

FinTech 100

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FINTECH VENDORS TURN LEMONS INTO LEMONADE

BY KAREN MASSEY

WE'VE ALL HAD A TOUGH YEAR, enough bad news. We could begin this article with a recap of the dismal global economy, the worst recession in modern times, the record number of bank failures, etc., etc. But instead some good news: In a year where there were huge structural changes and consolidation in financial services, the top 100 financial technology firms actually saw their revenue grow. The 100 companies on the 2009 FinTech 100 had combined revenue of \$52.8 billion, an almost 10% increase from last year's \$48.1 billion.

So in the sixth year of the FinTech 100 the bar continues to rise. Last year \$36 million in revenue from the financial services industry was enough to land a company on the list. This year it took more than \$50 million.

Fiserv maintains its position as the leader of the FinTech 100 roster. There are not many changes among the rest of the top 10, with a few notable exceptions. SunGard, Diebold, NCR, TCS, First Data, TSYS and Metavante Technologies all boast solid 2008 performance. So solid, in fact, that their performance caused CA to drop from the top 10, from No. 8 in 2007 to No. 12 in 2008, even while CA maintained healthy growth itself.

Typically, the growth of FinTech 100 companies has come from merger activity. However, in 2008 merger activity was anemic. In fact, the biggest movement within the top 10 was a spinoff as Fidelity National Information Services gave wings to Lender Processing Systems. This move caused Fidelity to drop from second to third place on our list — but not for long. Fidelity surprised most in the industry with its April Fool's Day announcement to acquire Metavante. We expect Fidelity to vie for the top spot again in 2009.

Fidelity's move for Metavante con-

firmed the trend toward larger, more diversified providers striving to offer a broader spectrum of products and services to their financial institution clients. In the coming years expect to see companies continue to grow through acquisition, especially the core vendors as they add to their competencies with adjacent and integrated offerings.

Four 2007 FinTech 100 companies were acquired during the year: ChoicePoint, by Reed Elsevier (No. 17), the parent company of LexisNexis; GL Trade (No. 32), by SunGard, OMX AB (No. 34), by Borse Dubai and, eventually, Nasdaq; and Fermat (No. 85), by Moody's.

As we see each year, there was some interesting movement between the FinTech 100 and Enterprise 25 lists. Last year we saw more companies move from the FinTech 100 to the Enterprise 25, including CGI, Unisys and Infosys as they diversified further and reduced the percentage of their revenue generated from the financial services sector. Infosys has returned to the FinTech 100 this year, as its revenue derived from financial services has exceeded one-third of its total; last year that revenue accounted for just under a third of its top-line total.

One reason it was harder for some familiar names to crack the FinTech 100 this year was the arrival of new names, which in turn can be explained by increased recognition of the list. We welcome 11 new providers to the roster. Congratulations to those from North America: 3i Infotech (No. 32), BancTec (No. 49), Collabera (No. 66), Diamond Management and Technology Consultants (No. 79), and **Panini (No. 92)** — as well as those from the EMEA and AP regions: HCL, India (No. 25 on the Enterprise list); Longtop, China (No. 62); Mastek, India (No. 69); TAS Group, Italy (No. 78); Nucleus Software, India (No. 85); AurionPro Solutions, India (No. 94); and FRS Global, Belgium

(No. 96). While more than 50% of FinTech 100 newcomers are outside North America, 59% of the complete FinTech list hail from the North American region. No doubt the demographics of the FinTech list will continue to evolve with time.

Though revenue of the top 100 companies is higher, that's mostly big companies drawing business from smaller rivals. Overall, IT spending continues to decline. Since the 2007 FinTech 100 issue, IT spending has been downwardly revised across most spending categories, reflecting the impact the difficult economy has had in terms of financial institution consolidation and severe budget cuts. Overall IDC Financial Insights expects global banking IT spend to be a minus-1.5% CAGR through 2012, with similar negative growth expected in the capital markets segment. Insurance appears to be the bright spot in financial services IT spend, albeit flat instead of declining, a paltry 0.02% five-year CAGR.

AREAS OF OPPORTUNITY

Still, there are a few IT spend areas projected to grow. We can thank the regulators for increasing IT spend on risk management and compliance, as well as the supporting business performance management and financial analytics. Collections and recovery spend is also projected to increase as financial firms labor to mitigate losses. Significant shifts are occurring in the payments space as we see a decline in item processing feeding gains in stored value cards. Continued investments in Internet banking and mobile banking and payments is beneficial to vendors in the sector. Core banking also remains in the black, but increased spending is attributed to keeping the lights on as opposed to the innovation and transformation the industry has been expecting for years. Analytics and business intelligence firms such as Equifax, Experian,

YEAR IN REVIEW

FICO, Oracle, and SAS stand to benefit from risk and compliance initiatives. Core providers from across the globe have held relatively steady in positions close to last year's. In fact, three of the top 10 are prominent U.S. core banking providers: Fiserv, Fidelity and Metavante.

