



**Evolve**  
Capital Partners

## Finance & Technology Market Update

Q1:2020 Issue

### Financial Technology



Insurance (Public Space & TPAs) | Low-Code Environment | SME Lending

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**SPECIALIZED INVESTMENT BANKERS AT  
THE INTERSECTION OF FINANCE & TECHNOLOGY**

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# 1. Executive Summary

# Executive Summary

## Summary of Evolve's Q1:2020 Newsletter

### SUMMARY

- Our newsletter provides insight into the financial technology capital markets. We offer a snapshot of market activity and a detailed analysis of trends.
- This issue focuses on the esoteric verticals of **municipal risk management and self-insurance, the low-code development environment, and SME Lending**. The municipal risk management space has been overlooked for years and is ripe for disruption and investment.
- Our sector coverage includes companies at the intersection of financial services and technology. While these three sectors are unique, they will likely have overlap over the years, due to the penetration of low-code into process automation, which is increasingly utilized by both municipal insurance and small-business lenders. For example, [DocuPhase](#) is a provider of document management and low-code RPA that has clients in both SME banking / lending and municipal insurance spaces.

### KEY OBSERVATIONS



#### Insurance (Municipalities & Self-Insurance)

- The municipal space is a hidden gem in the U.S., with the current addressable market having more than 90,000 public entities.** Over 80% of these entities are members of one or more risk pools, out of a total of approximately 450 active pools.
- "Big data" is trending in the space. Process automation and integration are also being increasingly adopted by counties.**
- In the self-insurance space, in recent years, TPAs have digitized to deliver vast improvements in customer experience and reduce administrative costs; as a result, smaller companies are capable of becoming self-insured because of lower costs and higher efficiencies.



#### Low-Code Environment

- The global low-code development platform market generated revenue of \$5.6 billion in 2018 and is expected to grow at 45% CAGR to reach \$52.3 billion in 2024.**
- As low-code establishes its importance from its marriage with enterprise software, activities are picking up with increasing deal size:
  - Google acquired AppSheet, a mobile application development platform, in January 2020, to replace its App Maker platform.
  - Temenos acquired Kony, a leading low-code application platform provider, in September 2019, for \$559 million, to enhance its digital banking platform and accelerate growth.



#### SME Lending

- SME loans account for 20% of total loan revenue globally, currently generating \$850 billion of annual revenue, with a 7% growth rate.
- About 50% of small business loans are rejected as SMEs are associated with higher risk from lack of collateral, and high processing costs. In 2018, the gap between SMEs' financing needs and the available financing reached \$5 trillion.** This gap opens a wide window of opportunities for lenders with better technology, lower processing costs, and greater risk tolerance from better data processing.
- After a long winter, the space is finally regaining attention from big banks and investors** with Lendio's recent Series E and Goldman Sachs in talk with Amazon to launch SME lending services.
- Select front-runners in the space: Kabbage, IOU Financial, BlueVine, On Deck.





## 2. Overview of Evolve

# Evolve Capital Partners Overview

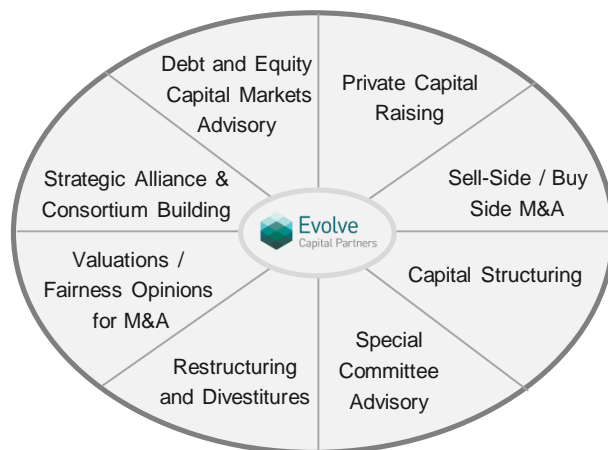
We Focus Exclusively On Finance and Technology-Related Firms

## ABOUT ECP

- Evolve Capital Partners (ECP) is a specialized investment bank focused on businesses serving industries at the intersection of finance and technology.
- We were founded in 2012 and are based in New York, NY, the financial capital of the world. Our location provides unparalleled access to numerous strategic and financial partners who participate in and shape the sector.
- Since inception, we have completed over \$450 million of transactions. Professionals at our firm have advised on over \$3 billion of M&A and financing transactions globally.



## Our Services



**In-Depth Industry  
Research Reports**

**Quarterly FinTech  
Market Analysis**

**FinTech M&A / Financing  
Transaction Profiles**

## FINANCIAL ADVISORY SERVICES

- We are a dedicated, creative, and fully independent investment bank that advises private and public companies on merger, divestiture and acquisition transactions, and capital raising through private placements.
- We produce industry-leading research on transaction trends across the Finance and Technology sector.
- Few investment banks have transaction experience across both corporate and asset finance.



## Our Clients

- Corporations
- Management Teams
- Venture Capital & Private Equity Funds
- Independent Directors / Boards



## Industry Focus

- We are exclusively focused on Finance and Technology firms

BPO  
IoT  
B2B

Specialty Finance  
Enterprise Software  
Analytics

Payments  
Lending  
Insurance Tech

Securities  
Financial Services  
Financial Management

# Fintech Coverage Universe

We Focus Exclusively On Finance And Technology-Related Firms

## Financial Management Solutions



## Payments



## Bank Technology Solutions



## BPO



## Evolve Capital Partners Our Expertise and Capabilities

### M&A Advisory

- Sales / Recaps
- Acquisitions
- Divestiture
- Strategic Advisory

### Financing

- Private Placements
- Debt Capital
- Restructuring

## Specialty Finance / Alternative Lending



## Healthcare Tech



## Securities



## Enterprise Software / Data & Analytics



## Insurance



# Fintech Coverage Universe

## Our Finance and Technology Sector Coverage Details

### Payments

- Payments Core Banking
- Payment Infrastructure
- POS Products
- Networks
- Prepaid / Money Transfer
- Payment Processing
- Closed Payment Network
- eCommerce / Internet Payments

### Bank Technology Solutions

- Blockchain
- Core Processing
- Credit Scoring / Data
- Mortgage / Real Estate Tech
- Software Solutions / Services

### Financial Management Solutions

- Accounting / Expenses
- Business Analytics
- Enterprise Management
- Human Capital Management

### BPO

- Customer Experience
- Healthcare Industry
- HR / Payroll
- IT / Consulting
- Operations

### Specialty Finance / Alternative Lending

- Consumer Lending
- Commercial Lending
- Online Lending
- Collections / Servicing
- Leasing
- Mortgage & Related

### Healthcare Tech

- Core Solutions
- Health Insurance Solutions
- Healthcare IT / Analytics
- Medical Bill Servicing

### Securities

- Asset Managers
- Alternative Trading Systems & Market Makers
- Diversified FIS
- Exchanges
- Financial Content Providers
- Online Brokers
- Outsourced Financial Solutions
- Software & Solutions
- Brokerage
- Investment Banks
- Investment Management

### Insurance

- Title Insurance
- Traditional / Life Insurance
- Multi-Line Insurance
- P&C Specialty
- Data & Analytics Solutions
- Insurance Brokers
- Online Platforms
- P&C Insurance
- Benefits Administrators
- Software Solutions

