



Harold Montgomery
CEO

**The Portfolio Sale Process:
Getting the Most from Your Portfolio
Investment**



Calpian

- Publicly Traded (CLPI.OB)
- Acquires Merchants and Residuals from ISOs
- Has Used Cash and Stock to Make Acquisitions
- Leaves ISO independent/Does NOT Acquire the entire business
- Allows ISOs to continue growing and build wealth two ways – through sales and stock



The Process

- Your decision to sell
 - Selling Toward: Selling as a cash generator for expansion financing
 - Selling Out: Selling as exit from the business
 - Selling Into: Merging and becoming part of something bigger to build long-term value

Think, Choose, Act
Going to Market With More Than One
Choice Confuses Everyone



The Process

- Finding Your Buyer Group
 - Directly
 - Targeted Approach - know who they are and what they're looking for
 - Extended search is a full-time job
 - Intermediaries: investment banks or consultants
 - Value-add:
 - Knowing who to go to
 - How to package material
 - Preparation support
 - Making the best presentation



The Process

- Getting Your Data Ready
 - Portfolio Data: Summary and details
 - 12 Months Processor Residual Reports (and more)
 - Company Financials (and more)
 - Key Merchant Contracts
 - Bank and Processor Contract(s)
- Documents
 - Mutual NDA
 - Purchase Agreement: Buyer/Seller/Processor



The Process

- Analysis
 - Underwriter examines data
 - Characteristics of the portfolio(s)
 - Focus on attrition
- Timing
 - Small portfolios +/- 2 weeks
 - Large Portfolios +/- 4 weeks
 - Businesses +/- 6-8 weeks



The Process

- Other Considerations
 - Buyer Financing – Are they good for the money?
 - Processor approval lag time
 - Stakeholder considerations
 - Employee considerations
- Can add weeks to the process, especially a business sale



Drivers of Value

	Improve	Diminish
Ownership/Portability	Yes	No
Future Growth	Ability to grow	No future growth
Revenue Metrics (cash flow)	Spread at 40-50bps or lower	Spread too high
Revenue Metrics (attrition)	Low attrition	High Attrition
Revenue Metrics (risk)	< 2-3 bps	> 3 bps
Portfolio Size	Larger	Smaller
Processing Platform & Contract	No fees, single platform	Fees, Penalties, many platforms
Required Service Level	Low	High
Other	Litigation, Age of Merchant on Book, Merchant Concentration, Management Team, Buyer's Structure	



Valuations

- Lower than Historic Ranges
 - Liquidity and Buyer Financing
 - Cost of Financing
 - Weaker Retail Volumes
 - Shift to Debit from Credit
 - Higher Merchant Attrition



Valuation Ranges

The \$64,000 Question?
Scarcity of Transactions Last 2 years
Financial Markets in Disarray



Valuation

The final valuation is always negotiated between an able and willing Buyer and an able and willing Seller.