Eric Schmidt, Google

“I want Facebook to get really good at building mobile-first experiences, and that will be a big theme for the company in 2013”

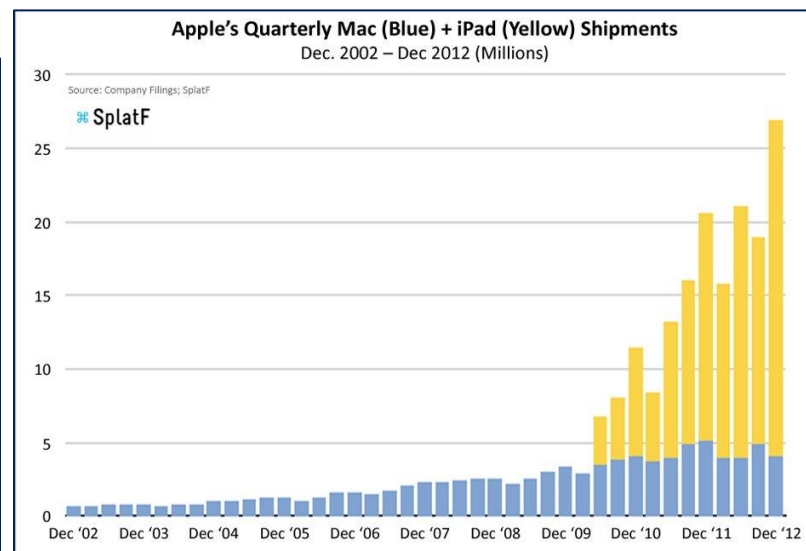
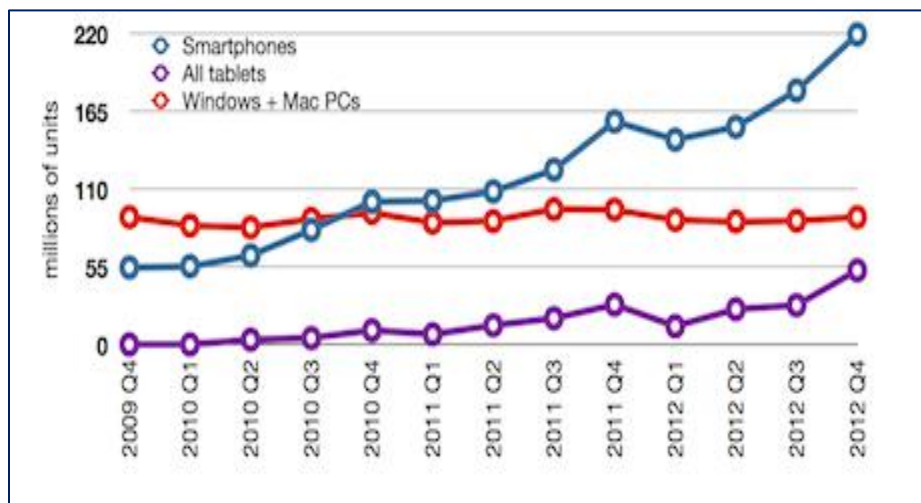
- Mark Zuckerberg, Facebook

“Your phone will be like a digital wallet so the need to use cash or credit card will be reduced because the phone will identify you and record your transactions in a very rich way”

- Bill Gates, Microsoft

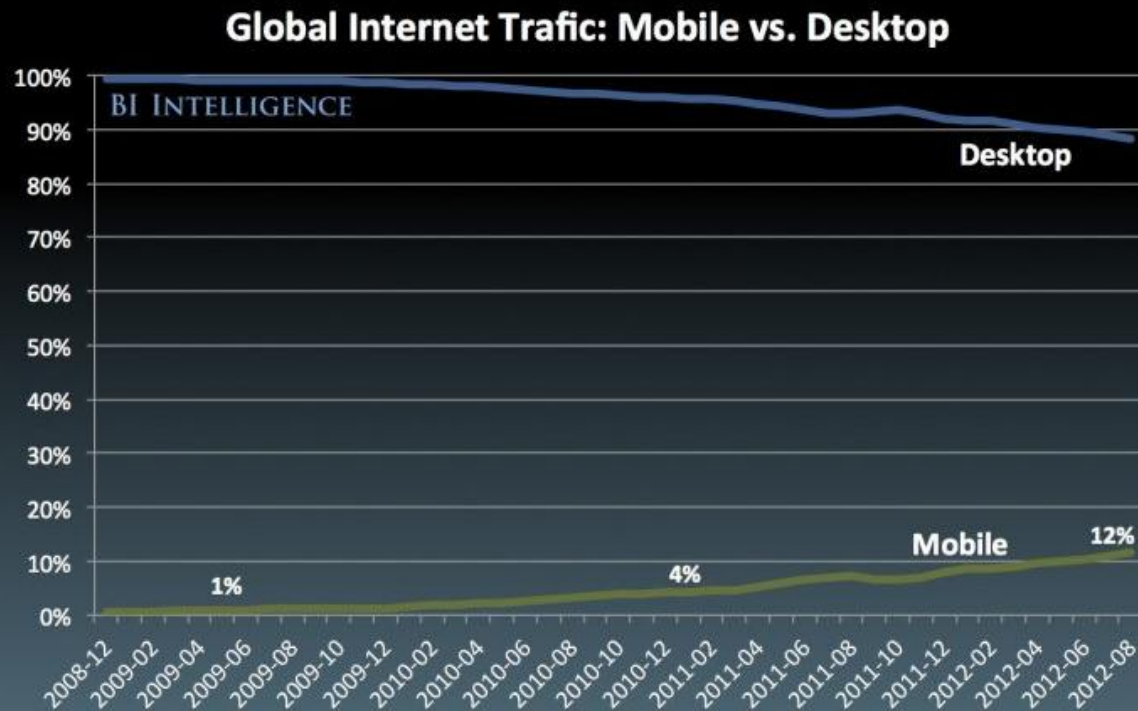
Future is Mobile

1. Smartphone sales surpassed PC sales in 2010
2. Tablet sales expected to surpass PC sales in next couple years
3. Apple sold more iPads in first 24 months than Macs in 24 years
4. Mobile chipset leader Qualcomm's market cap surpassed PC chipset leader Intel (Nov 2012)
5. Facebook paid \$1 billion for mobile photo sharing play, Instagram



Future is Mobile

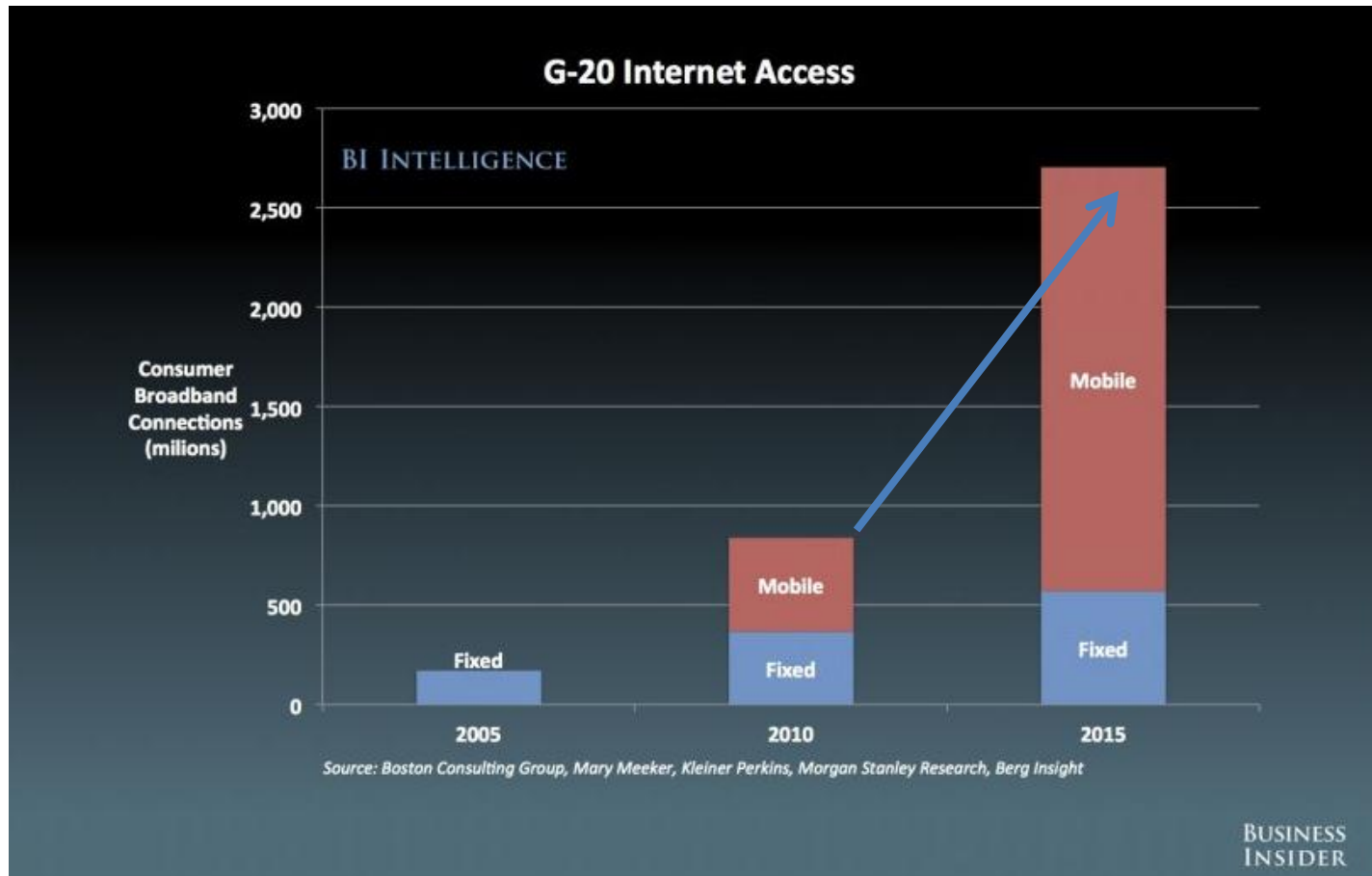
Mobile now accounts for 12% of global internet traffic