### Enterprise Software / Data & Analytics

- Analytics Software Solutions
- Consumer IoT
- Enterprise Software
- Outsourced Analytics Solutions



# 3. Industry Landscape

# Return of Opportunities in the Municipal & Public Insurance Sectors









Insurance – a Peek into the Esoteric; Low-Code / High Efficiency; SME Lending – the Unfavored Child is Alive and Kicking

## THE CURRENT STATE OF MUNICIPALITY INSURANCE

- In the 1970s, commercial insurance companies abandoned the market for public entity because of the low profitability and higher risk, driven by the economic recession. Insurance pools emerged as a much-needed stabilizing force.
- Pooling enables members to share the risk among one another, thereby mitigating the overall level of risk for the insurers, enabling them to bring down costs.
- **The municipal space is a hidden gem in the U.S., with the current addressable market having more than 90,000 public entities. Over 80% of these entities are members of one or more risk pools, out of a total of approximately 450 pools.**
- The lower overall profitability is explained by the fact that these pools are often not-for-profit and charge lower fees. On the other hand, they are extremely sticky. The Association of Governmental Risk Pools estimates that **most public entity pools have over 90% annual retention rate, compared to the 84% average retention rate of the entire insurance industry.**
- While bigger insurance companies such as Gallagher, Brown & Brown and Aon have presence in the space, smaller and local service providers take the spotlight because of their deep local understanding and concentration. The variety in regulations of different regions is the main factor that tips the scale toward the latter group.
- Municipality insurance is admittedly trailing behind other industry sectors in terms of technology advancement due to the stability of pooling. **However, the increasing complexity of risk, local government operations and the need to improve efficiency call for a breakthrough in data analytics prowess.** Pool executives are realizing the importance of data mining and analytics. “Big data” is trending in the space. Process automation and integration are also being increasingly adopted by counties.

Source(s): “Fact Sheet: Public Entity Risk Pools” by PR Toolkit for public entity pools; Association of Governmental Risk Pools Report; Press Releases

## Case Studies

Insurance Pool	InsurTech Platform	Partnership Highlights
 The Connecticut Interlocal Risk Management Agency		CIRMA selected a number of products from Guidewire to replace its current system <ul style="list-style-type: none"><li>■ ClaimCenter™ as new claims management system</li><li>■ DataHub™ and InfoCenter™ for data management and business intelligence enterprise-wide</li></ul>
 RAMSEY COUNTY (Minnesota)		Ramsey County selected SIMS Claims™ by Insurity to enhance the administration processes of workers' compensation claims. The selling point is the SIMS Cloud™ environment that can host the entire claims system.
 Municipal Pooling Authority of Northern California		MPA selected CHSI's Connections™ insurance management software to improve efficiency and service quality in its member services area. Now providing coverage for 20 city entities, MPA is taking another step in replacing manual processes with tech-enabled processes.
 Municipal Mutual Insurance Company of WV (West Virginia)		MMIC selected BriteCore's cloud-based policy administration suite to improve processes. With the partnership, MMIC grew continuously in written premium, policy count, and agency partners. <b>Their initial investment in BriteCore was paid for within nine months from postage and mailing cost reductions.</b>

# Self-Insurance is for Everyone

Insurance – a Peek into the Esoteric; Low-Code / High Efficiency; SME Lending – the Unfavored Child is Alive and Kicking

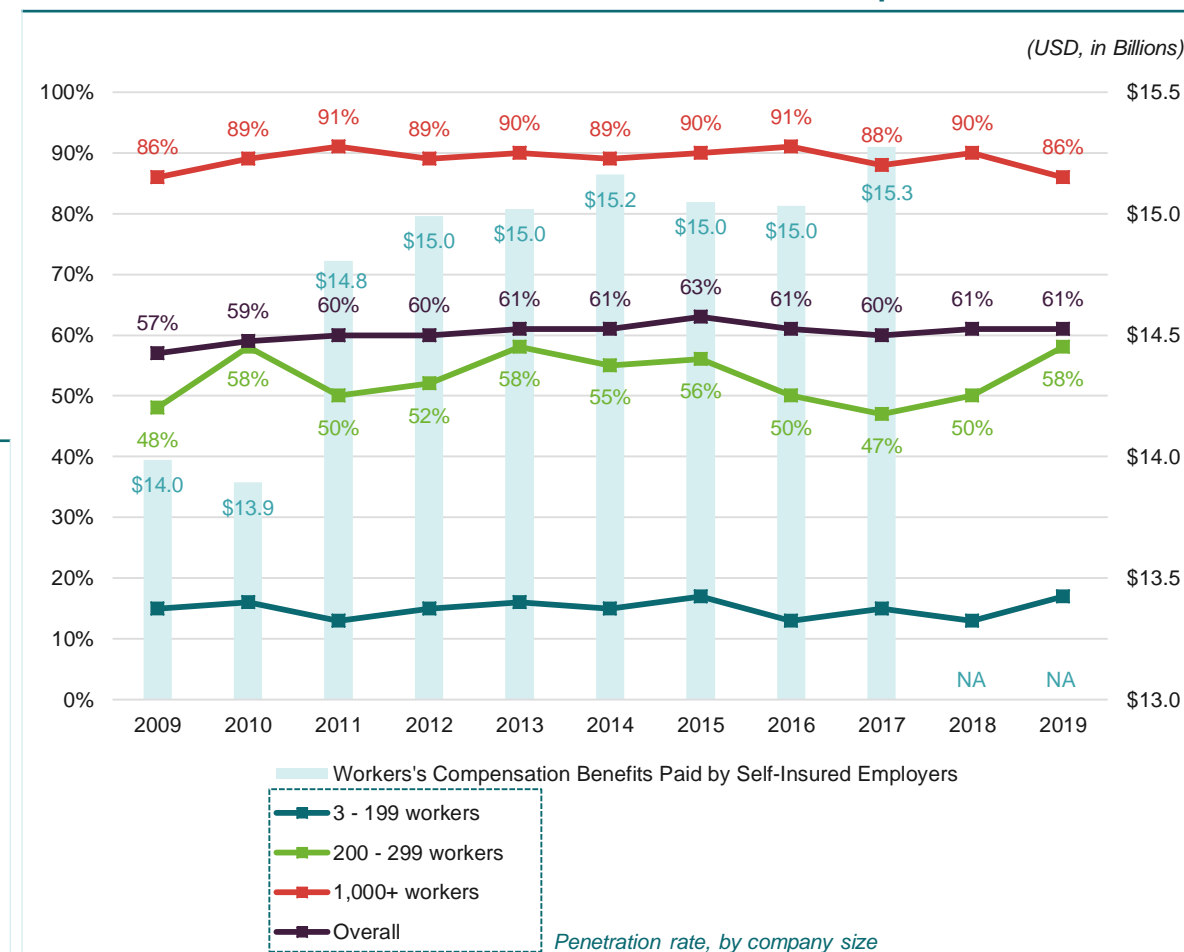
## SELF-INSURANCE IS BECOMING MORE ACCESSIBLE

