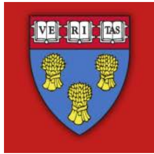
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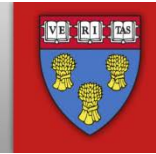

The M&A Landscape: Financial Institutions Rediscovering Themselves

Posted by Edward D. Herlihy, Wachtell, Lipton, Rosen & Katz, on Thursday January 29, 2015

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The year 2014 was marked by accelerating mergers and acquisitions activity in the financial institutions space and by several distinct trends. Institutions continued to adapt to the changed regulatory environment, as several important rule proposals and releases brought the ultimate contours of that environment into clearer focus. Profitability pressures continued for traditional businesses. And, as investors continue to seek yield in a low-rate world, shareholder activism notably proliferated. Continued improvement in the economy brought new opportunities into sight and ramped up private equity activity in the financial services sector. Cutting across all of these trends, technological changes, and associated business challenges, continued to reshape firms' strategic playbooks.

Early indications suggest the M&A activity trend continuing into 2015. In the opening days of the new year, City National agreed to merge with Royal Bank of Canada. The largest bank holding company merger since the financial crisis, at $5.4 billion, the City National deal signals the continuing recovery of the U.S. market from post-crisis distressed deal terms, transaction motivations and negotiating positions. City National is widely considered to be among the strongest franchises in the U.S. It maintained its position of strength and financial performance throughout the financial crisis—as evidenced by the 2.6x multiple of deal price to tangible book value to be paid to City National shareholders. The merger is also a significant vote of confidence by RBC in the outlook for the U.S. banking market and in particular for the type of clientele served by City National. RBC will be reentering retail and commercial banking in the U.S. with 75 branches and $32 billion in assets, and a franchise that is highly complementary to its existing strong U.S. asset management presence.

Deals the size of City National/RBC may not become routine anytime soon. What the deal does suggest, along with other recent announcements like BB&T/Susquehanna and CIT/OneWest, is that improved economic confidence, ongoing expense management challenges and improving stability and visibility of the U.S. regulatory climate will facilitate, episodically, major mergers where the institutional size, strategic fit and perceived opportunity are just right. More opportunities of this type will surely arise in 2015 and thoughtful, committed dealmakers will stand ready to act on them. The deal activity continues to build a clear picture of financial firms increasingly turning from a more defensive post-crisis posture to going back on offense and taking the initiative to grow and strengthen their businesses. A noteworthy feature of the current M&A landscape is the presence of repeat buyers who demonstrate considerable mastery of the new environment and its challenges.

On the sell side, in addition to familiar reasons driving sellers to consider a deal—tight net interest margins, pressure on returns, higher compliance costs, restless investors, better visibility into the currencies of potential buyers—it is noteworthy that during the last year selling institutions were frequently characterized by relatively concentrated equity ownership. Investors are recognizing that in a world where banks and other financial firms face challenges affecting many of the traditional measures of financial health—return on capital, net interest margin, fee income, dividend and repurchase activity, efficiency ratios—M&A continues to be available as an attractive and viable lever for improving returns, and are encouraging managements to be open to strategic alternatives.

Regulatory factors continue to impact, but not impede, committed dealmaking.

Several deals announced in 2014 demonstrated that the strategic rationale for a good transaction can more than compensate for the potential regulatory cost of increased size:

- CIT Group's transformational proposal to acquire OneWest Bank promises to help a stalwart of the commercial finance industry remake its business model and add substantial stability to its funding strategy. The deal, which would raise CIT's assets from about $45 billion to over $65 billion, demonstrates that, despite the additional regulation that today comes with exceeding $50 billion in assets, managers perceive net benefits from combinations of the right heft and quality. At $3.4 billion, the deal was also significant for being, until the RBC/City National announcement, the largest bank acquisition announced since M&T's proposed acquisition of Hudson City Bancorp in 2012.

- Sterling Bancorp of New York—which just last year underwent a transformative merger-of-equals with Provident—announced its acquisition of Hudson Valley Holding Corp. to create a company with over $10 billion in assets. Here again, management expects cost savings to offset increased regulatory costs from crossing the $10 billion threshold, and cites anticipated benefits of adding more cost-effective funding and bolstering asset-generation capability.

The Sterling and CIT deals will no doubt be closely watched by institutions considering mergers or other sizable acquisitions that would push them above the $10 billion or $50 billion threshold.

