The Economist

Acquirer acquired

An American payments firm goes online and buys British

Vantiv buys Worldpay as JPMorgan Chase declines to make an offer

Print edition | Finance and economics

Jul 8th 2017

A BIDDING war was briefly but eagerly anticipated. In the end, not a shot was fired. On July 4th the share price of Worldpay, a British payments processor, leapt by 28% after the company said it had received preliminary approaches from JPMorgan Chase, America's biggest bank, and Vantiv, an American payments firm. The next day Worldpay said it had accepted a cash-and-shares bid from Vantiv, worth £7.7bn ($10bn), giving its shareholders 41% of the combined group. JPMorgan Chase, sniffily explaining that it had considered a bid after an "invitation" from Worldpay, which is a client, declined to proceed. Under Britain's takeover code that refusal rules out a counter bid for six months. The shares slipped back by nearly 9%.

Vantiv and Worldpay are "merchant acquirers": companies that have contracts with sellers of goods and services, and licences from credit- and debit-card companies, to accept and process card payments. They also provide insurance—for example, refunding disappointed holidaymakers when an airline goes bust.

Until a few years ago, explains Ali Farid Khwaja of Autonomous, an investment-research firm, acquirers in both America and Europe had to have banking licences. As a consequence, banks still feature in lists of leading acquirers. According to the *Nilson Report*, a newsletter, they accounted for three of America's top seven last year: JPMorgan Chase ranked first, with Vantiv second. Both Vantiv and Worldpay, indeed, emerged from banks. Vantiv was spun off in 2009 by Fifth Third, an Ohio-based lender which still owns 17.9%. The European Commission obliged the Royal Bank of Scotland to sell Worldpay in 2010, as a condition of RBS's bail-out by the British state after the financial crisis. Two private-equity firms bought it for £2bn. It was floated at a value of £4.8bn in 2015.

Mr Khwaja says that by buying Worldpay, Vantiv will reduce its reliance on bricks-and-mortar merchants, which are losing out from a shift of retailing to online competitors such as Amazon. Less than 10% of its revenue comes from processing e-commerce payments. Worldpay, by contrast, makes more than one-third of its revenue from a fast-growing, global e-commerce business. It is also the market leader in Britain, claiming a share of 42%, and has an American business of its own (the country's eighth-biggest, one-sixth of the size of Vantiv's, says the *Nilson Report*).

The deal marks a further step towards the industry's consolidation. Last year, for example, Global Payments, the sixth-biggest American acquirer, bought Heartland, a smaller rival, for $4.3bn in cash and shares. TSYS bought TransFirst for $2.4bn. Vantiv snaffled Moneris USA, the American arm of a Canadian payments-processor, for $425m.

In Europe, Mr Khwaja notes, national markets tend to be ruled by local players, despite the EU's supposedly single market. Cross-border consolidation has far to go. But in a business of thin margins, scale is starting to count. Worldline, descended from the acquiring subsidiaries of three French banks, has spread into the Benelux countries and Germany. On July 3rd Nets, a Nordic payments company, said it had been approached about a takeover. It's an acquisitive business.

This article appeared in the Finance and economics section of the print edition under the headline "Acquirer acquired"