The glaring exception is the mobile banking space, where no pure-play mobile vendor has reached the critical size required to make the FinTech roster. Furthermore, with the exception of S1, there are no independent multichannel players any longer, as they have all been consumed by the core providers.

Where do we go from here? Optimists expect the economy to begin to recover in 2010. Pessimists say it will be longer. Both agree it will be a slow recovery. Financial institution customers of the FinTech 100 and Enterprise 25 are declining at record pace, mostly through failures but also through forced marriages and acquisitions. The regulatory waters look murky, and the industry still suffers from battered consumer confidence.

IDC Financial Insights looks at the financial services industry through 2010

with four key themes that will differentiate those companies that will thrive rather than just to survive.

Customer relationship management. FinTech companies will develop solutions which help financial services companies actively manage the relationships they have. The focus has shifted from building the depth of customer bases to broadening the breadth of customer relationships through penetration of additional products and services.

Customer service. The financial crisis has brought about a sea change in firm-specific and systemic risk, now it is time for financial institutions to focus on customer service and financial stability in order to win back the full confidence of both customers and the financial markets.

Back to basics. Many financial services firms will be redefining their business models moving forward. Maintaining stable and growing business models will require redefining customer interactions, product development as well as evaluating each line of business. Institutions will have to strike a delicate balance between finding new efficiencies and growing

customer relationships.

Relationship growth, restoration of confidence and redefinition of business models will require new levels of innovation. Look for focus and increased innovation in the areas of core systems, business analysis, risk management and mobile payments. Which institutions will break the traditional barriers of customer service through the use of new technologies? Which FinTech firms are developing new solutions that will change the face of core banking, capital markets, risk management, treasury services and payments execution?

The past year has brought about many changes in the financial services industry, but also created an urgency around efficiency and innovation. The universe of FinTech companies providing solutions the financial services industry is growing and should continue to do so into 2010 and beyond. We did promise to maintain an upbeat view. So let's celebrate 2008, because it probably won't look too bad when we review 2009 a year from now.

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METHODOLOGY

FINANCIAL INSIGHTS relied on a number of sources to gather the data used in the sixth edition of the FinTech survey.

First, the research firm, along with *American Banker* and *Bank Technology News*, sent requests for basic financial information to several thousand technology companies globally that are vendors to the financial services industry. Second, publicly available resources such as Hoovers, Edgar, company filings, and company Web sites were used to validate data provided and to capture additional information. Financial Insights also used research databases, internal research currently underway, previously published reports, and the resources of its parent company, IDC.

For all of the companies, we have developed our own estimates of eligible calendar year 2008 revenue, which consists of revenue generated from sales of qualifying products and services to the financial services industry. The international rankings include technology providers that sell products or services to the financial services industry. Software, hardware, and IT services providers are included. We do not include revenue from any network, telecommunications, electronic exchanges, or data services (e.g., market/credit) providers. Two major categories of companies are included in the rankings: Financial technology companies that derive more than one-third of their total global revenue from the financial services industry; and enterprise technology companies, those horizontal technology companies that sell and support multiple industries.

Financial Insights and *American Banker* made a concerted effort to include all possible candidates for the rankings. Some companies in qualifying industries that submitted forms did not make the rankings because of insufficient revenue or our inability to validate submitted data. When companies reported revenue in a currency other than U.S. dollars, we calculated U.S. dollar figures using International Data Corp.'s standard blended exchange rate for the 2008 calendar year.

For those vendors that provide qualifying offerings in addition to these nonqualifying ones, we estimated just the qualifying portion of their revenue and used that as the basis for our rankings.

Subsidiary companies are included in the rankings as stand-alone entities when financial information is available regarding that subsidiary. In the event that a subsidiary is listed, its figures include only the revenue attributable to that subsidiary.