Regulatory size thresholds also helped drive divestiture activity. In an innovative and unusual transaction, Hawaiian Electric Industries, the parent of American Savings Bank, a major bank Hawaiian bank, plans to spin off the bank as a prerequisite to being acquired by NextEra Energy. Among the strategic benefits cited by the bank's management is that its deemed asset size for regulatory purposes will be reduced below $10 billion, freeing it from the restrictions on interchange fees under the Durbin Amendment.

Compliance demands and associated costs continue to drive sub-scale firms to combine and create efficiencies. For all financial firms, investments in systems and compliance programs are growing dramatically to respond to the interrelated moving targets of regulator demands, cyber threats and competitive advancements. The constant assault on financial firms' systems by hackers requires sophisticated personnel and costly technology that some firms will conclude they simply can't afford on their own. The savings created by mergers will help allow them to securely serve their customers and continue to prosper. Besides instigating a search for cost-saving mergers, these requirements have fostered rapid growth and development among technology and processing firms that service or partner with regulated financial institutions. This, in turn, has contributed to nearly unprecedented levels of investment and mergers in portions of the financial technology sector.

Another facet of the relationship between regulation and deals continued into 2014: the increased sensitivity of deal success to the regulatory standing of the parties and of the buyer in particular. The current regulatory environment is highly demanding of buyers. As regulators increasingly seize on merger applications as opportunities to develop the filigree of regulatory expectations and assessment of systemic risk, acquirers need to have a pristine compliance record in order to pull deals off. Buyers will need to proactively demonstrate the capacity to manage the combined institution, and the need will be particularly acute if the seller also has a history of regulatory issues.

Neither the fact of, nor the timetable for, regulatory approval can any longer be taken for granted, and 2014 provided some fresh examples. Simmons First, recently a serial acquirer, announced in December that it would invoke time extension options in agreements for two pending deals, with Community First Bancshares and Liberty Bancshares, in order to continue for several more months to seek regulatory approval. BSA/AML and fair lending compliance seem particularly likely to become trouble areas. Last summer, BancorpSouth, citing issues in each area, announced that it would push back closing deadlines for two separate acquisitions and subsequently withdrew (with intent to re-file) its Federal Reserve applications for each deal. While Cullen/Frost Bankers in May received prompt approval for its acquisition of WNB Bancshares, the Federal Reserve reportedly required it to halt further expansion activities while it remediated certain fair-lending compliance issues. Meanwhile, community groups are keeping up the pressure on regulators to scrutinize applicants' records under the CRA. The new reality demonstrated by these experiences and the need to accommodate it is driving dealmakers to think anew about terms and conditions of merger agreements.

Regulatory compliance and risk management now divide the "haves" and "have nots" of financial M&A. Regulators have clearly upped the ante on compliance and strategic expansion. Along with the analytical, financial and dealmaking acumen that traditionally characterized successful acquirers, in the post-Dodd-Frank world, compliance is now being wielded as a primary competitive weapon. To carry out a successful expansion strategy, financial institutions more than ever need to discern what the regulators want and give it to them—and convince would-be sellers of their ability to do that.

Knowledge of deal technology remains of critical importance.

Successful participants in newly expanded M&A activity will be those who master not only deal strategy but also deal technology—the nuts and bolts of merger and acquisition agreements—in the service of accomplishing the deal successfully. The terms of M&A agreements have a tremendous degree of flexibility, and crafting the right set of terms and conditions—including making careful judgments about what to leave out as well as what to put in—will, as always, be critical in insuring that the parties are able to reach agreement and deliver on the expectations of the parties that the deal, once announced, will successfully be completed.

Acquisition agreement provisions will reflect the realization of crucial negotiating points such as the allocation of company-specific and market risk between the parties during the period the agreement is in effect; governance arrangements for the combined company; the freedom of the target company to consider other offers that may arise; the efforts the parties must make to obtain regulatory and other third party approvals and resolve any regulatory objections to the

transaction; the extent of efforts to obtain any necessary shareholder approvals; the speed with which the parties must act to progress the transaction; the rights of the parties to exit the transaction before it is completed; and the extent of any recourse the parties may have if the agreement is breached or terminated.