Source: StatCounter

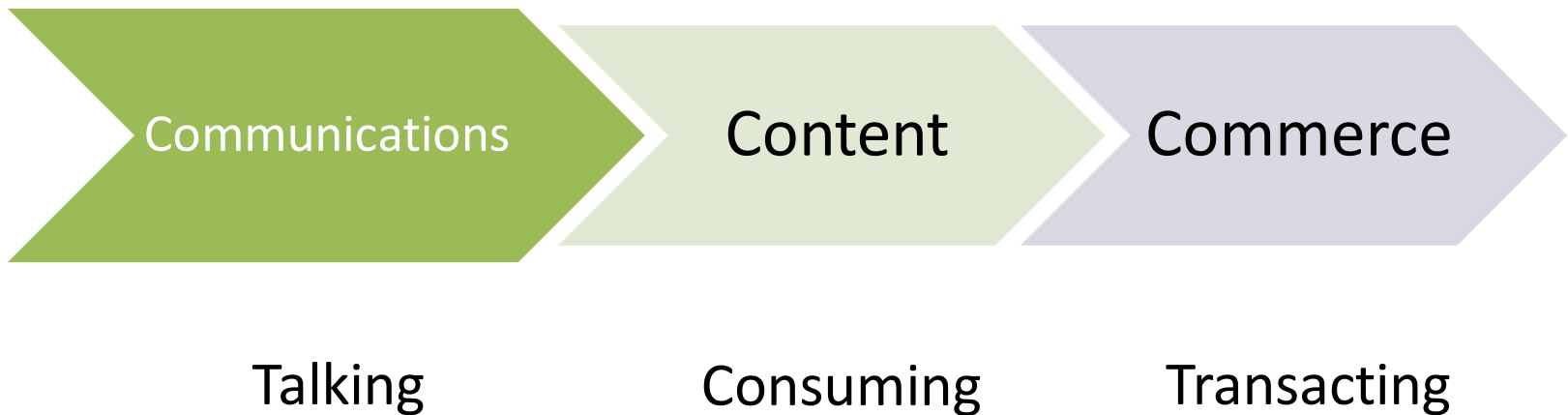
BUSINESS
INSIDER

Future is Mobile



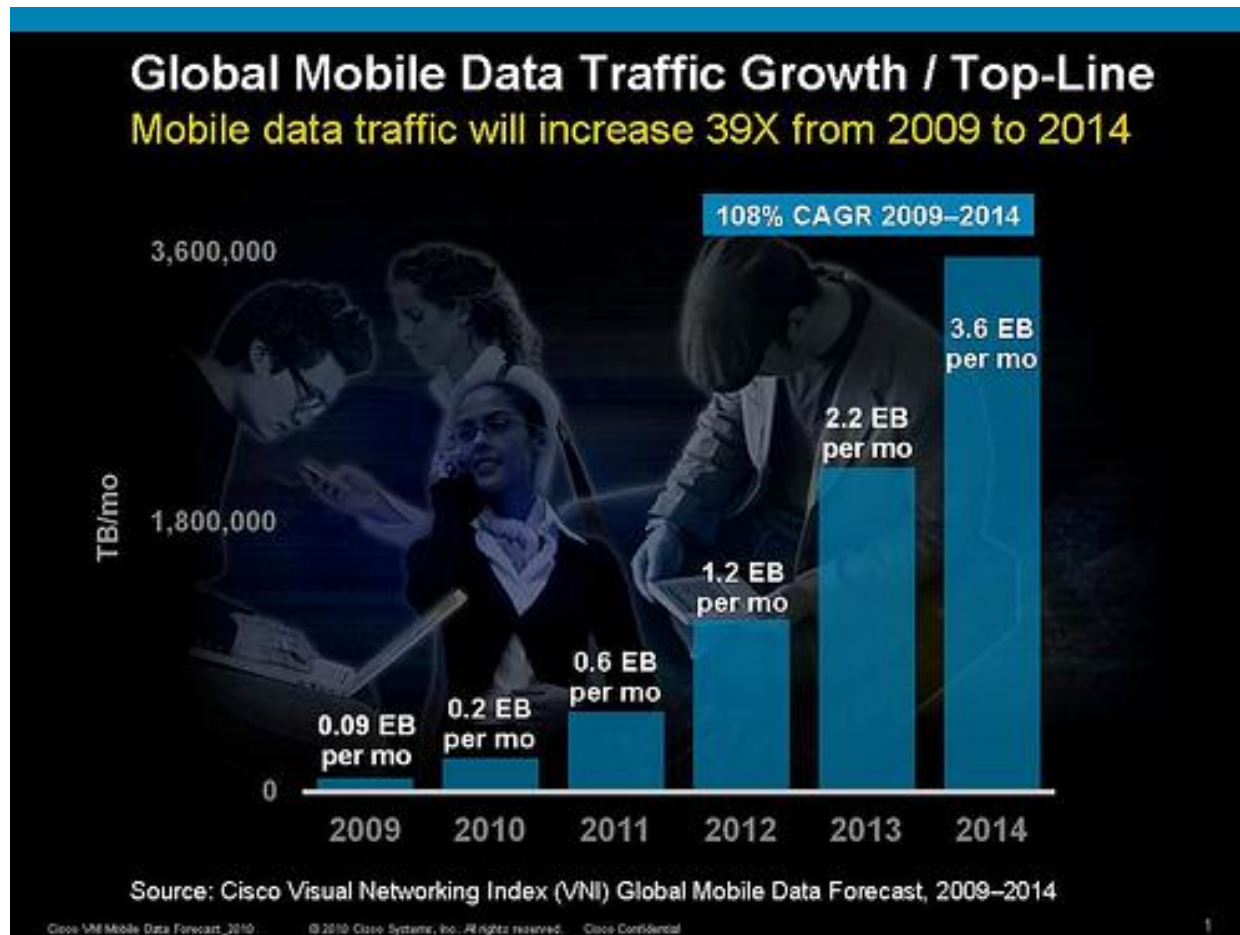
Evolution of Mobile

rapid evolution from voice to data to transactions



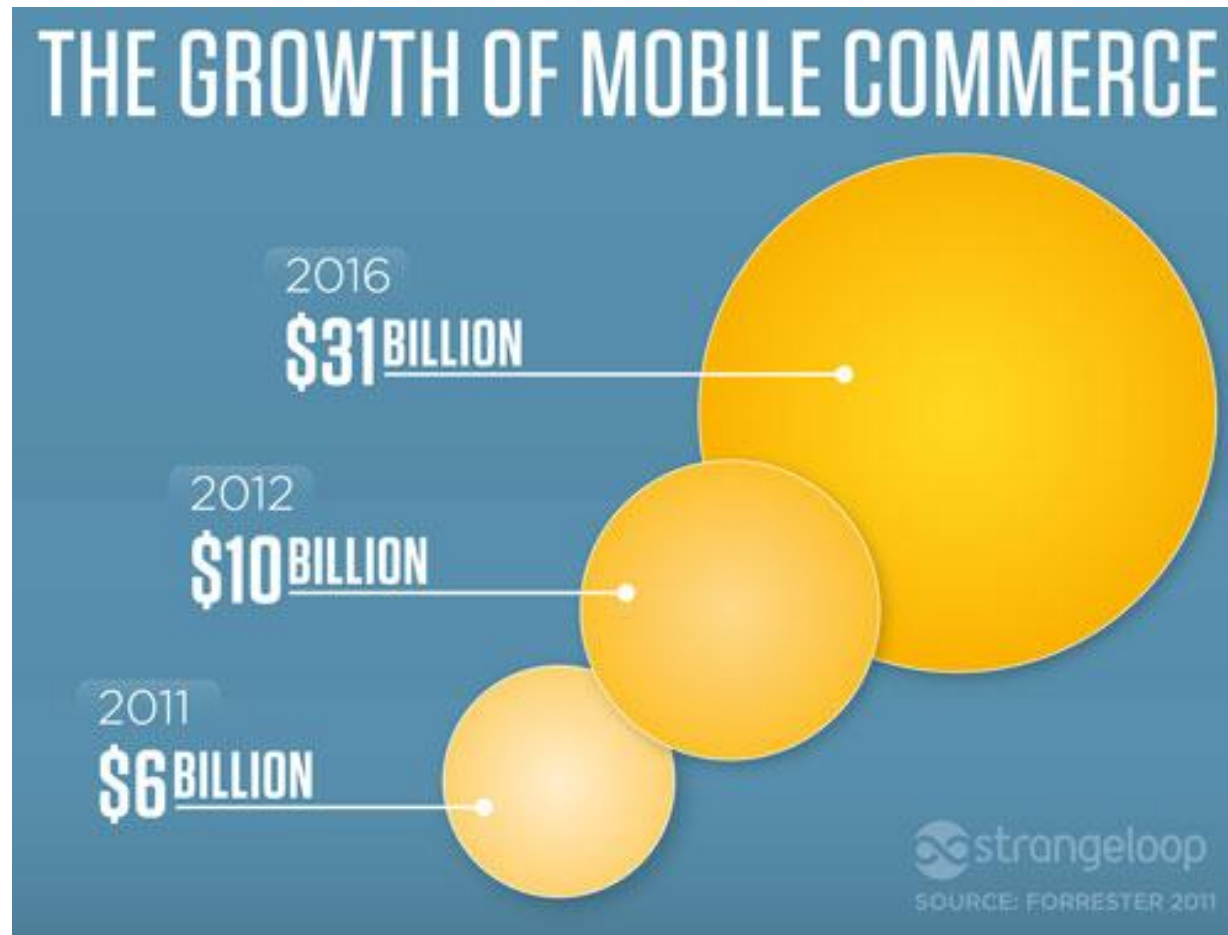
Content Consumption

rapid growth from voice only communications to content consumption



mCommerce

key drivers - > huge smartphone penetration fueling “Here & Now” mobile lifestyle