The parent company may also be listed separately with its total financial services revenue (including the subsidiary's) reported. ■

Top 100 Companies in FinTech

For prior years' rankings, go to www.americanbanker.com/fintech100

Rank 2009	Rank 2008	Company	Location	Ownership	Revenue (CY '08)		
					Total (millions)	Financial technology (millions)	% of total
1	1	Fiserv	Brookfield, Wis.	Public	\$4,739.00	\$4,226.00	89.17%
2	3	SunGard	Wayne, Pa.	Private	5,600.00	3,660.00	65.36
3	2	Fidelity Information Services	Jacksonville, Fla.	Public	3,446.00	3,122.90	90.62
4	4	Diebold	North Canton, Ohio	Public	3,170.08	2,884.70	91.00
5	5	NCR	Dayton, Ohio	Public	5,315.00	2,816.95	53.00
6	6	Tata Consultancy Services (TCS)	Mumbai	Public	6,070.00	2,580.00	42.50
7	7	First Data	Greenwood Village, Colo.	Private	8,881.00	2,220.00	25.00
8	9	Total System Services (TSYS)	Columbus, Ga.	Public	1,938.61	1,938.61	100.00
9	—	Lender Processing Services	Jacksonville, Fla.	Public	1,860.00	1,825.00	98.12
10	10	Metavante Technologies	Milwaukee	Public	1,707.27	1,707.27	100.00
11	*	Infosys Technologies	Bangalore, India	Public	4,684.00	1,599.00	34.14
12	8	CA (Computer Associates)	Islandia, N.Y.	Public	4,321.00	1,575.00	36.45
13	12	Cognizant Technology Solutions	Teaneck, N.J.	Public	2,816.30	1,267.00	44.99
14	11	DST Systems	Kansas City, Mo.	Public	2,285.40	1,215.30	53.18
15	14	Experian Group	Dublin	Public	3,852.00	1,116.31	28.90
16	13	SAS	Cary, N.C.	Private	2,260.00	950.00	42.04
17	16	Equifax	Atlanta	Public	1,935.70	826.50	42.70
18	15	Jack Henry & Associates	Monett, Mo.	Public	749.50	749.50	100.00
19	20	Oberthur Card Systems SA	Nanterre, France	Private	1,257.00	716.49	57.00
20	18	Broadridge Financial Solutions	Lake Success, N.Y.	Public	2,236.30	626.16	28.00
21	25	Ingenico SA	Puteaux Cedex, France	Public	1,034.60	584.30	56.50
22	19	FICO	Minneapolis	Public	731.78	518.31	70.83
23	23	Open Solutions Inc.	Glastonbury, Conn.	Private	431.40	431.40	100.00
24	26	Itautec	São Paulo	Public	1,043.97	417.59	40.00
25	24	EDB Business Partner ASA	Oslo	Public	1,250.00	412.17	32.97
26	28	Temenos Group AG	Geneva	Public	406.94	406.94	100.00
27	27	ACI Worldwide	New York	Public	418.00	376.00	89.95
28	33	Hypercom	Scottsdale, Ariz.	Public	437.31	367.34	84.00
29	30	Murex SA	Paris	Private	365.00	365.00	100.00
30	21	Misys	London	Public	798.63	340.00	42.57
31	22	IPC Information Systems	New York	Private	642.00	337.00	52.49
32	—	3i Infotech	Mumbai	Public	440.94	315.28	71.50
33	67	CPM Braxis	São Paulo	Private	456.00	309.00	67.76
34	40	Syntel	Troy, Mich.	Public	410.43	305.20	74.36
35	29	Harland Financial Solutions	Lake Mary, Fla.	Public	293.70	293.70	100.00
36	36	SS&C Technologies	Windsor, Conn.	Public	280.00	280.00	100.00
37	39	Mphasis	Bangalore, India	Acquired	664.00	278.90	42.00
38	31	TransFirst Holdings	Dallas	Private	785.90	275.07	35.00
39	38	Polaris Software Lab	Chennai, Tamil Nadu, India	Public	304.50	275.00	90.30
40	35	Patni Computer Systems	Mumbai	Public	718.88	268.00	37.00
41	44	Advent Software	San Francisco	Public	264.83	264.83	100.00
42	37	Wolters Kluwer Financial Services	Minneapolis	Public	246.00	246.00	100.00
43	45	Simcorp	Copenhagen	Public	236.00	236.00	100.00
44	41	GFT Technologies AG	St. Georgen, Germany	Public	338.62	230.26	68.00
45	47	Ness Technologies	Canonsburg, Pa.	Public	664.81	226.00	33.99
46	42	Linedata Services SA	Rueil-Malmaison, France	Public	224.79	224.79	100.00
47	46	Resolve Corp.	Toronto	Public	369.00	221.40	60.00
48	50	Fidessa	London	Public	310.18	195.40	63.00
49	—	BancTec	Irving, Texas	Private	271.92	190.34	70.00
50	49	S1	Norcross, Ga.	Public	228.44	189.60	83.00