In addition, a variety of approaches is available in contacts to implement the parties' basic financial agreement. The parties will need to negotiate, for example, whether a stock deal is based on fixed-dollar consideration (in which case target shareholders know the dollar value of the stock they will receive on closing, but give up potential upside appreciation in the pre-closing period and expose the seller's shareholders to potentially higher dilution), a fixed exchange ratio (in which case the seller knows precisely how many shares it will issue to close the deal and the buyer shareholders get the benefit of any pre-closing appreciation in the buyer's stock but also shoulder some risk of downward moves) or a "collar" (a compromise between these other two outcomes). In many strategic deals, the parties consider that the underlying logic of the deal is best reflected through the use of a fixed exchange ratio which, notwithstanding stock prices that always fluctuate, provides a fixed and definite allocation of the fundamental economics of the combined company between buyer and seller shareholders.

In many situations, though, it will be desirable to introduce cash, as well as stock, into the mix. Often, the use of both forms of consideration will allow the buyer to optimize the impact of the transaction on its financial statements and may be easier and more certain to execute in the current environment than doing an all-stock deal followed by a share repurchase program, or an all-cash deal accompanied by a share issuance. The use of mixed consideration also introduces additional degrees of freedom into the financial terms of the merger agreement. Should shareholders be required to each take some stock and some cash, when individual shareholders may have varying preferences for one or the other? Or should they be allowed to elect their form of preferred consideration, subject to pro-ration to meet a specified overall distribution of consideration acceptable to the buyer?

Within the realm of stock-cash election deals, deal technology can be used in different ways to optimize the result. In the recently announced City National/RBC transaction, for example, the parties used an "equalization" structure in which City National's shareholders may elect between receiving RBC stock and cash, but whichever they choose, the per-share value of the consideration they receive will have substantially the same value at the time of the closing—while preserving precisely the 50/50 overall split of City National shares that will be converted into RBC shares, on the one hand, and into cash, on the other. Although somewhat complex to draft, with various traps for the unwary, such techniques permit stock/cash election structures to be used

while reducing the risk that pre-closing fluctuations in the buyer's share price will stampede seller shareholders into demanding one form of consideration overwhelmingly over the other.

Compensation and retention are critical deal issues.

Issues surrounding compensation—treatment of equity awards, severance protection, retention—continue to be of critical importance in financial services deals. With the changes in compensation arrangements stemming from the influence of proxy advisors and increased bank regulator focus—including the trends of eliminating "golden parachute" excise tax gross-ups and single-trigger vesting, and the increasing prevalence of equity awards that are performance-based and deferred—companies considering a deal need to consider in careful detail the consequences and tax implications of a change in control.

In businesses where personal relationships are a large part of the value being acquired, it has become customary for the parties to negotiate employment and retention arrangements in connection with the execution of a definitive agreement. These frequently take the form of individual employment or consulting arrangements for executives and key producers, and retention pools to be allocated among a broader group of critical employees.

A well-tailored program will incorporate both "upside" incentives (retention programs) and "downside" protections (severance benefits and vesting). Retention programs provide key employees who will be critical to the success of the combined company a tailored financial incentive to remain focused on the company's best interests and mitigate any unavoidable personal uncertainty relating to the deal. Severance and termination protections provide key individuals with greater security against the risk of an involuntary termination (including a constructive discharge) associated with combining of two companies.

The numerous considerations in implementing an effective retention program include identifying participants, the form of payment (cash, stock, or a combination), the size of the retention pool, the allocation of awards to individual participants and the timing of payments. Generally, within an overarching agreement as to the size of the pool, the form of payment and basic criteria for allocating the awards, senior management of the seller has substantial latitude to identify specific recipients and determine award amounts and terms. In sizing the retention pool and individual awards, it is often helpful to use a reference to an existing compensation metric, such as a percentage or multiple of base compensation or target bonus. Individual awards often also take into account factors such as the individual's role, the likelihood of being poached by a competitor, other severance or retention vehicles in place and the vesting/payment period for the retention. To effectively retain employees through closing, retention payments are usually conditioned on

the transaction closing and provide for at least a portion of the award to be paid to still-employed employees on or shortly after that milestone. Retention awards can be structured as one-time payments or in installments over time. Retention programs must also be carefully designed with a knowledge of applicable tax consequences, including the impact of the “golden parachute” excise tax.

When carefully structured, deal-related compensation programs can play a critical goal in guaranteeing the successful completion and integration of the transaction.

Regulation continues to shape asset deals across all financial services sectors.

