

ETA 2008
Annual Meeting and Expo

Electronic Transactions Association Annual Meeting and Expo
April 15-17, 2008 • Mandalay Bay Resort & Casino • Las Vegas, Nevada

Acquiring M&A Discussion

First Annapolis
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The acquiring market has consolidated rapidly over the last 10 years.

Year	Top 10 Acquirers	Remaining Acquirers
1996	34%	66%
2006	90%	10%

Many of the large acquirers have used acquisitions to fuel growth and market share increases, with the top 10 U.S. acquirers now controlling over 90% of the market.

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However, this consolidation trend in the U.S. has slowed in recent years for several reasons beyond a maturing of the industry.

- Increasing International Focus:** Many of the larger acquirers have shifted their focus internationally for growth.
- Internal Investments:** Several acquirers have focused on implementing or integrating in-house systems to reduce operating costs.
- "Non-Acquiring" Acquisitions:** Larger acquirers have increasingly focused on acquisitions of and partnerships with non-acquiring companies such as stored value and money transfer providers in order to create cross-selling opportunities to their existing customers.
- Post-Acquisition Distractions:** Several major acquisitions in recent years have left many of the most active strategic buyers to deal with restructuring and integration issues, causing a slight retreat from the M&A market.



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The future of the M&A environment revolves around a series of key questions.

1. How will the new public format of the Card Associations (and resulting strategic changes) affect the acquiring industry?
2. How will acquirers react to a potential recession and declining margins?
3. How will the credit crunch affect the aggressiveness of financial buyers? In addition, what will happen to the acquirers already owned by private equity firms (already three of the top 10 U.S. acquirers)?
4. How will new and potential entrants to the acquiring industry (e.g., international players, companies looking to vertically integrate) affect M&A valuations?
5. As competition increases, how many smaller acquirers will lose market share, or even exit outright?