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Rank 2009	Rank 2008	Company	Location	Ownership	Revenue (CY '08)		
					Total (millions)	Financial technology (millions)	% of total
51	51	GlobeOp Financial Services	London	Public	\$185.00	\$185.00	100.00%
52	48	Headstrong	Fairfax, Va.	Private	178.61	178.61	100.00
53	54	Firstsource Solutions	Mumbai	Public	341.00	177.32	52.00
54	52	DealerTrack Holdings	Lake Success, N.Y.	Public	242.71	167.50	69.01
55	59	Charles River Development	Burlington, Mass.	Private	165.00	165.00	100.00
56	55	Algorithmics	Toronto	Public	157.70	157.70	100.00
57	43	Politec	São Paulo	Private	255.80	156.00	61.00
58	63	Avaloq	Zurich	Private	155.00	155.00	100.00
59	58	Interactive Data Corp.	Bedford, Mass.	Public	750.54	140.00	18.65
60	61	Wall Street Systems	New York	Private	143.20	138.90	97.00
61	68	Calypso Technology	San Francisco	Private	136.00	136.00	100.00
62	—	Longtop Financial Technologies	Mumbai	Public	136.00	129.20	95.00
63	72	Pegasystems	Cambridge, Mass.	Public	211.65	124.88	59.00
64	64	Bravura Solutions	Sydney	Public	122.53	122.53	100.00
65	66	FundTech	Jersey City	Public	121.00	121.00	100.00
66	—	Collabera	Morristown, N.J.	Private	288.73	117.38	40.65
67	65	iGATE Global Solutions	Bangalore, India	Public	218.80	110.90	51.00
68	76	OpenLink	New York	Private	184.00	110.40	60.00
69	—	Mastek	Mumbai	Public	233.00	110.00	47.21
69	81	Sophis	London	Private	110.00	110.00	100.00
71	69	Vasco Data Security	Oakbrook Terrace, Ill.	Public	132.98	109.04	82.00
72	71	ERI Bancaire SA	Zurich	Private	109.00	109.00	100.00
73	60	Chordiant Software	Cupertino, Calif.	Public	107.17	105.02	98.00
74	62	Odyssey Financial Technologies	Prilly, Switzerland	Private	103.60	103.60	100.00
75	57	Online Resources	Chantilly, Va.	Public	151.64	101.60	67.00
76	83	Eagle Investment Systems	West Hartford, Conn.	Public	101.40	101.40	100.00
77	70	Viewpointe	New York	Private	100.00	100.00	100.00
78	—	TAS Group	Bologna, Italy	Public	106.19	98.76	93.00
79	—	Diamond Management & Technology Consultants	Chicago	Public	182.00	96.50	53.02
80	78	Callatay and Wouters	Brussels	Public	93.90	93.90	100.00
81	72	SmartStream	London	Private	92.27	92.27	100.00
82	75	Investment Technology Group	New York	Public	762.98	92.00	12.06
83	77	ORC Software AB	Stockholm	Public	85.73	74.62	87.00
84	87	Goldleaf Financial Solutions	Norcross, Ga.	Public	81.57	74.00	90.72
85	—	Nucleus Software	Noida, India	Public	73.81	73.81	100.00
86	74	Wausau Financial Systems	Mosinee, Wis.	Private	100.00	70.00	70.00
87	97	Hyland Software	Westlake, Ohio	Private	124.50	69.72	56.00
88	82	Actuate	San Mateo, Calif.	Public	131.00	65.50	50.00
89	78	Hundsun Technologies	Hangzhou, China	Private	97.88	64.60	66.00
90	80	Viveo	Paris	Private	64.50	64.50	100.00
91	93	Eze Castle Integration	Boston	Private	66.95	63.60	95.00
92	—	Panini	Torino, Italy	Private	63.00	63.00	100.00
93	86	Callidus Software	San Jose	Public	107.18	61.63	57.50
94	—	AurionPro Solutions	Mumbai	Public	60.63	60.63	100.00
95	87	COCC	Avon, Conn.	Private	59.80	59.80	100.00
96	—	FRS Global	Stevens-Woluwe, Belgium	Public	58.00	58.00	100.00
97	95	Norkom Technologies	Dublin	Public	57.40	57.40	100.00
98	84	Yucheng Technologies	Beijing	Private	54.10	54.10	100.00
99	92	Celero Solutions	Calgary, Canada	Private	67.00	53.55	79.93
100	89	Argo Data Resource Corp.	Richardson, Texas	Private	53.40	53.40	100.00

Note: All rankings based on Financial Insights' revenue estimates. Companies in the FinTech 100 rankings derive at least one-third of revenue from the financial services industry. American Banker/Bank Technology News/Financial Insights FinTech 100 (2009)