Regulation continues to influence the shape of deal activity among the largest, diversified financial institutions. Focus on systemic risk, reflected in 2014 in numerous ways including the proposal of capital surcharges for the largest systemic institutions and broad regulatory criticism of resolution plans, continued to send a strong signal to large institutions about growing further. But while the largest banks continued in asset portfolios by carrying out strategic bolt-on asset acquisitions or sales of noncore assets. Individually these deals may not all be blockbusters, but they are legion, and cumulatively they constitute a significant realignment of the industry. Buyers included Capital One, BB&T and PNC, and sellers included Bank of America (selected branches and other assets), Citibank (agreeing to sell its Texas branch franchise to BB&T) and J.P. Morgan Chase (selling its Health Savings Account business to Webster Financial Corporation, which sought to build additional strategic size in that business).

A perhaps less obvious regulatory impact is on the integration of asset deals. In the sale of a component business, the transfer to the new buyer is often smoothed by arranging for the seller to continue for some period after closing to provide many of the services it historically provided, until the buyer is ready to take over in a smooth fashion. Heightened sensitivity around the risks associated with breaches of network security, particularly unauthorized access to customers’ personal data, and the need to extend institutions’ risk management capabilities to services provided to them by outside vendors, have focused buyers and sellers anew on the provisions allocating these risks. Transition services arrangements have become caught up in recent regulatory prescriptions requiring the extension of internally-focused risk management and auditing to functions outsourced to third-party vendors, with sellers providing transition services being likened to such outside vendors. Sellers may view transition services as one-off accommodations ancillary to a sale and, if not otherwise in the business of providing outsourced functions, may need to adjust to the new compliance expectations.

Strong divestiture activity in the asset management space, in particular dispositions by banks of asset management businesses, was driven by more stringent capital requirements and the Volcker Rule. A 2014 KPMG report noted that U.S. banks had closed or spun-off asset management operations totaling more than $5 trillion in AUM since the original announcement of the Volcker Rule. Among the most notable in 2014 was the spin-off of One Equity Partners by JPMorgan, including the sale of $4.5 billion in private equity assets to Lexington Partners and AlpInvest. But regulatory divestitures did not account for all asset management deals. Stronger equity markets, competition to reduce transaction costs and the maturing of the private equity acquisition cycle that peaked before the financial crisis combined to create a strong dynamic for strategic asset management transactions. These included the $6 billion sale by Madison Dearborn of Nuveen Investments to TIAA-CREF, Northwestern Mutual's sale of its Frank Russell Company unit to the London Stock Exchange, TPG and Pharos Capital's sale of American Beacon Advisors to Kelso & Co. and Estancia Capital, and the acquisitions of Munder Capital by Victory Capital in partnership with funds managed by Crestview Partners and Reverence Capital Partners, and of KKR Financial by KKR.

Repeat dealmakers find great opportunities and seize a strategic and financial advantage.

In this environment, where the regulatory price for admission to the buyer's club has clearly increased, acquirers capable of pulling off multiple repeat deals are particularly noteworthy. Repeat acquirers again represented a substantial share of M&A activity in 2014, and 2015 could see the same trend continue. Notable in 2014 were BB&T's two announced whole-bank deals, its $367 million announcement in September to acquire Bank of Kentucky Financial and, in one of the larger bank deals since the financial crisis, its $2.5 billion announcement in November to acquire Susquehanna Bancshares. These diverse deals will allow BB&T to achieve efficiencies, bolster existing important markets and extend its model into nearby geographies. In addition to two whole-bank deals, BB&T also agreed to acquire Citibank's remaining Texas branch franchise and about $2.3 billion in Texas deposits, significantly boosting BB&T's retail presence in the state.

The theme of repeat acquirers is also demonstrated by the merger of Banner and AmericanWest, two banks that emerged from the post-2008 distress of the Pacific Northwest to build successful franchises, in large part through rigorous yet ambitious M&A. Like Sterling Financial and West Coast Bancorp last year, the AmericanWest transaction was a success story for the private equity investors who took on the uncertainty of recapitalizing a distressed institution.

And, while some crisis-era investors are exiting, others are continuing to find new opportunities. Last year's announced acquisition of a majority of California's Mechanics Bank by private-equity

firm Ford Financial Fund II, coming soon after its successful investment in Pacific Capital Bancorp and subsequent sale of that bank to Unionbancal, is notable for the purchase of control of a healthy, profitable bank by a private equity fund.