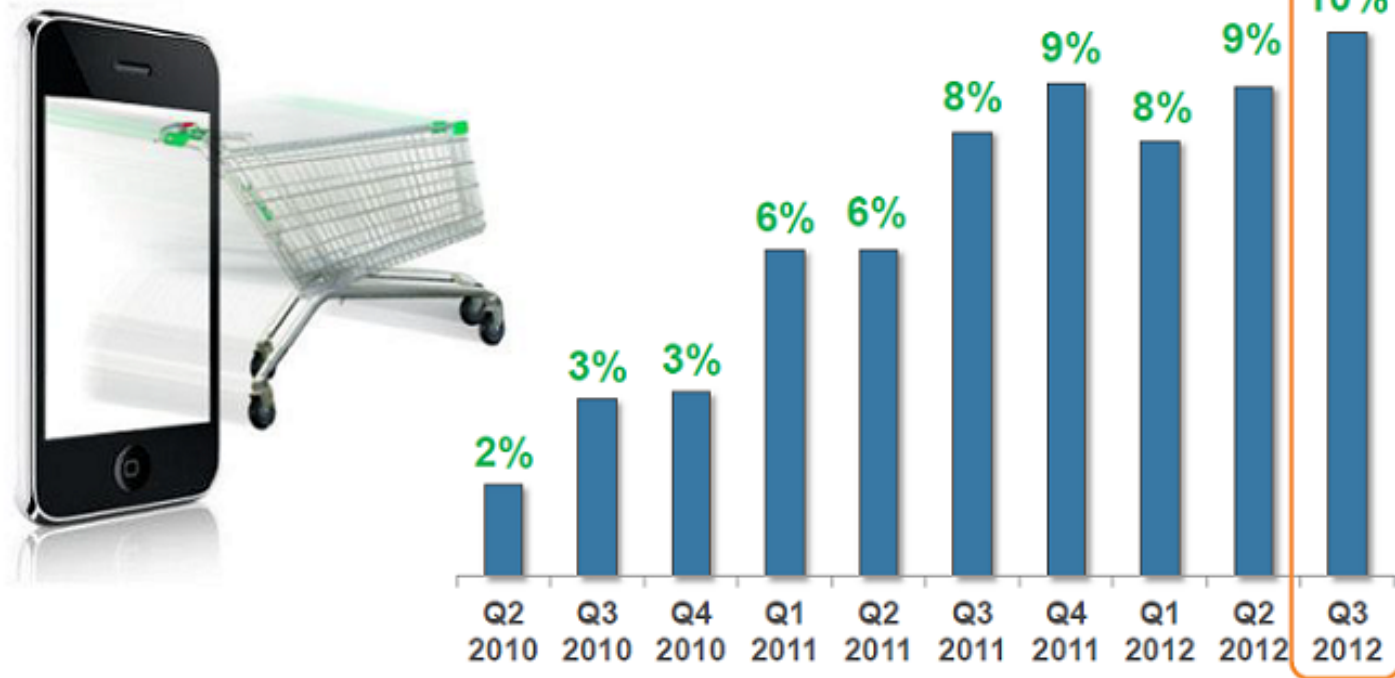


mCommerce

mCommerce share of retail eCommerce grew 5x in past two years

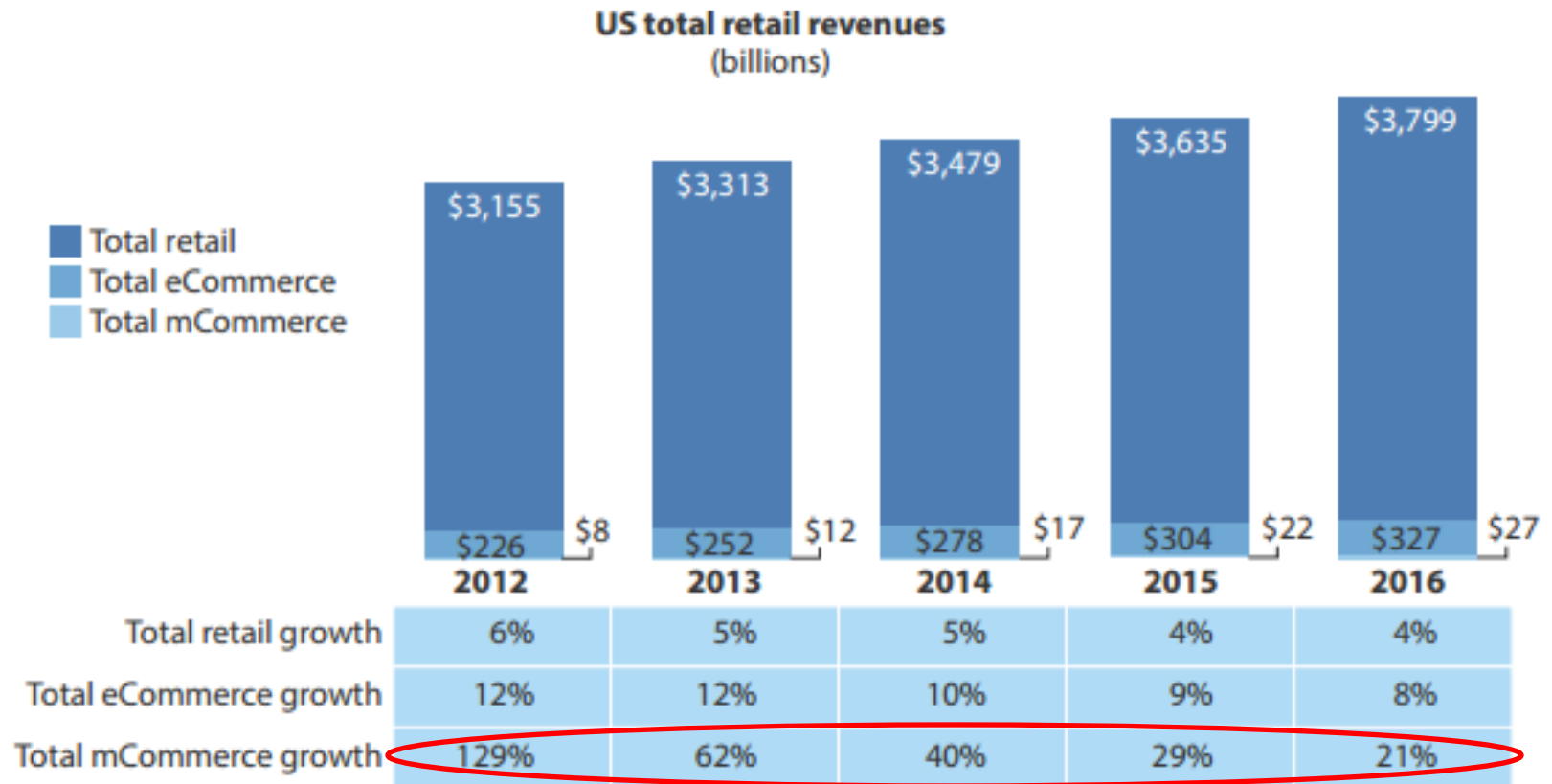
Percentage of Retail e-Commerce Dollars Spent via Mobile or Tablet Device

Source: comScore Custom Mobile Research



mCommerce

mCommerce growth will surpass eCommerce growth by 3x in next couple years



Source: Forrester Research Mobile Commerce Forecast, 2012 To 2017 (US)

Note: This figure includes retail and daily deals sales. It excludes travel sales.

mCommerce

mCommerce is expected to be the fastest growth channel for retailers

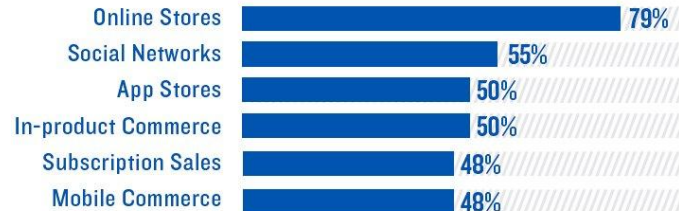
CHANNEL GROWTH

LOOKING OUT OVER THE NEXT TWO YEARS, RESPONDENTS ANTICIPATE THE GREATEST AREAS OF CHANNEL GROWTH TO BE IN:



HOW COMPANIES ARE SELLING

REFLECTING A GENERAL DESIRE TO SELL THROUGH AS MANY CHANNELS AS POSSIBLE, RESPONDENTS INDICATED THAT THEY ARE USING:



REVENUE EXPECTATIONS



mCommerce

mobile is also bridging a gap between brick-n-mortar and online



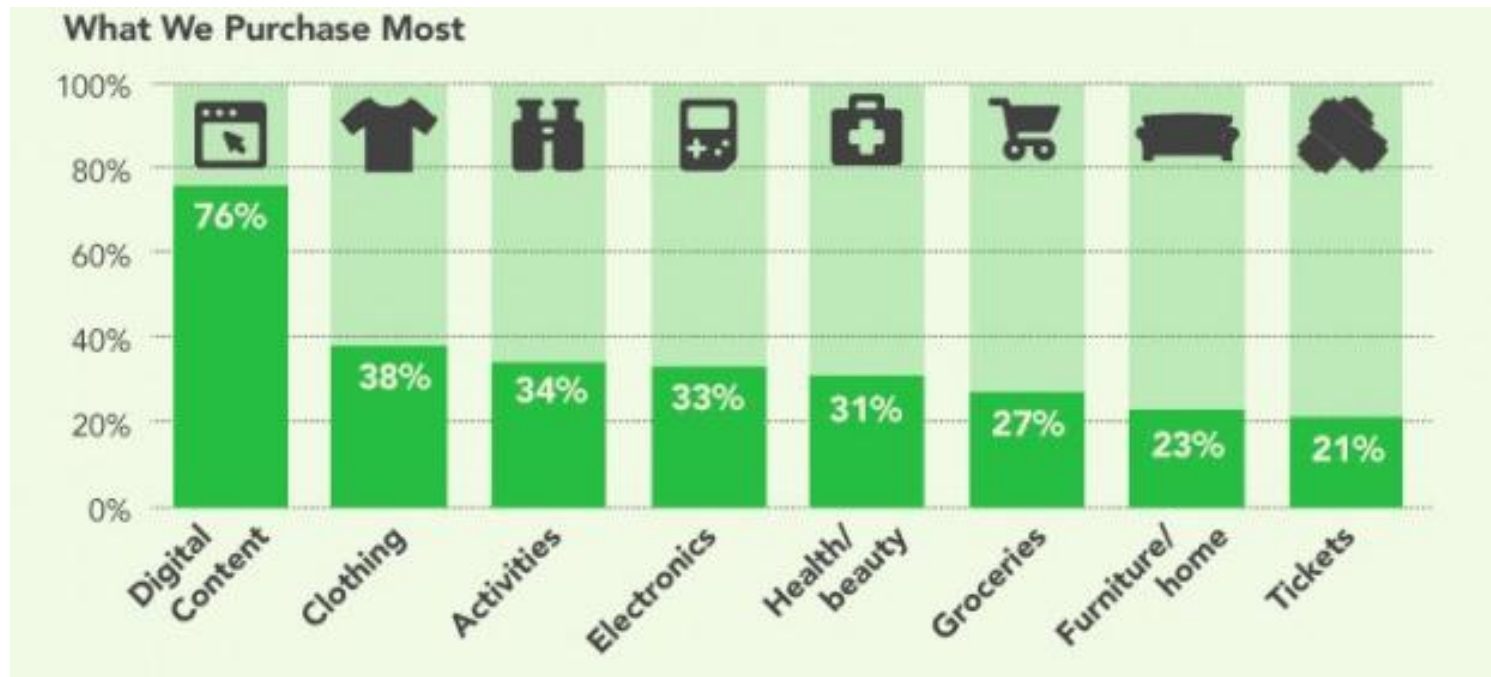
mCommerce

retailers and mobile consumers are fueling each other



mCommerce

total physical goods purchases are now exceeding digital content purchases



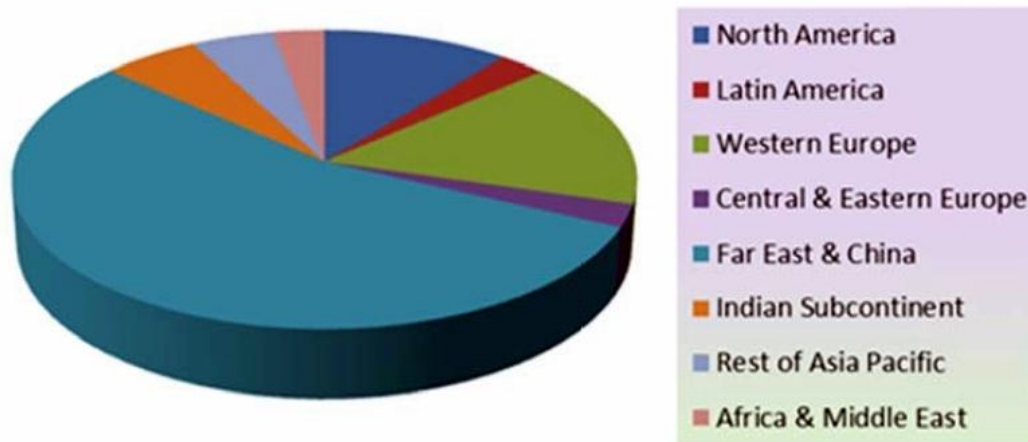
mCommerce

three key areas of mCommerce – coupons, loyalty and payments



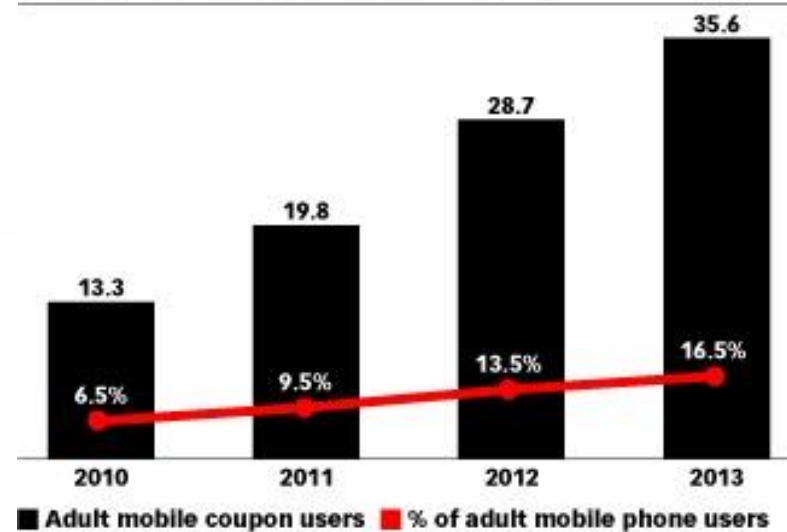
Coupons

US is the largest user of coupons and also the mobile coupons – we love deals!



Leveraging geo-targeting, games, social networking, group buying, deal of the day

US Adult Mobile Coupon Users, 2010-2013
millions and % of adult mobile phone users



Note: ages 18+; used mobile phone (includes smartphones) in the past year to redeem coupon/code obtained from SMS, application, mobile internet and/or QR code for online or offline shopping; includes group buying coupons purchased via mobile phone

Source: eMarketer, Aug 2011

Loyalty

promising mobile loyalty solutions are emerging



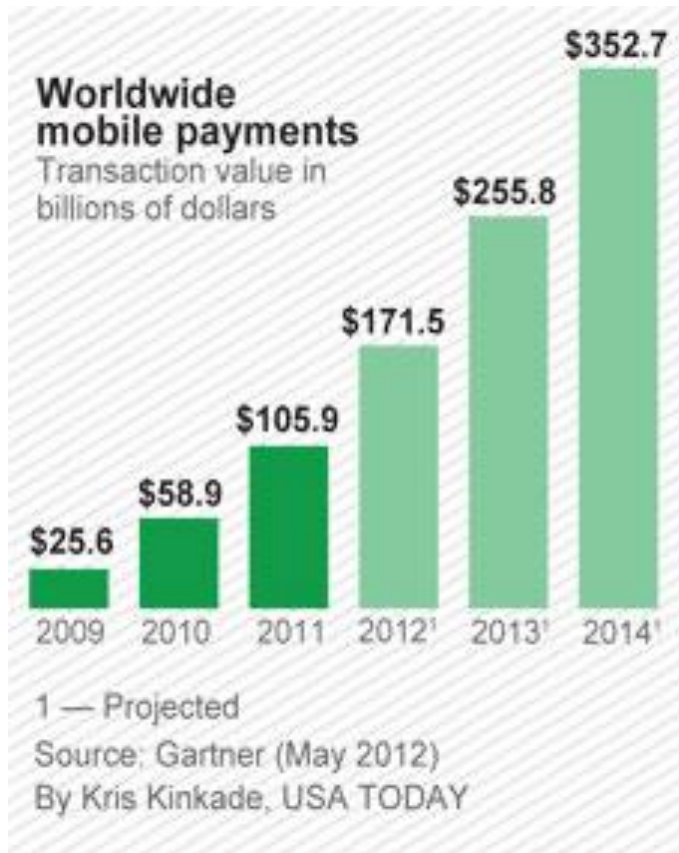
Mobile Payment

489M Credit Cards + 303M mobile phones = massive mobile payment opportunity

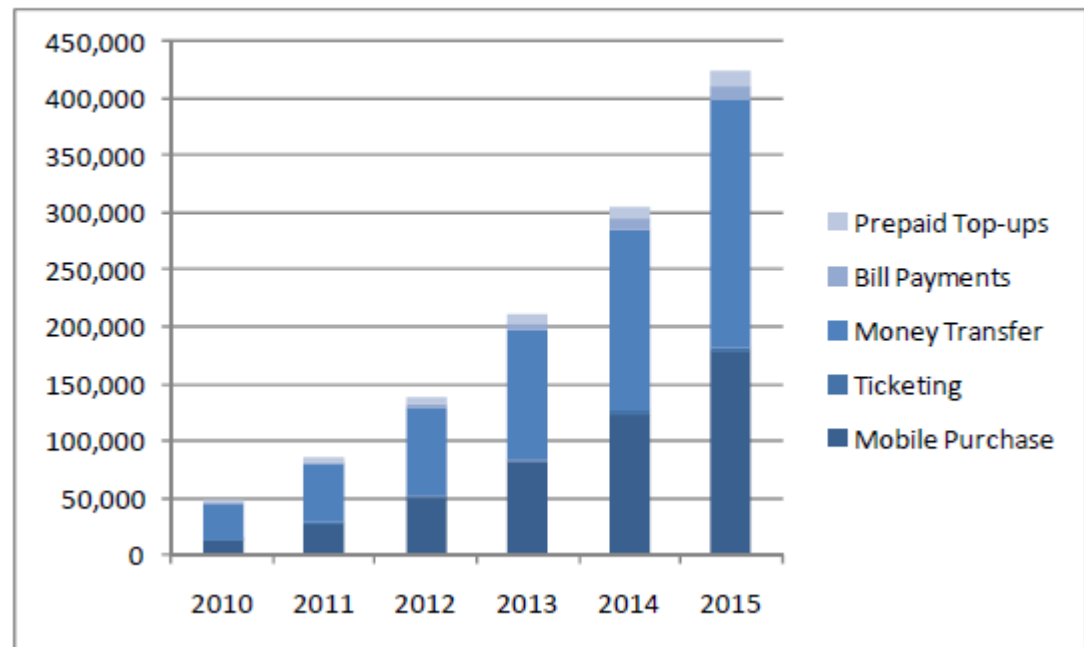


Mobile Payment

mobile payment expected to be \$400 billion market by 2015



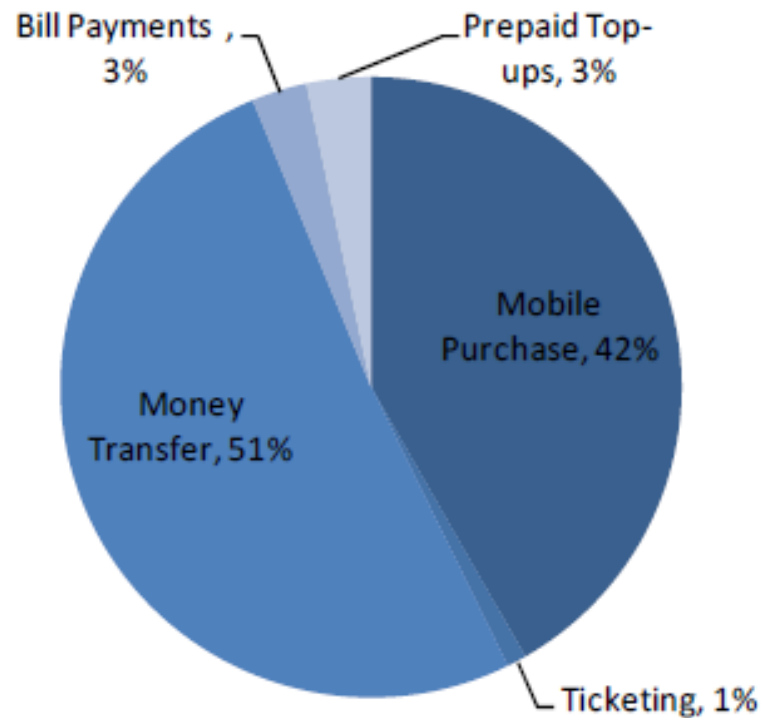
Mobile payments growth forecast (\$m) and market share (2015) by use case