- Traditionally, self-insurance, primarily covering workers' compensation, only makes sense to larger corporations of at least 300 employees due to the formidable administrative costs associated to claim processing
- These bigger companies have the scale to set up a specialized department to process paperwork and other tasks in the workflow; smaller companies often outsource to Third-Party Administrators (TPA)
- In recent years, with waves of **FinTechs introducing break-through technologies, TPA has digitized to deliver vast improvements in customer experience and reduce administrative costs; as a results, smaller companies are capable of becoming self-insured**

## How Digital TPAs Drive Growth

Customer Engagement	<ul style="list-style-type: none"> <li>Only 20% of customer engagement is done electronically</li> <li>Digital TPAs open up new and more efficient channels for a company's customer service center to interact with policyholders</li> <li>They also enhance flexibility and responsiveness of communications, enabling data analytics for actionable business insights</li> </ul>
Product Launching	<ul style="list-style-type: none"> <li>Digital TPAs utilize customer experience tools to drive sales by introducing flexible risk management models</li> <li>Data from digital engagement with customers is translated into new product designs that address customers' pain points and maximize profits</li> </ul>
Paper Reduction	<ul style="list-style-type: none"> <li>Digital TPAs exchange information by text message, email, digital portal and interactive voice response, cutting down on response and processing time</li> <li>AI-enabled document and payment automation further eliminate paper and improve efficiency</li> </ul>
Platform Ecosystem	<ul style="list-style-type: none"> <li>Ecosystems with tight integrations with third-party applications create a highly automated environment that help cut down on manpower increase productivity</li> <li>Self-insurers can integrate claims management with accounting platform or RPA systems to synchronize with other business operations</li> </ul>
Data Analytics	<ul style="list-style-type: none"> <li>Digital TPAs have access to an insurance company's claims and policy data; they can leverage data processing and analytics prowess to create models to evaluate administrative platforms that lead to better decision-making and more accurate claim reserving</li> </ul>

## Penetration and Self-Insurance Volume in Workers' Compensation Market



Source(s): "Six Reasons Why Digital TPAs Are Accelerating the Digital Journey for Insurance Companies" by Capgemini; Association of Governmental Risk Pools Report; Employer Health Benefits Report by The Kaiser Family Foundation

# York Risk Services Acquired by Sedgwick

## M&A Case Study – July 2019

### Target Company Overview



- York Risk Services Group provides claims and risk management services in the United States and internationally.
- The company's services are offered in-person, as well as through mobile application and online portal.
- York's over 5,000 employees are located Parsippany, New Jersey over 60 offices in the U.S. and around the world.
- The company generates \$800 million in revenues (2018), the fifth-largest TPA.
- The company was founded in 1962 and is headquartered in Parsippany, New Jersey.

### Solution Offerings

York Risk Services offers insurance services in the following categories:

#### Risk Management

- Risk Control
- Pool Administration
- Captives

#### Managed Care

- PPO Network
- Care Concierge
- Medical Bill Review

#### Claim & Loss Adjusting

- Claim Administration
- Specialized Loss Adjusting

#### Absence Management

- State paid and unpaid leave
- Company sponsored programs
- Return to Work

### Acquisition Details



- Sedgwick Claims Management Services develops and operates a cloud based platform that provides technology-enabled claims and productivity management solutions to businesses in North America.
- The company was founded in 1969 and is based in Memphis, Tennessee.
- Sedgwick announced its acquisition of York Risk Services on July 8, 2019. The transaction closed on September 4, 2019. The financials were not disclosed.
- Sedgwick is owned by the Carlyle Group and prior to the transaction, York was owned by Onex Partners.

### Transaction Rationale

- York offers customized claims solutions and has specialized experience to handle even the most complex claims across all liability lines.
- Following the acquisition, York's offerings will notably complement Sedgwick's existing market capabilities.
- York's existing customers also benefit from the enhanced capabilities of service with Sedgwick on board.
- Both parties look forward to serve more customers in more places with synergies from the integration of the two businesses.

Source(s): Capital IQ, Pitchbook, Press Release(s)

# K2 Insurance Services Acquired by Lee Equity

M&A Case Study – May 2019

## Target Company Overview



- K2 Insurance Services develops multi-line programs to manage, underwrite, and distribute insurance products in the United States.
- The company owns and controls a diverse set of specialty program administrators, offering niche commercial and personal insurance.

- K2 markets, underwrites and services over \$650 million annually
- The company generates \$104 million in revenues (2018).
- The company was founded in 2011 and is based in San Diego, California.

## Solution Offerings

K2 offers insurance services in the following categories:

### Insurance Underwriting

- Manufactured homes
- Low-value dwellings
- Motorcycles
- Commercial Truck

### Surety Bonds & Other Insurance Line

- Municipal program administration
- Worker's compensation
- Accidents and health

## Acquisition Details



- Lee Equity is a growth oriented middle market private equity firm.
- The company targets equity investments of \$50m to \$100m in firms with enterprise value of \$100m to \$300m.
- Lee Equity announced its acquisition of K2 Insurance on May 14, 2019 for an undisclosed amount.
- K2 is valued between \$300 million and \$400 million.
- K2 will serve as Lee Equity's platform for acquisitions of other companies in the insurance space.

## Relevant Add-ons in the Public Space

K2 is very acquisitive and has completed ~ 20+ acquisitions. Select transactions below

Year of Acquisition	Target	Description
2017	Star & Shield Insurance Services	Provider of insurance services to members of the public safety community
2013	Allied Public Risk	Manager of the guaranteed-cost (deductible), SIR, and pool/JPA's insurance products for public and quasi-public entities
2012	Midwestern Insurance Alliance	Managing General Agency specializing in workers' compensation
NA	Mission Select Insurance Services	Texas-based MGA specializing in residential property insurance

Source(s): Capital IQ, Pitchbook, Press Release(s)