Other examples of whole-institution acquisitions by repeat players included the acquisition of First Southern Bancorp, Inc. by CenterState Banks, Inc. and the contested "Section 363" bankruptcy sale of 1st Mariner Bank to an investor consortium including Patriot Financial Partners. First Mariner Bancorp, like other bank holding companies that have made the decision to seek a sale of their subsidiary banks through a holding company bankruptcy, was under formal regulatory enforcement orders and was confronting the end of the five-year interest deferral period on trust preferred securities that had been issued years earlier at the holding company level. Like those others, it also confronted an urgent need to increase regulatory capital levels, a lack of capital-raising options and frustrated attempts to find other buyers. Also in 2014, Triumph Bancorp and several other private active acquirers successfully completed initial public offerings, providing these institutions with the equity currency to extend their acquisition strategies.

Elsewhere in the Americas, strong non-U.S. banks with a penchant for acquisitions also continued M&A efforts. A prominent example was Brazil's Banco Itaú, which agreed to merge its Chilean and Colombian operations with CorpBanca, in the process obtaining a controlling stake in the resulting joint venture, which will have over $40 billion in assets. This merger followed closely on the heels of Itaú's $5.2 billion take- private via tender offer of RedeCard, Brazil's dominant credit card processing and merchant acquiring business.

Shareholder activists agitate for change at financial institutions.

Increasing intensity and scope of financial regulation has in recent years brought into sharper focus the fact that the interests of shareholders and regulators sometimes diverge. While the goals of the two can often be harmonized, there are undeniably tensions at the margin. It will not be lost on investors that, in recent years, regulatory initiatives have taken aim at the variety of businesses financial institutions are permitted to conduct, the fees these firms can earn from consumers, the riskiness and liquidity of assets they are allowed to own (and thus the returns that can be expected on these assets), distributions that banks and insurance companies can make to shareholders, the capital cushion that financial firms must carry, the cost of deposit insurance, and the overhead costs firms are effectively required to incur in order to meet enhanced compliance expectations.

In part as a result of these realities, shareholder activism at financial firms has historically looked different than at other businesses. Due to the regulatory overlay, it may be difficult for activists to

credibly follow some aspects of their customary playbook, including pushing for buybacks, increased dividends to shareholders (indeed, for larger banks, these will be effectively prescribed in advance by an approved capital plan) or fundamentally different business strategies. The credibility of aggressive proposals aimed primarily at increasing short-term valuation may collide with the reality of safety and soundness and, at the larger institutions, even systemic risk. Suggestions during 2014 by senior bank regulators to impose upon financial institution directors fiduciary duties to the broader financial system would, if enacted, potentially create additional impediments to activist agendas.

It would be a mistake, however, to believe that financial institutions are immune from shareholder activism. History clearly shows the opposite. The record of activist shareholders driving significant disruption at financial institutions is by no means sparse. Just this year two of the most newsworthy activist situations were at financial firms, and there has been an ever increasing activist push, both publicly and privately, into the financial services space. BNY Mellon headed off a potential fight with Trian Partners over grievances about cost management and margin compression by adding a Trian representative to its board in December. eBay first faced a potential proxy fight at its 2014 annual meeting; then, following a tentative truce and renewed pressure from shareholders, announced in September a plan to spin off its online payments business PayPal. Similar situations targeting other large cap financial firms occurred in 2014, and are certain to follow in 2015.

Successful activists are highly sophisticated and can be expected to tune their message and strategic proposals to take into account the reality of financial institution regulation. Accordingly, activism at financial institutions in recent years has steered clear of areas likely to encounter strong regulatory objections, such as capital- depleting cash dividends or buybacks, and has instead emphasized initiatives like sales of the company, divestiture of non-core businesses, spinoffs and cost-cutting (although, here too, the OCC and other regulators have begun to sound the alarm about cost-cutting efforts that adversely affect compliance programs). As well, regulation is a two-edged sword. The public criticism that comes with a formal regulatory enforcement action, or even an event like regulatory critique of a capital or resolution plan or a stress test failure, can potentially bolster activists' campaigns to shake investor confidence in incumbent management. The other side of the coin is that superior stock price performance, while it remains a potent and vitally important weapon against activism, is no longer a guarantee of being left alone. With monetary policy continuing to keep debt yields low, assets invested in activist strategies have multiplied rapidly to approximately $200 billion, and naturally an increasing portion will find its way to this key sector of the economy.