Source: distributedcomputing

Mobile Payment

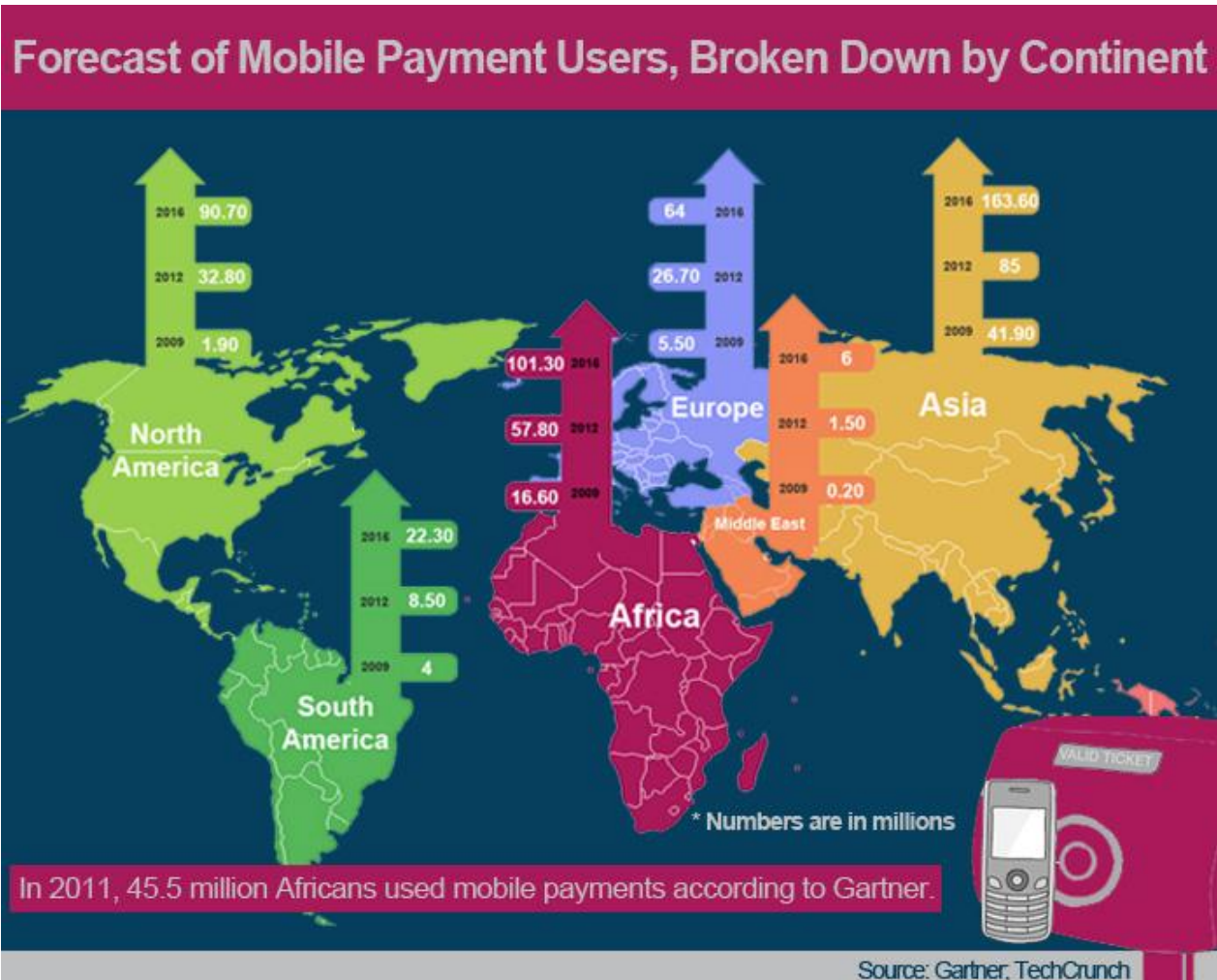
mobile purchases and money transfer will claim largest share of the pie



Source: distributedcomputing

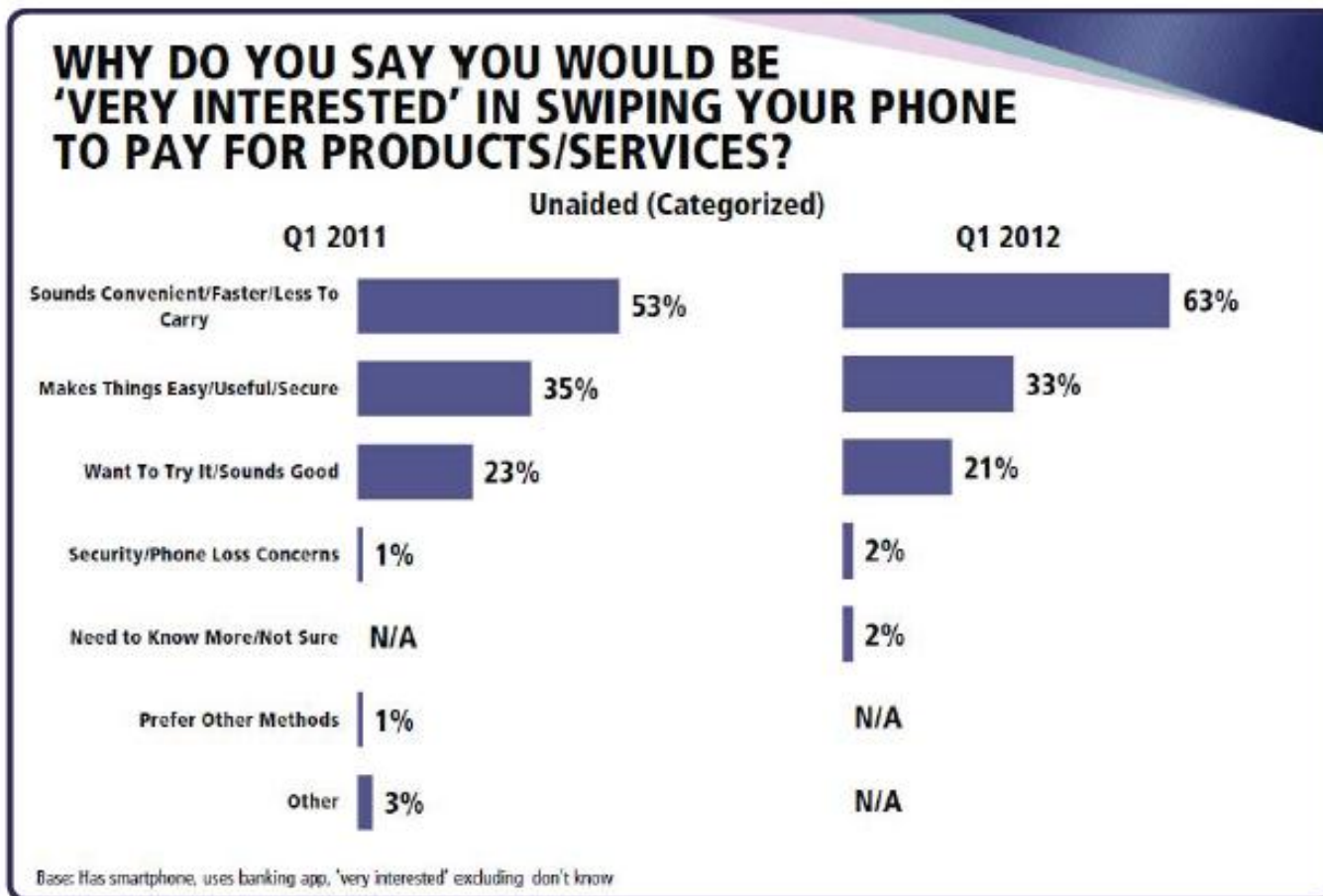
Mobile Payment

asia and africa will continue to lead in mobile payment users



Mobile Payment

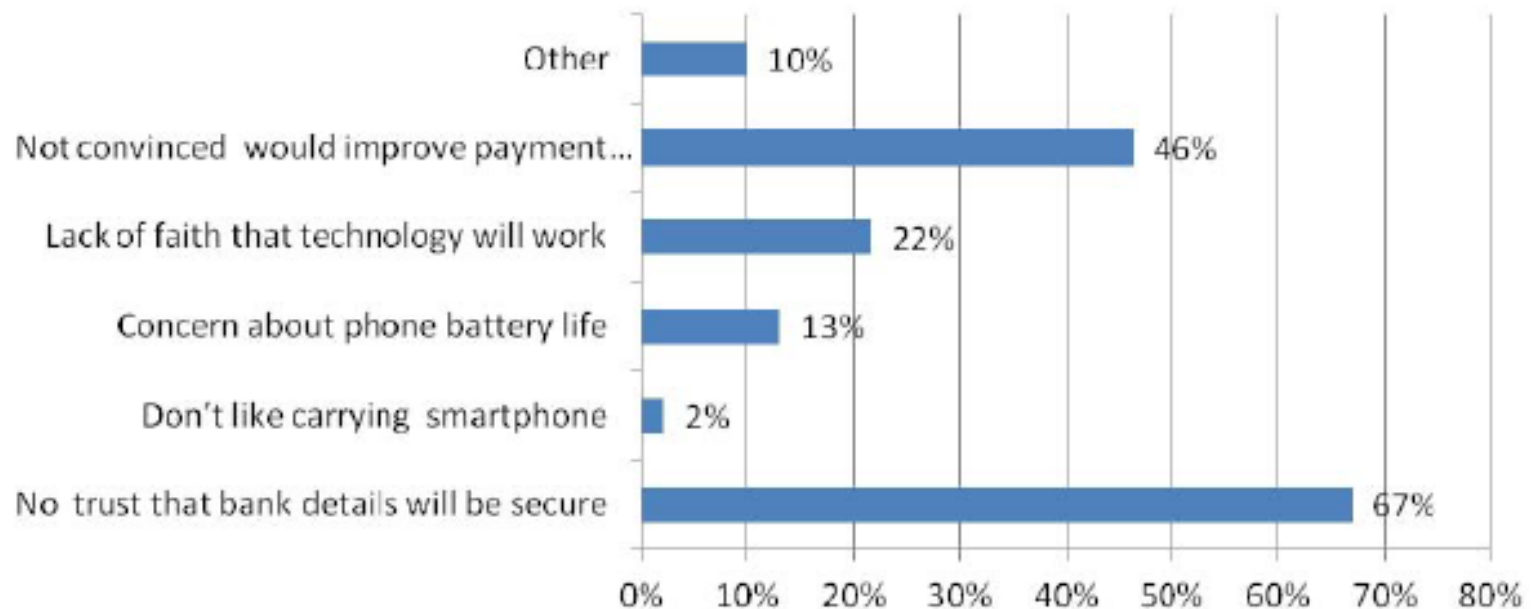
convenience is the main reason for using mobile payment