# Explosive Growth of the Low-Code Development Platform Market

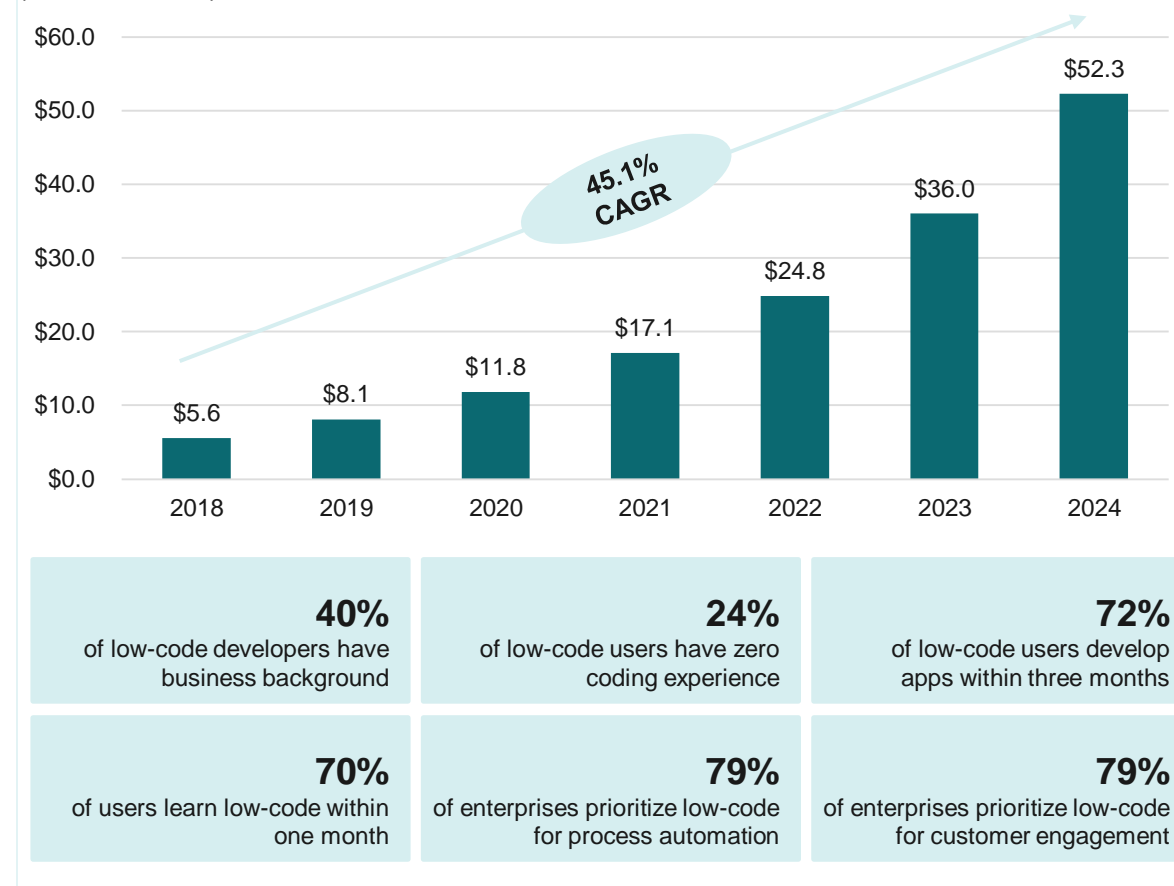
Insurance – a Peek into the Esoteric; **Low-Code / High Efficiency**; SME Lending – the Unfavored Child is Alive and Kicking

## MARKET OVERVIEW

- Low-Code development platform is a very new concept which did not exist before 2014. It is a process that aims to simplify the development of software through prepackaged templates, graphic design techniques and drag-and-drop tools.
- Key advantages / benefits of using a low-code platform:
  - Reduced development costs, thus lower risk and higher ROI
  - Faster development time, reducing backlog for IT departments
  - Tight integration with multiple platforms eliminates the redundancy of catering and customizing the application
  - Easy maintenance and development
- After its inception, the idea quickly gained popularity and formed its own market that attracts both big technology companies and startups. The low-code development platform market generated **global revenues of \$5.6 billion in 2018 and is expected to grow at 45% CAGR to reach \$52.3 billion in 2024**
- **Technology acquisition and consolidation through roll-ups is a common sight**, as expected of an industry that is experiencing an “Uber” moment:
  - Salesforce acquired Vlocity, a provider of no-code BPM tools on Salesforce, in February 2020, for \$1.3 billion
  - Google acquired AppSheet, a mobile application development platform, in January 2020, to replace its App Maker platform
  - Temenos acquired Kony, a leading low-code application platform provider, in September 2019, for \$559 million
  - Siemens acquired Mendix, another low-code application development platform, in August 2018, for \$700 million

## Low-Code Development Platform Market Size Forecast 2018 – 2024E

(USD, in Billions)



Source(s): "Low-Code Platforms: Where They're Headed" by Krissflow; "Low-Code Development Platform Market Industry Survey, Market Size, Competitive Trends Forecast" by P&S Market Intelligence

# Low-Code – What Does It Mean for Enterprises?

Insurance – a Peek into the Esoteric; **Low-Code / High Efficiency**; SME Lending – the Unfavored Child is Alive and Kicking

## HOW LOW-CODE BENEFITS ENTERPRISES

- The low-code development environment junctions perfectly with RPA / ECM to deliver best of all breed solutions that allow seamless, effortless integration and customization with the incumbent systems. Use cases of low-code environment include database app, process app, request handling, etc.
- The low-code platform is welcomed by both large and small / medium enterprises with large enterprises creating a stronger demand primarily because of scale, until recently.
- With the saturation of ECM for large enterprises and proliferation of solutions for SMEs, the latter group is increasingly exposed to the low-code platform and reaping its benefits.
- For enterprises, increased efficiency can be realized from the three key benefits of implementing a low-code environment:

<b>Saving Time and Costs</b>	Low-Code reduces hours of coding into simple drag-and-drop actions that can be done by IT department with minimal training
<b>Customizability</b>	Thanks to the malleable nature of low-code environment, enterprises can easily tweak the solution to suit its business model
<b>Streamlined Business Processes</b>	An example is the Progression module by DocuPhase, which allows users to design their workflow through mouse actions, then controls all flows of information and procedures accordingly