Financial institutions will, of course, continue to take into account their special status in responding to activism. Where activist proposals would threaten to weaken the safety and soundness of an institution, regulatory considerations can be powerful. The experience, gravitas and credibility of proposed director candidates in dealing with the highly specialized realm of financial regulation has become more important than ever, with regulation playing a bigger role in financial institutions and directors personally playing a larger role in regulators' supervisory vision.

Moreover, important bank control issues can potentially be raised by some techniques used in recent activist campaigns, particularly where an activist has nominated several directors (even if they would not be an outright majority of the board) and the candidates are receiving not just expense reimbursement but compensation or financial incentives from the activist.

Also challenging is that both the sophistication and ambition of activists are increasing as the field becomes more competitive. The more accomplished players are fine-tuning their messages and demands so as to increase their odds of acceptance by other investors. They are becoming savvy users of social media and other platforms that allow them to test and continually adjust messages and campaigns. And they are expanding the scope of their remit, as exemplified by eBay's standstill agreement with activists that extends beyond eBay proper to the scope of PayPal's defensive protections once it becomes a public company. Activism is thus not a monolithic problem that can be addressed with a prescribed playbook, but a dynamic and changing process that must be met with experience and careful judgment. Careful consideration will be required to understand what constitutes the best available result, and once established, a series of difficult questions will often need to be answered to achieve it, regarding matters such as the calibration of the response (cooperative, firm, hostile), the deployment of defenses, outreach to other investors, and the timing of key strategic moves—whether, how and when to respond publicly to activist proposals and criticisms, bring litigation, or float settlement proposals.

Because no one playbook will be effective in all situations, banks must remain vigilant to pro-actively maintain positive relations with their investor base, consider resisting whenever possible pressures to further shed structural defenses, be sensitive to the early warning signs of activist activity and be prepared to keep their destinies in their own control by constructing a thoughtful, credible and effective response. Focus on the basics –improving performance and advance preparation –will position boards to have supportive and receptive shareholders in the event of an activist campaign.

Blurring line between technology and financial firms will drive deals to defend and enhance competitive positions.

The upcoming year is also likely to feature more significant developments in the continuing technology-driven evolution of the financial industry, including the particularly tumultuous world of payments. A very large portion of financial sector revenues is at stake. Financial institutions are seeing realignment among the various players in the payments space, including issuers, merchants, networks, payment processors and innovators introducing new technologies, as exemplified by the leveraging of the huge installed base of iPhones to introduce Apple Pay and secure substantial partners for its use. Equally notable was eBay's move to spin off PayPal as a standalone public company. At the same time, technology, including the transition of online to mobile banking, is fundamentally changing the way financial firms interact with customers and the range of opportunities to sell to these customers.

With all the change, banks' demand deposit accounts continue to remain at the center of the system, and payments must be seen as one part of a continuum of financial management that includes saving and investing. This positions banks to be long- term winners in the payments and larger technology battles. And, despite inroads from nontraditional sources, banks have largely been successful at protecting their traditional roles as lenders to businesses and consumers. However, continued technological change is certain and it will be essential for traditional financial institutions to maintain and creatively expand their central role in the financial sector, including in the fast-changing area of payments. Innovative partnerships with technology firms will undoubtedly be key in protecting and enhancing crucial connections to customers. Capital One, for instance, has made numerous strategic acquisitions of innovative technology companies to enhance its customers' mobile and online experience—most recently Level Money, the maker of a budgeting and spending management app.

With the rapid pace of change and development in financial technology, it should be no surprise that a substantial portion of financial dealmaking in 2014 was concentrated in this sector. The largest U.S. financial technology deals of the year included Vantiv's acquisition of Mercury Payments and FleetCor's acquisition of Comdata, each marking a private equity firm's profitable exit from a long-term investment. Historically, growth among payments and other financial technology firms has relied upon constant investment in acquisitions to gain scale and enhance product offerings. Additional examples of portfolio-enhancing acquisitions in 2014 include Global Payments' acquisitions of Ezidebit and PayPros, FIS's acquisition of Clear2Pay and Heartland Payment Systems' acquisition of TouchNet. With financial technology firms constantly evolving and expanding their offerings, and the high level of private equity presence and continued interest in the sector, deals in 2015 should continue apace.