Mobile Payment

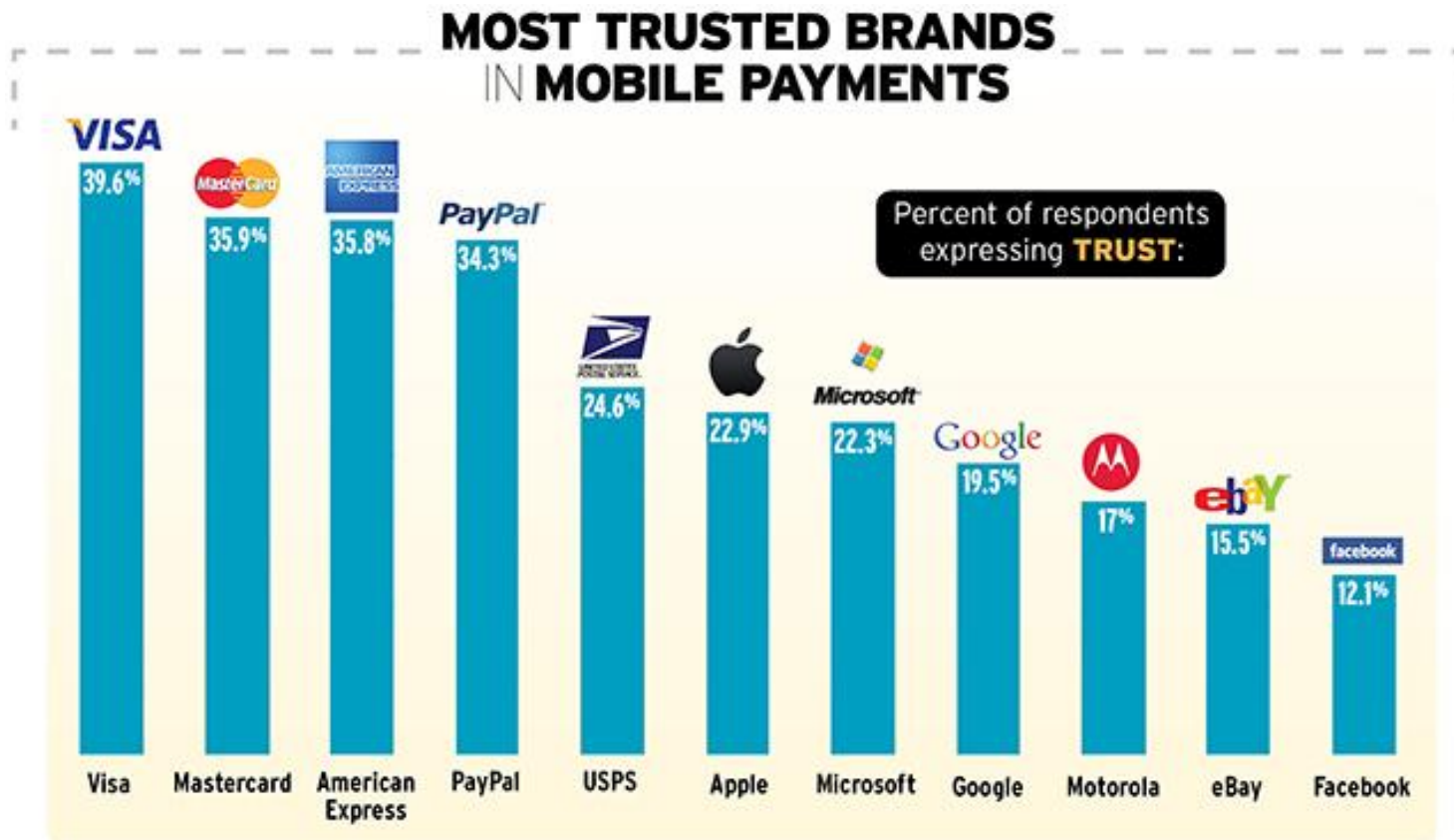
security concerns and being unsure about the benefits are main deterrent

Reasons for not swiping smartphone like a credit card



Mobile Payment

payment networks currently rank higher in trust compared to handset/tech companies



Mobile Payment

but that may not be the case going forward, especially among android and iOS users

Which companies would you trust to provide a mobile wallet?



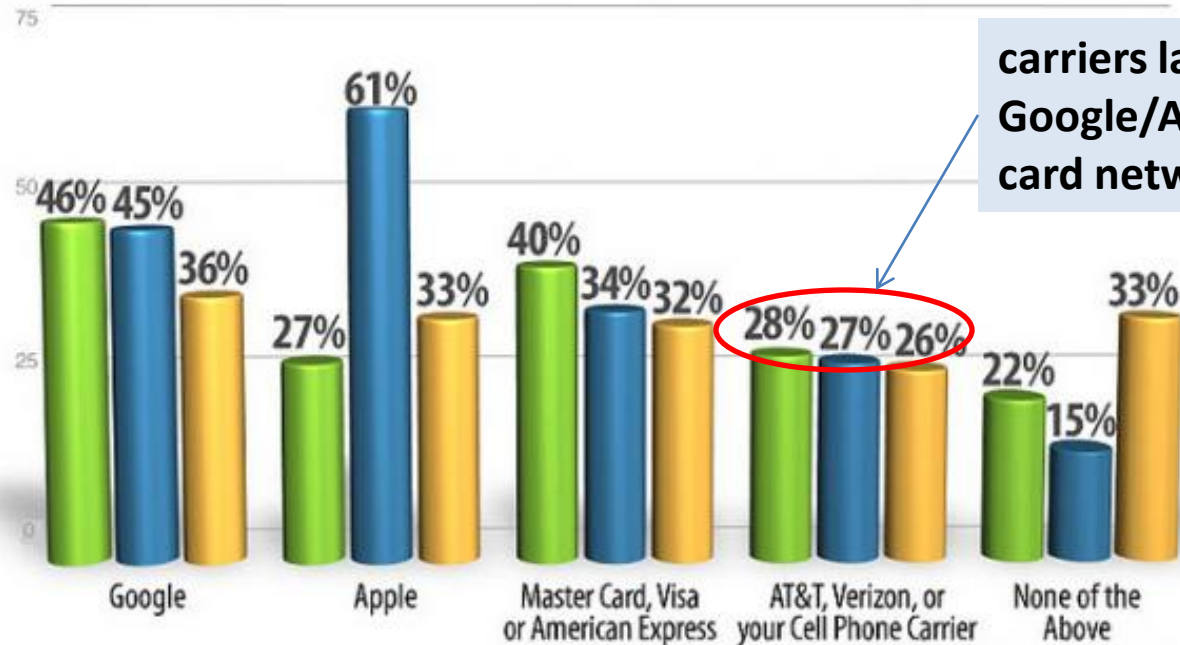
ANDROID OWNERS



IPHONE OWNERS



ALL PHONE OWNERS



carriers lag behind Google/Apple and card networks

Mobile Payment

early hiccups and recent successes

early hiccups

- Qualcomm pulled out of Firethorn
- Obopay burned through \$130M of capital
- Citi/SKT existed MMV
- Visa's primary payment bet Monitise off to slow start
- Vivotech's early sale to Sequent Software

recent successes

- ClairMail sold to Monitise for \$173M
- FIS acquired mFoundry for \$165M valuation
- Square raised \$200M at \$3.25 billion valuation
- Boku raised \$35M and Zong got acquired by PayPal for \$240M
- Mastercard acquired Truaxis

Mobile Payment

early evidence of interest in mobile payment outside Japan and Korea

- **March 2013:** PKO Bank Polski claims that over 7k customers activated its EKO mobile wallet application a week after launch.
- **Feb 2013:** LevelUp claims it has reached 1M users and acquired 5k merchants for its mobile payment solution. LevelUP claims it has nearly reached \$50M in mobile payments to date.
- **Jan 2013:** Starbucks claims over 7M customers use its mobile payment application, generating 2.1M weekly payment transactions.
- **Jan 2013:** T-Mobile Poland claimed 5.5k customers had activated its NFC based MyWallet service, which was launched in October 2012.