## The Marriage of Low-Code and Business Applications

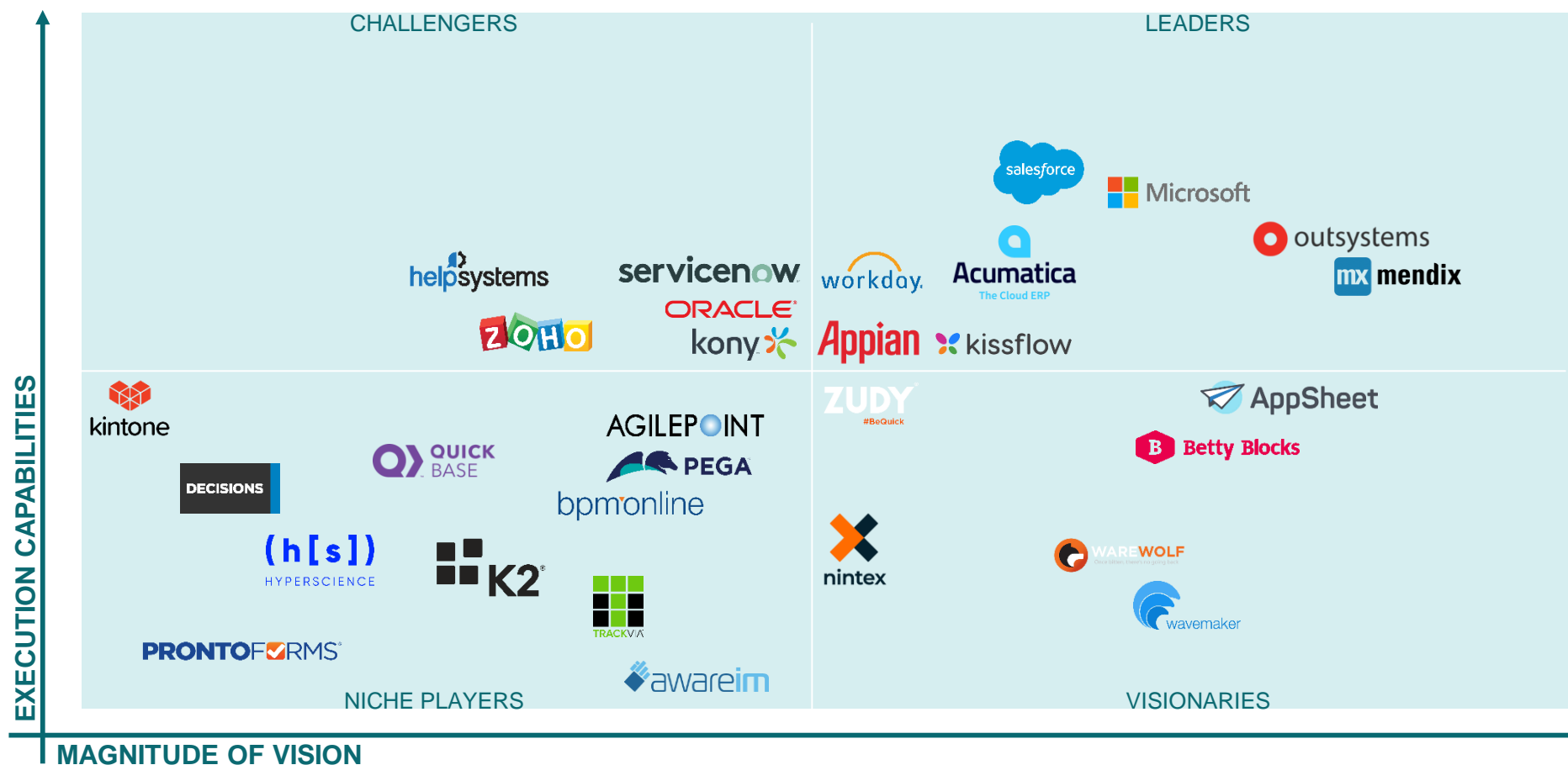


Source(s): "Low-Code Platforms: Where They're Headed" by Krissflow; Bessemer Venture Partners' 2019 State of the Cloud

# Low-Code Market Quadrant Map

Insurance – a Peek into the Esoteric; Low-Code / High Efficiency; SME Lending – the Unfavored Child is Alive and Kicking

Players in the low-code space are grouped into four categories according to their magnitude of vision (what they seek to change or disrupt) and execution capabilities (their abilities to improve efficiency through automation and integration).



Source(s): "Magic Quadrant for Enterprise Low-Code Application Platforms" by Gartner and Evolve Capital Internal Research

# The Emergence of SME Digital Lending

Insurance – a Peek into the Esoteric; Low-Code / High Efficiency; **SME Lending – the Unfavored Child is Alive and Kicking**

## THE EMERGENCE OF DIGITAL LENDING FOR SMES

- SME lending has existed for almost the entire banking history. However, after the 2008 financial crisis, banks were hesitant about giving out loans to small business due to the riskier nature and low ROI of 7-8%. **Until recently, SME lending was largely ignored by big banks.**
- About 50% of small business loans are rejected as SMEs are associated with higher risk from lack of collateral, and high processing costs. **In 2018 the gap between SMEs' financing needs and the available financing reached \$5 trillion.** This gap opens a wide window of opportunities for lenders with better technology, lower processing costs, and greater risk tolerance from better data processing.
- **After a long winter, SME lending is finally regaining attention and interest from the bigger players:**
  - Goldman Sachs is currently in talks with Amazon to offer SME loans through Amazon's lending platform, showing that SME lending is regaining interest from larger players
  - American Express partnered with Lendio to launch online small business loans services
- Globally, SME loans account for 20% of total loan revenue, currently generating \$850 billion of annual revenue, with a 7% growth rate.
- **Deal activities are also picking up with growing deal size as alternative lending has had investors reevaluating the SME lending space:**

Date	Target	Investor	Value (\$ mm)	Comments
2/27/2020	lendio	MERATO	\$55	Building out a range of new integrated lending services
1/22/2020	liberis	FTV CAPITAL	\$42	Continue its rapid expansion in the US and EU
12/3/2019	konfo	SoftBank	\$100	Expanding working-capital loans and introducing new products
11/19/2019	BlueVine	ION	\$103	Further building and scaling its end-to-end banking platform
9/28/2018	Funding Circle	Public	\$392	Continuing to grow the business over the coming years

Source(s): "Beyond banking: How banks can use ecosystems to win in the SME market" by McKinsey; SMB Lending Report by Business Insider Intelligence

## Market Segments

### Balance Sheet Lenders



### Marketplace Lenders



### Lending Platforms



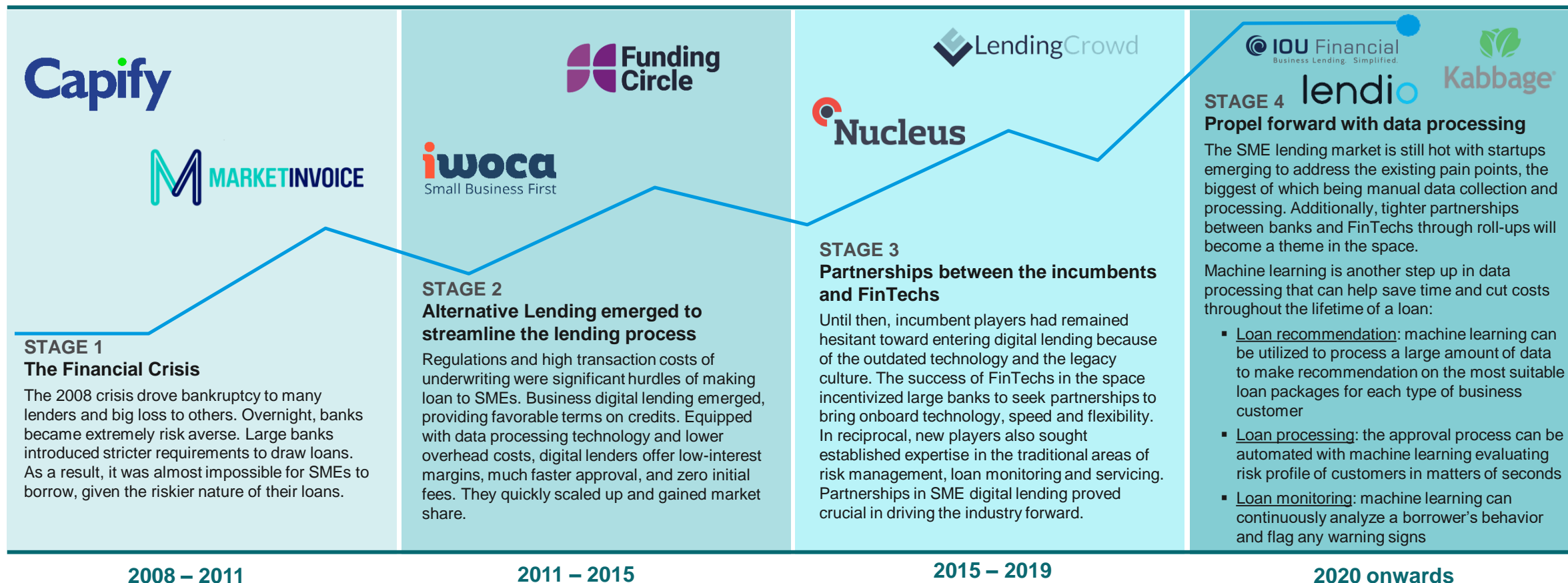
### Payment Companies



# The Stages in the Evolution of SME Lending

Insurance – a Peek into the Esoteric; Low-Code / High Efficiency; **SME Lending – the Unfavored Child is Alive and Kicking**

Similar to many other FinTechs verticals, SME Digital Lending emerged after conclusion the 2008 financial crisis, when banks refused to make loans to SMEs due to their riskier nature. This opened up an opportunity windows for tech-enabled disruptors to incubate thrive. The next evolution stage be driven by advanced data processing and partnerships between banks and FinTechs.



