

## Blog: U.S. Prepaid Companies Aren't the Only Ones Shopping in Europe

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By David Parker, Polymath Consulting



David Parker

The last several months have seen two very interesting pieces of M&A activity in Europe. First, we saw Wright Express' take over [CorporatePay](#). CorporatePay was a "pure play" program manager specializing in the corporate-loaded sector and, in particular, virtual prepaid cards used by the travel sector for supplier payments. For Wright Express (WEX), as the press release said, "[CorporatePay] accelerates our on-the-ground presence within the U.K. and Europe."

More recently, there's been the [The Bancorp](#) purchase of Transact Network Limited, a European electronic money license BIN sponsor. As the press release stated in a similar vein, it was all to "Expand Bancorp's Payment Solutions presence into Europe."

So, is this the start of more U.S. companies "buying their way" into Europe? I would argue no. Both deals had very particular circumstances around them. Certainly the WEX deal offered a great fit to Wright Express' business and brought a strong additional capability around virtual corporate cards into the group business. For Bancorp, it provided that toe hold into Europe. Similar to what we saw with Metavante's (now FIS) purchase of [Nomad](#) in June 2008, we are seeing again a U.S. group identify a European player that will give them a starter for 10 as they build their European business.

But it has not just been U.S. companies shopping in Europe. Late last month the Lenlyn Group purchased a majority stake in PCT, another U.K. pure play program manager. (Lenlyn Group also owns 100 percent of Raphaels Bank; one of the U.K.'s/Europe's largest Visa/MasterCard BIN sponsors.) This is the first time a U.K. BIN sponsor has, in effect, acquired a program manager (although the transaction was formally carried out by the parent group, not the bank itself, and the press release makes clear the two will continue to be run independently).

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### Global Prepaid/Consolidation

Rather than the first two deals pointing to a more aggressive U.S. acquisition trail, I would argue what we are seeing is good companies looking to expand their businesses through the purchase of other good prepaid parties in the value chain. Many have argued for some time that the European prepaid market has too many program managers—more than 50 of various types, sizes and offerings. Thus, what we're starting to see is prepaid being considered on a global basis and a certain amount of consolidation within the industry/value chain.

We also have seen European program managers increasingly move from the pure play position to applying for electronic money licenses and scheme membership. Again, this would enable them to consolidate the value chain and drive incremental profits and—many would argue—greater flexibility to their customers.

The question now more than ever remains: How many of the other pure play program managers in Europe can continue to compete against the increasing consolidation of the sector both from a value chain and international perspective, and will there be more U.S. companies coming shopping in Europe in the near future?

*David Parker is the founder and CEO of Polymath Consulting, which works on projects and advises organizations across the cards and payments industry. Polymath Consulting and Parker are particularly well-known for their work on prepaid cards/e-wallets/mobile payments. Parker has worked with companies many geographies and across the complete value chain, helping banks with their overall prepaid strategy right through to market entry analysis; as well as working with telcos, processors and program managers on segment analysis, certification and membership applications. He can be reached at [davidparker@polymathconsulting.com](mailto:davidparker@polymathconsulting.com).*

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