Mobile Payment

“last mile” payment is fragmented and still evolving



Source: Mobile Wallet Media

Mobile Wallet

huge competition is emerging in the mobile wallet space



Mobile Wallet

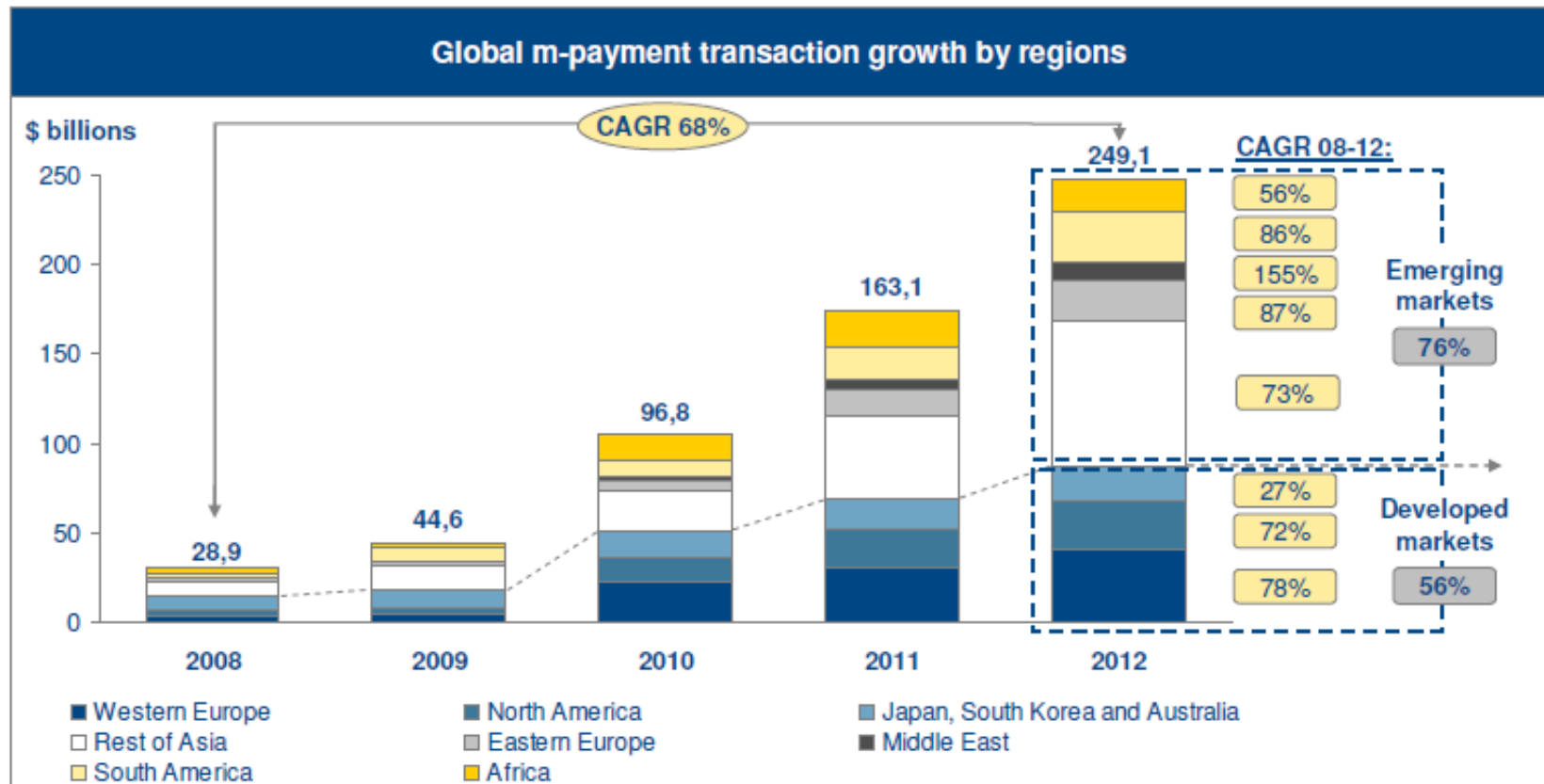
these four power players (payzillas) are shaping the mobile wallet space

 <p>THE PLAYERS</p>	 <p>GOOGLE WALLET Tap to pay with all of your credit and debit cards all in one place. Use in-store or online</p>	 <p>ISIS MOBILE WALLET Tap to pay with credit, debit and loyalty cards while organizing offers, deals, and promotions</p>	 <p>SQUARE WALLET Pay with your name instead of a credit card, discover nearby merchants, and earn rewards</p>	 <p>PASSBOOK Access scannable barcodes such as boarding passes, tickets, retail cards and coupons</p>		
 <p>TECHNOLOGY</p>	 <p>Pay in-store by tapping the back of your device with a Secure Element chip to an NFC (Near Field Communication) point of sale terminal</p>			 <p>Payment information is transmitted to the store's Square Register via your phone's Wifi or Data connection</p>	 <p>Pass info is stored in 2D barcode or QR code and phone is scanned by vendor</p>	
 <p>SUPPORTED DEVICES</p>	 <p>Android Only</p>			 <p>Android and iOS</p>		 <p>iOS Only</p>

Source: sparklight

Mobile Wallet

google mobile payment growth (much higher in emerging markets)



Source: Arthur D. Little analysis

Mobile Wallet

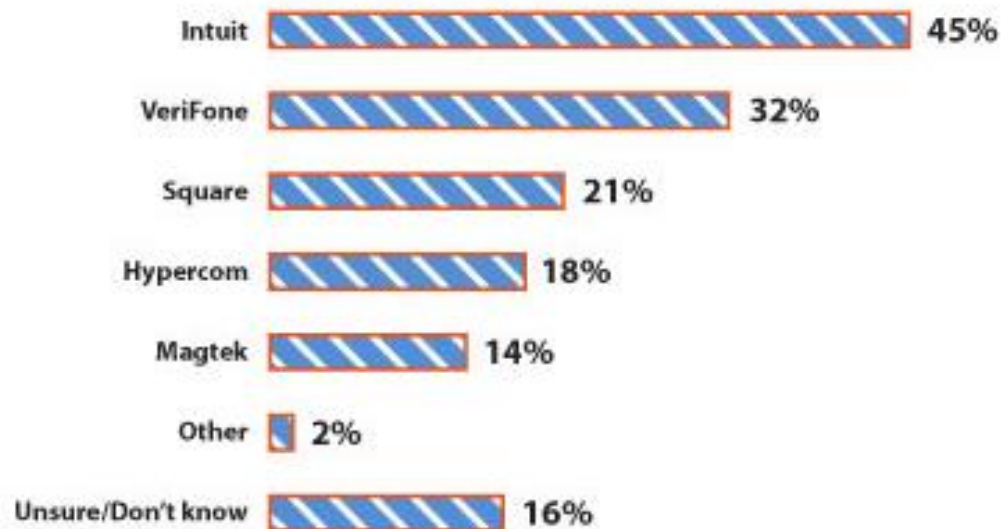
there is a new game in town called MCX, created by nation's leading merchants



POS

these five players are dominating payment technology at POS

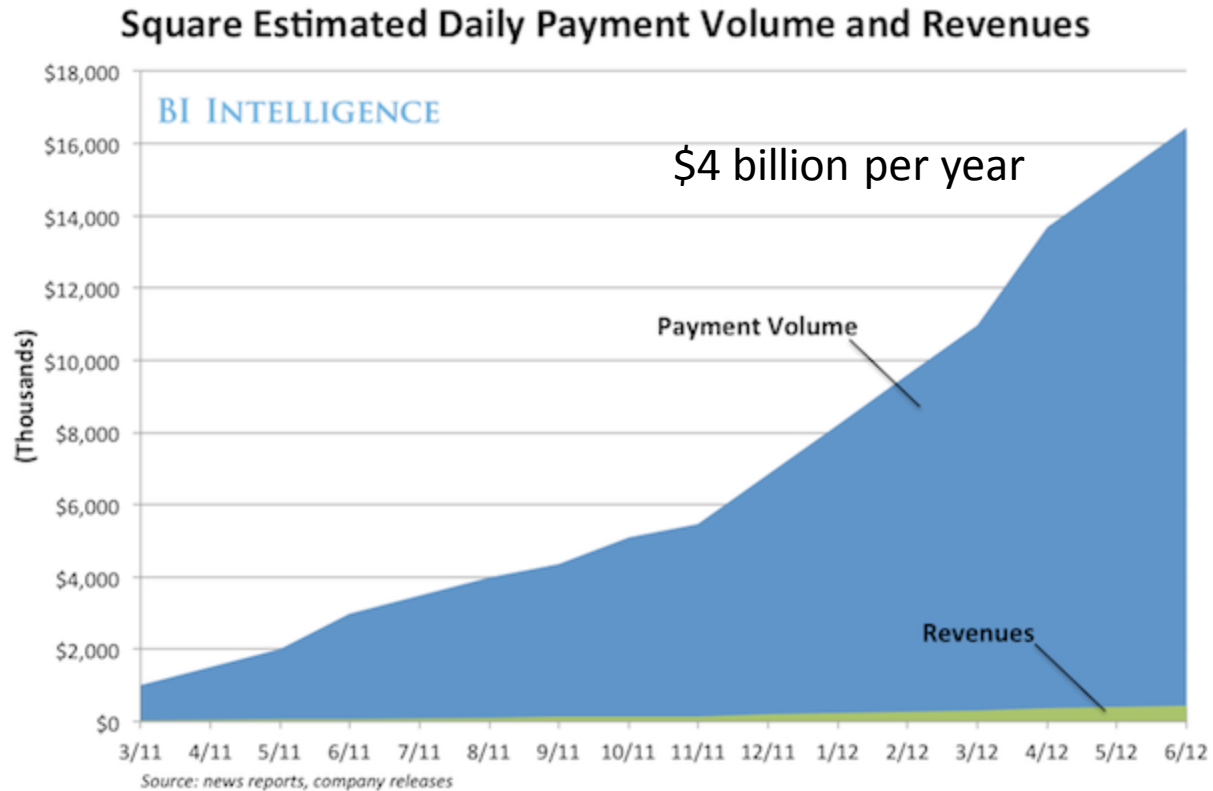
Which of the following vendors' solutions are you using/planning to use? (n=190)



Source: Yankee Group's 2012 US IT Decision-Maker Mobile Money Survey, April

Square

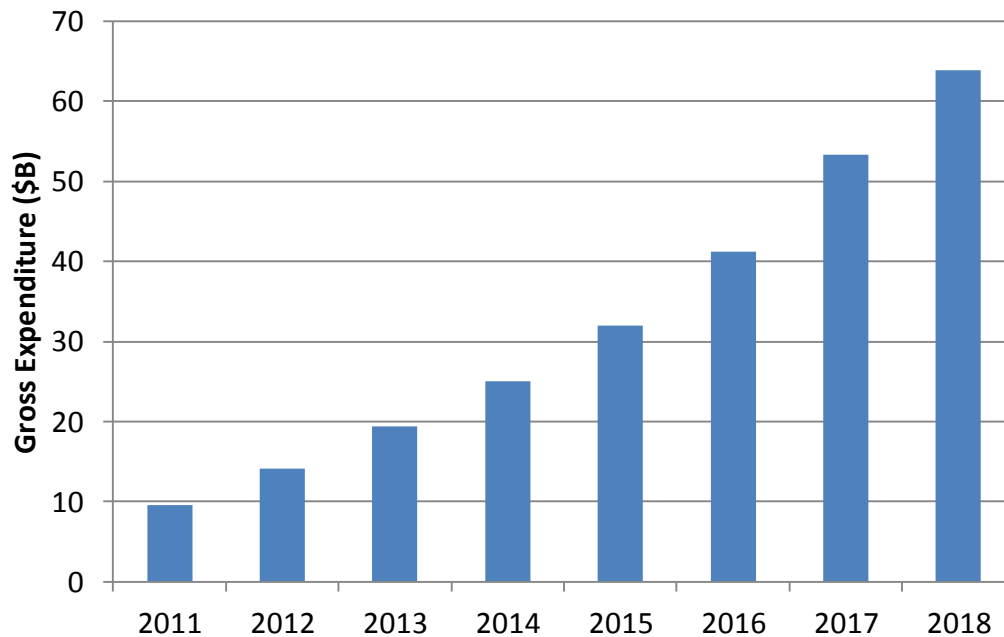
square daily payment volume shows the scale and momentum