Source: "The Current State of SME Lending" by Lending Times; "How machine learning can improve SME financing" by ITPortal

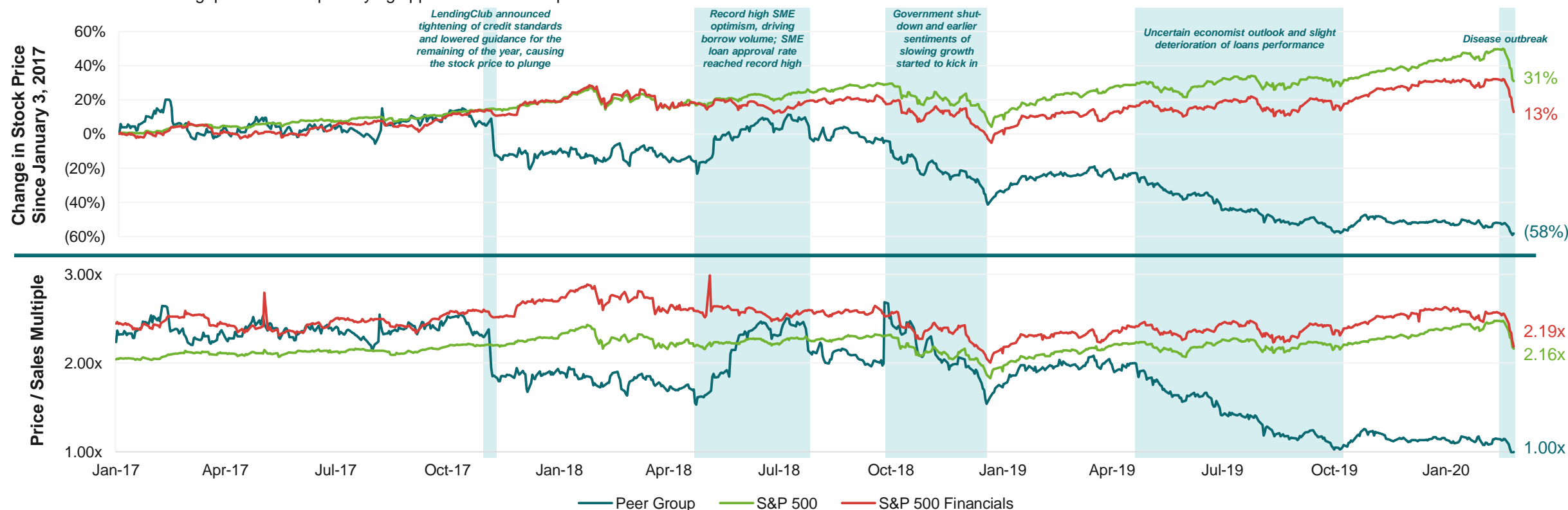


# Public Peer Group Performance

Insurance – a Peek into the Esoteric; Low-Code / High Efficiency; **SME Lending – the Unfavored Child is Alive and Kicking**

## Key Takeaway

1. The SME peer group is underpriced compared to the broader market and financial services index
2. The deviation started to widen in Spring 2019 and is currently very pronounced (the difference is more than one turn of revenue)
3. We deem that this gap creates unique buying opportunities in the space



Peer group consists of LendingClub, GreenSky, IOU Financial, Enova International, Funding Circle, On Deck Capital, Accord Financial and Chesswood Group. Refer to page 29 for more metrics and multiples of each group member.  
Source: Capital IQ, Wall Street Research

# Lendio Raised Series E

## Financing Case Study – February 2020

### Target Company Overview



- Lendio is the largest marketplace for small business loans in the US, having facilitated more than 100,000 loans totaling \$2 billion.
- The Company enables fast, precise and effective connection between small business owners and lending institutions, through a combination of leading technology, data science and personalized expert guidance.
- The Company has 302 employees spread over two locations in Lehi, Utah and Woodbury, New York.
- The Company was founded in 2011 and is headquartered in Lehi, Utah.

### Solution Offerings

Lendio offers services in the following categories:

#### Loan Marketplace

- Line of Credit
- Term Loan
- Business Credit Card
- Equipment Financing
- Commercial Mortgage
- Startup Loan

#### Bookkeeping Platform

- Dedicated Bookkeeper
- Invoicing
- Financial Reports
- POS Integration
- Expense Tracking
- Tax Assist

#### Lender Services

- SaaS Partnership Model
- White-Label Online Platform for Loan Applications
- Customer-Facing Sales Function Outsourcing

### Financing Details



- On February 27, 2020, Lendio announced its Series E funding of \$55 million, including \$31 million in equity led by Mercato Partners' Traverse Fund, a multi-practice equity investor in the technology and branded consumer sectors, and a \$24 million debt facility from Signature Bank.
- The equity round was oversubscribed by existing investors including Napier Park Financial Partners, Comcast Ventures, Blumberg Capital, Stereo Capital and Runa Capital.
- With this round of funding, the aggregate amount raised will be \$108.5 million.

### Transaction Rationale

- Over the past two years, Lendio's year-over-year growth rate has averaged 75%, as "a result of its technology-backed personalized service which has created a loyal and growing following in the industry," said Ryan Sanders, senior investor at Mercato Partners Traverse Fund.
- "While the company was in a position of profitability and didn't need to raise funds, this Series E round will allow Lendio to grow several recently-launched business units," said Lendio's CEO and co-founder Brock Blake, referring to the bookkeeping business acquired in January 2019 and the lender services functions.
- With the expansion and further integration of business units, Lendio will become a one-stop-shop offering small business owners a solution for both financing and accounting.

Source(s): Capital IQ, Pitchbook, LinkedIn, Press Release(s), Company Website

# Radius Bank Acquired by LendingClub

## M&A Case Study – February 2020

### Target Company Overview



RADIUS  
BANK

- Radius Bank is an online bank providing a full complement of accounts and services nationwide, with more than \$1.4 billion in diversified assets.
- The company offers branchless digital platform with convenient features to consumers and small businesses, as well as “banking-as-a-service” with open APIs to FinTechs.
- Radius Bank has 146 employees.
- The Company was founded in 1987 and is headquartered in Boston, Massachusetts.

### Solution Offerings

Radius Bank offers solutions in the following categories:

#### Consumer Banking

- Digital Platform
- Checking Accounts
- Savings Accounts
- Loans & Insurance
- Personal Financial Dashboard

#### Commercial Banking

- Operating Accounts
- Savings Solutions
- Lending & Financing
- Online Services
- Cash Management
- Specialty Services

#### Banking-as-a-Service (BaaS)

- Partnership with Fintechs
- Open APIs
- White-Label Deposit
- Digital Onboarding
- Account Management

### Acquisition Details



- LendingClub Corporation (NYSE:LC) is America's largest online lending marketplace, facilitating more than \$12.3 billion in loans in 2019.
- The company was founded in 2006 and is based in San Francisco, California.
- On February 18, 2020, LendingClub announced its acquisition of Radius Bancorp, and its wholly owned subsidiary Radius Bank, on February 18, 2020 for \$185 million, with 75% in cash and 25% in stock. Radius' earnings of \$6.23 million imply a 29.7x P/E.
- LendingClub expects the transaction to be completed in 12 to 15 months.

### Transaction Rationale

- Combining LendingClub's data-driven asset generation platform with Radius Bank's online deposit gathering platform, the acquisition will create a digitally native marketplace bank at scale with the power to deliver an integrated customer experience and better financial health.
- LendingClub estimates the new synergies will translate into over \$80 million of benefits per year, including \$25 million saved on fees currently being paid to WebBank, \$15 million lower in costs of funding and \$40 million additional profit from loans held on its own balance sheet.
- By integrating Radius Bank's banking-as-a-service offering and partnerships with leading fintech firms, LendingClub makes a significant move in achieving its long-term vision of becoming a multi-line platform.










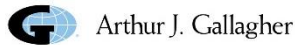
Source(s): Capital IQ, Pitchbook, Press Release(s)

## 4. Deal Activity in Sectors Evaluated

# Deal Activity

Key Industry Transactions – Municipality Insurance | Enterprise Software | SME Lending

## Highlighted Insurance Transactions

Date	Company	Acquirer / Investor	Type	Value (\$ mm)	Comments
7/8/19			M&A	NA	<ul style="list-style-type: none"> <li>York Risk Services is a provider of claims and risk management services</li> <li>The Company's clients include public entity clients, such as schools, counties and communities</li> <li>The York offerings notably complement Sedgwick's existing market capabilities</li> </ul>
5/14/19			M&A	\$350 (approx.)	<ul style="list-style-type: none"> <li>K2 is a provider of specialty insurance through its carrier and managing general agencies</li> <li>The company's specialty insurance carrier, Aegis Security Insurance Company, will be spun off and remain under the ownership of Endeavour Capital</li> </ul>
2/21/19			M&A	\$5,100	<ul style="list-style-type: none"> <li>AssuredPartners is a provider of provides property and casualty insurance, and employee benefits brokerage services</li> <li>The company's management will also retain a significant minority stake</li> </ul>
6/18/18			M&A	NA	<ul style="list-style-type: none"> <li>C&amp;C Risk Services is a provider of insurance coverage to municipalities in Texas and Florida</li> <li>The target brings great experience and expertise in the excess public entity insurance market</li> </ul>
1/15/18			M&A	NA	<ul style="list-style-type: none"> <li>The Daniels is an insurance broker and a provider of employee benefits consulting</li> <li>The acquisition will straighten the acquirer's existing operations and bolster the municipal efforts</li> </ul>











Source(s): Capital IQ, Press Releases



# Deal Activity

Key Industry Transactions – Municipality Insurance | Enterprise Software | SME Lending

## Highlighted Low-Code Platform Transactions











Date	Company	Acquirer / Investor	Type	Value (\$ mm)	Comments
2/25/2020	 <b>Vlocity</b> INDUSTRY CLOUD APPS		M&A	\$1,330	<ul style="list-style-type: none"> <li>Vlocity is a provider of a suite of software, built natively on Salesforce, that allows drag-and-drop visual designs and integrations</li> <li>Salesforce will leverage Vlocity's expertise to develop industry-specific solutions</li> </ul>
1/14/2020	 <b>AppSheet</b>		M&A	NA	<ul style="list-style-type: none"> <li>AppSheet offer a no-code a mobile application development platform</li> <li>Google will replace its App Maker platform following the acquisition</li> </ul>
11/26/2019	 <b>tray.io</b>		Financing	\$50	<ul style="list-style-type: none"> <li>Tray.io offers a low-code automation platform that enables citizen development in any business role to build enterprise-class integrations</li> <li>The company will deploy the new funding in strategic hiring and product development, as the demand for general automation is showing nonstop momentum</li> </ul>
8/28/2019	 <b>kony</b>		M&A	\$559	<ul style="list-style-type: none"> <li>Kony is the leading digital banking SaaS provider in the US</li> <li>The acquisition will enhance the acquirer's digital banking platform and accelerate its growth in the US</li> </ul>
8/1/2018	 <b>mendix</b>		M&A	\$701	<ul style="list-style-type: none"> <li>Mendix is a low-code platform used by businesses to develop mobile &amp; web apps at scale</li> <li>Siemens will add Mendix's low-code approach to its industrial IoT platform</li> <li>Mendix's platform will remain industry and ecosystem agnostic</li> </ul>

Source(s): Capital IQ, Press Releases

# Deal Activity

Key Industry Transactions – Municipality Insurance | Enterprise Software | **SME Lending**

## SME Lending Transactions

Date	Company	Acquirer / Investor	Type	Value (\$ mm)	Comments
2/27/2020	 lendio	 MERCATO PARTNERS	Financing	\$55	<ul style="list-style-type: none"> <li>Lendio is a provider of a marketplace for small business loans in the US</li> <li>Proceeds from the financing round will be used for building out a range of new integrated lending services</li> </ul>
2/18/2020	 RADIUS BANK	 LendingClub	M&A	\$185	<ul style="list-style-type: none"> <li>Radius Bank is an online bank providing a full complement of accounts and services</li> <li>The acquisition is a significant move by LendingClub in achieving its long-term vision of becoming a multi-line platform</li> </ul>
1/22/2020	 liberis	 FTV CAPITAL	Financing	\$42	<ul style="list-style-type: none"> <li>Liberis Group is a fintech on a mission to reshape small business finance</li> <li>The company will continue its rapid expansion in the US and EU with the funding, as well as increase 30% in headcount</li> </ul>
11/19/2019	 BlueVine®	 ION CROSSOVER PARTNERS	Financing	\$103	<ul style="list-style-type: none"> <li>BlueVine offers financing products to meet the diverse needs of small business owners</li> <li>The company will use the funding to further build and scale its end-to-end banking platform</li> </ul>
7/18/2019	 Breakout CAPITAL (Lending Business)	 SecurCapital	M&A	NA	<ul style="list-style-type: none"> <li>Breakout Capital is a leading fintech company and nationwide small business lender</li> <li>The acquirer will scale the target's factoring loan solution to complement its strategic vision of empowering small businesses</li> </ul>

Source(s): Capital IQ, Press Releases

## 5. Public Comparables

# Public Trading Comparables

Insurance | Enterprise Software | SME Lending

(All figures in US Dollars. Figures in millions, except per share data, as of February 1, 2020)