NFC

NFC is slow to grow but strong industry support behind it

Global Mobile NFC Payments: 2011-2018



Strong industry push behind NFC-based payments:

- Push by global payment networks
- Mobile operators launching mobile wallets
 - OEMs and platforms too: Google & Samsung
- POS vendors integrating NFC

NFC payments sector will take time to build:

- NFC handset installed base slowly building
- Business models to be resolved
- Merchant acceptance a critical barrier
 - POS lifecycle and costs
- Consumer inertia

Emerging cloud-based competitors to NFC payment:

- PayPal
- NCR
- LevelUP

Mobile Payment/Commerce - Public Comps

public comps are attractive at 4.4x revenue and 15x EBITDA multiples

Company Name	Enterprise Value (millions)	Enterprise Value/ LTM Revenue Multiple	Enterprise Value/ Forward Revenue Multiple	Enterprise Value/ EBITDA Multiple
Apple Inc.	\$ 373,549	2.2x	2.1x	6.5x
Google Inc.	\$ 258,180	4.8x	4.3x	15.4x
Microsoft	\$ 232,013	3.1x	2.8x	7.6x
Visa Inc. (NYSE:V)	\$ 115,243	10.4x	9.8x	16.4x
American Express	\$ 111,910	3.8x	N/A	16.4x
QUALCOMM	\$ 100,168	4.6x	4.0x	13.1x
eBay Inc.	\$ 66,428	4.6x	4.2x	15.4x
Mastercard	\$ 66,092	8.8x	8.0x	15.4x
Broadcom Corp.	\$ 20,580	2.6x	2.4x	16.8x
MediaTek Inc.	\$ 14,085	4.1x	3.3x	23.3x
Groupon, Inc.	\$ 3,556	1.5x	1.3x	25.8x
VeriFone Systems,	\$ 3,351	1.8x	1.8x	8.5x
Summary				
High	\$ 373,549	10.4x	9.8x	25.8x
Low	\$ 3,351	1.5x	1.3x	6.5x
Mean	\$ 113,931	4.4x	4.0x	14.9x
Median	\$ 66,428	3.9x	3.3x	15.4x

Mobile Payment/Commerce – M&A

recent transactions show momentum building in the space

Target	Acquirer	Price
mfoundry	FIS	\$165M
Clairmail	Monitise	\$174M
Fundamo	Visa	\$110M
Truaxis	MasterCard	\$50M (estimate)
RedLaser	eBay	\$10M
Where	eBay	\$135M
AisleBuyer	Intuit	N/A
Milo	eBay/PayPal	\$75M
Zong	eBay/PayPal	\$240M
MoGreet	payvia	N/A
Vivotech	Sequent Software	N/A

Mobile Payment/Commerce - Funding

recent investments show strong investor interest in this space

Startup	Industry	Funding Amount	Investment Date	VCS
Square	Mobile Payment	\$200M	17-Sep-12	Citi Ventures, Rizvi Traverse Management LLC, Undisclosed Firm
Zulily	e-commerce	\$85M	15-Nov-12	Andreessen Horowitz, August Capital, Maveron LLC, Meritech Capital Partners, Trinity Ventures
JustFab	e-commerce	\$76M	26-Jun-12	Matrix Partners, Rho Capital Partners, Inc., Technology Crossover Ventures, Undisclosed Firm
ByteLight	mobile coupons	\$1.25M	10-Oct-12	VantagePoint Capital Partners
Saving Star	mobile coupon/loyalty	\$9M (2012), \$9.1M (2013)	3/2012, 4/13	DCM, Flybridge Capital Partners, First Round Capital, IA Ventures
Isis	mobile payment	N/A	2012	AT&T, Verizon, T-Mobile
Boku	mobile payment	\$35M	15-Mar-12	New Enterprise Associates (NEA), Telefonica Digital, Andreessen Horowitz, Benchmark Capital, DAG Ventures, Index Ventures and Khosla Ventures
mPowa	mobile payment	N/A	2013	Portugal Telecom
Beyond The Rack	e-commerce	\$10M	October 13, 2012	Wellington Financial (debt capital)
Visible Brands	mobile coupons/loyalty	\$4.6M	14-Apr-13	(VisibleBrands™ is financed by an experienced group of domestic and international private investors who served as former partners with Morgan Stanley, Henry Kravis, Blackrock, and executives from Microsoft, VISA, AOL, Vulcan Capital and other successful online, media, and communications companies.)
ZooZ	mobile payment	\$2M	4/13	Xseed Capital, Iool ventures, Rhodium
Swipely	mobile payment data for marketing	\$12M	5/13	Shasta Ventures, Reid Hoffman, Danny Rimer, Josh Kopelman
Ubank	mobile payments	\$8M	2/13	Runa Capital
Bango	mobile payments	\$10.2M	2/13	Telefonica
SnipSnap	mobile coupons	\$1M	5/12	Angel investors
LevelUp	mobile payments	\$21M	6/12, 8/12	T-Ventures, Highland Capital, Google Ventures, Balderton Capital, Continental Investors, and Transmedia Capital

Conclusion

future is mobile and future of mobile is commerce and payment

- 1. mobile will be dominant life style**
- 2. smartphones will become major new channel for commerce**
- 3. commerce and payment tied to the same channel, thus creating a massive wave of mobile payment transactions**
- 4. current investments and M&A in the mCommerce and mobile payment are just a tip of the iceberg of what is yet to come**
- 5. market is getting ready - are you?**

BOIS CAPITAL

About Us

Overview

- A leading independent investment banking firm that provides a wide range of services to companies worldwide
 - ✧ With offices in New York City and Newport Beach, Bois Capital offers its clients in-depth industry knowledge, financial expertise, and access to key relationships.
- Offers a focus on M&A advisory services and private capital raises
 - ✧ Built on a solid foundation of mergers and acquisitions, capital raises, fairness opinions, restructuring and divestiture experience.
- Possesses deep connections in the technology sector
 - ✧ Strong senior relationships with potential buyers in the technology sector that are necessary to yield exceptional results.
- Serves an international client base
 - ✧ Serves public and private companies in America, Europe and Asia.
- Lower middle-market specialization
 - ✧ Transaction sweet spot is at a transaction value between \$20m to \$80m.

Banking Team

➤ **A senior banker leads each transaction.**



Ben Boissevain, Managing Partner

- 24 years of corporate finance experience
- Agile Equity, Managing Partner, New York
- Barclays Bank, Assistant Director, New York
- Erste Bank, Senior Manager, Vienna, Austria
- White & Case, Associate, New York
- MIT Enterprise Forum, Board Member & Co-Chair for Programming
- NYU: JD; UC Berkeley: BS Economics, BA English



Tarang Shah, Managing Partner

- Senior level positions with Bank of America, SoftBank, and Qualcomm
- Has completed multiple transactions within the technology, digital media and telecommunications sectors
- At SoftBank Capital, a venture capital fund, he helped with investment in mobile, digital media and enterprise software startups totaling \$50m
- Author of an entrepreneurship & venture investing book “Venture Capitalists at Work”.
- CFA Level II exam in 2005
- MBA Thunderbird, MBA and BSEE from Gujarat University, India

Banking Team

➤ **A senior banker leads each transaction.**



Peter Benedict, Managing Partner

- Senior level positions with Alcatel-Lucent, Bell Labs and Radvision
- Vice President and Head of Alcatel-Lucent's Customer Experience Analytics business
- Head of Alcatel-Lucent's global public relations organization based in Paris
- Head of marketing for Radvision, an Israeli videoconferencing infrastructure vendor (sold to Avaya)
- B.A. in International Relations from the University of Virginia
- Brings international perspective from living in Europe and, earlier, spending his youth in the Middle East and Africa



Dana Kreiss, Associate

- Excellent experience with finance, operations, business development, online advertising and market strategy
- Associate at Agile Equity, a leading independent M&A advisory firm
- Managing Partner at Break the Crates, a radio music database
- KMS Solutions, providing outsourcing in the Caribbean and Central America
- MBA New York University, Leonard N. Stern School of Business

Bi-Coastal Access

- Bois Capital is has offices in New York and California that provides access to senior executives in the technology sector on both coasts.

New York City



Newport Beach



Investment Banking Services

- Mergers & Acquisitions
 - ✧ We provide financial advisory services for buy side engagements, spinoffs and sell side engagements. We assist with the acquisition strategy, target company research and selection, valuation, and financial structuring and negotiations.
- Capital Raises
 - ✧ We provide financial advisory services for capital raises for private companies in the technology sector. We assist with the financing strategy, projections, presentation materials, valuation, and financial structuring and negotiations with capital providers.
- Fairness Opinions and Valuations
 - ✧ We provide boards with fairness opinions for the fairness of a transaction. We also provide valuations for tax purposes and for companies interested assessing their current valuation. Our valuation models are rigorous, in-depth and highly accurate.
- Strategic Positioning
 - ✧ We assist our clients with their strategic positioning in order to maximize the valuation on exit. Knowing what critical metrics acquirers value in a company is the key to positioning a company for an eventual successful exit.

Sector Specialization

- We possess the specialized industry expertise and strong relationships critical to achieving exceptional results.
- Technology Sector Experience
 - ✧ The team at Bois Capital in the technology sector, including mobile and wireless, cloud, software, IT services, digital media, wireline, big data, analytics and healthcare.
- The team at Bois Capital and has closed over 100 transactions in the technology sector ranging in size from \$10m to \$330m.

Global Reach

- The team at Bois Capital has represented large international public companies in both acquiring small private companies in the United States, as well as spinning off subsidiaries.
- On sell side engagements, Bois Capital reaches out to large public companies in Europe and Asia.
- European and Asian companies often pay more for U.S. companies to gain market penetration, world class technology and a quality team.

New York and California

New York City

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New York, New York
10151



Newport Beach

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Newport Beach, California
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New York and California



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