## Insurance

	Stock Price	% of 52-Wk. High	Market Value	Enterprise Value	LTM		Growth Rates:			LTM Margins:		EV / Revenue			EV / EBITDA		
					Revenue	EBITDA	Revenue:		Earnings LT	Gross	EBITDA	LTM	CY 2020 CY 2021		LTM	CY 2020 CY 2021	
							CY 2020	CY 2021									
Marsh & McLennan Companies	\$111.86	95.7%	\$56,452	\$69,698	\$16,100	\$3,184	12%	7%	(3%)	46%	20%	4.3x	4.2x	3.9x	21.9x	17.1x	15.6x
Aon	\$220.25	96.7%	\$51,109	\$46,704	\$10,898	\$2,714	2%	6%	9%	44%	25%	4.3x	4.3x	4.0x	17.2x	14.6x	13.4x
Willis Towers Watson	\$211.29	98.1%	\$27,166	\$33,439	\$8,721	\$2,070	6%	6%	59%	41%	24%	3.8x	3.7x	3.5x	16.2x	14.5x	13.4x
Arthur J. Gallagher & Company	\$102.57	97.1%	\$19,132	\$23,534	\$7,068	\$1,208	3%	9%	19%	31%	17%	3.3x	3.3x	3.0x	19.5x	18.1x	15.6x
Brown & Brown Insurance	\$44.90	98.8%	\$12,650	\$13,819	\$2,315	\$710	18%	8%	15%	46%	31%	6.0x	5.8x	5.4x	19.5x	19.4x	17.9x
Goosehead Insurance Agency	\$52.18	97.3%	\$1,895	\$1,912	\$78	\$21	38%	35%	NA	NA	26%	24.4x	22.8x	16.9x	92.5x	83.1x	54.9x
<b>MEAN</b>							<b>8%</b>	<b>7%</b>	<b>20%</b>	<b>42%</b>	<b>23%</b>	<b>4.3x</b>	<b>4.2x</b>	<b>4.0x</b>	<b>18.8x</b>	<b>16.8x</b>	<b>15.2x</b>
<b>MEDIAN</b>							<b>6%</b>	<b>7%</b>	<b>15%</b>	<b>44%</b>	<b>24%</b>	<b>4.3x</b>	<b>4.2x</b>	<b>3.9x</b>	<b>19.5x</b>	<b>17.1x</b>	<b>15.6x</b>

LTM = Latest Twelve Months

Enterprise Value = (Market Value) + (Debt + Preferred Stock + Minority Interest) - (Cash & Equivalents)

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

NMF = Not meaningful

Source: Pitchbook, SEC filings

# Public Trading Comparables

Insurance | Enterprise Software | SME Lending

(All figures in US Dollars. Figures in millions, except per share data, as of February 1, 2020)

## Enterprise Software

	Stock Price	% of 52-Wk. High	Market Value	Enterprise Value	LTM		Growth Rates:			LTM Margins:		EV / Revenue			EV / EBITDA		
							Revenue:		Earnings								
					Revenue	EBITDA	CY 2020	CY 2021	LT	Gross	EBITDA	LTM	CY 2020	CY 2021	LTM	CY 2020	CY 2021
Microsoft	\$170.23	97.8%	\$1,294,777	\$1,237,304	\$134,249	\$64,508	10%	15%	26%	68%	48%	9.2x	9.5x	8.2x	19.2x	22.0x	18.2x
Adobe Systems	\$351.14	98.4%	\$171,260	\$171,221	\$11,171	\$4,030	23%	18%	37%	85%	36%	15.3x	15.4x	13.0x	42.5x	33.7x	28.2x
Oracle	\$52.45	86.7%	\$168,241	\$193,088	\$39,583	\$16,449	(0%)	3%	14%	80%	42%	4.9x	4.9x	4.8x	11.7x	10.6x	10.0x
Salesforce	\$182.31	97.8%	\$161,709	\$161,274	\$15,850	\$2,706	61%	24%	46%	75%	17%	10.2x	9.5x	7.7x	59.6x	32.8x	27.6x
SAP	\$129.94	92.1%	\$159,636	\$171,579	\$30,390	\$7,282	4%	6%	0%	70%	24%	5.6x	5.6x	5.3x	23.6x	16.7x	15.1x
International Business Machines	\$143.73	94.0%	\$127,293	\$186,727	\$77,131	\$16,933	(3%)	3%	(11%)	47%	22%	2.4x	2.4x	2.4x	11.0x	10.2x	10.4x
VMware	\$148.06	71.6%	\$61,761	\$65,227	\$9,752	\$2,643	29%	19%	NA	85%	27%	6.7x	6.5x	5.4x	24.7x	16.5x	16.2x
Pegasystems	\$86.21	95.9%	\$6,839	\$6,784	\$891	(\$75)	4%	18%	NA	65%	(8%)	7.6x	7.3x	6.2x	NMF	NMF	NMF
Zuora	\$14.75	59.8%	\$1,670	\$1,511	\$269	(\$75)	65%	16%	NA	51%	(28%)	5.6x	5.4x	4.7x	NMF	NMF	NMF
<b>MEAN</b>							<b>16%</b>	<b>13%</b>	<b>19%</b>	<b>72%</b>	<b>26%</b>	<b>7.7x</b>	<b>7.6x</b>	<b>6.6x</b>	<b>27.5x</b>	<b>20.3x</b>	<b>18.0x</b>
<b>MEDIAN</b>							<b>7%</b>	<b>17%</b>	<b>20%</b>	<b>72%</b>	<b>26%</b>	<b>7.2x</b>	<b>6.9x</b>	<b>5.8x</b>	<b>23.6x</b>	<b>16.7x</b>	<b>16.2x</b>

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# Public Trading Comparables

Insurance | Enterprise Software | **SME Lending**

(All figures in US Dollars. Figures in millions, except per share data, as of February 1, 2020)

## SME Lending

	Stock Price	% of 52- Wk. High	Market Value	LTM		Growth Rates:				LTM Net		Market Value / Rev.		Price / Earnings		Price Book	ROE %
						Revenue		Earnings				CY 2020	CY 2021	CY 2020	CY 2021		
				Revenue	Net Income	CY 2020	CY 2021	LT	Income %								
GreenSky	\$9.25	56.3%	\$1,664	\$506	\$37	31%	18%	NA	7%	3.1x	2.6x	14.9x	13.0x	77.6x	NMF		
LendingClub	\$11.72	62.2%	\$1,033	\$645	(\$44)	29%	13%	NA	(7%)	1.3x	1.2x	NMF	31.2x	1.2x	(1%)		
Enova International	\$25.06	78.4%	\$846	\$1,080	\$96	13%	16%	(3%)	9%	0.7x	0.6x	11.6x	6.0x	2.2x	28%		
Funding Circle	\$1.05	19.4%	\$367	\$207	(\$69)	18%	15%	NA	(33%)	1.6x	1.4x	NMF	NMF	0.8x	(11%)		
OnDeck	\$4.08	51.7%	\$293	\$397	\$33	13%	6%	NA	8%	0.7x	0.6x	13.7x	13.0x	1.0x	13%		
Chesswood Group	\$7.57	81.2%	\$123	\$66	\$11	16%	8%	2%	16%	1.3x	1.2x	12.1x	9.1x	1.2x	11%		
Accord Financial	\$7.17	91.3%	\$62	\$41	\$8	NA	NA	9%	21%	NA	NA	NA	NA	0.9x	12%		
IOU Financial	\$0.15	72.9%	\$13	\$14	\$1	26%	30%	NA	10%	0.6x	0.5x	3.9x	2.5x	1.3x	16%		
MEAN						21%	15%	3%	4%	1.3x	1.2x	11.3x	12.4x	10.8x	10%		
MEDIAN						18%	15%	2%	9%	1.3x	1.2x	12.1x	11.0x	1.2x	12%		

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Enterprise Value = (Market Value) + (Debt + Preferred Stock + Minority Interest) - (Cash & Equivalents)

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