

FLASH REPORT

Alibaba's Ant Financial to Acquire US Payment Service MoneyGram for \$880 Million in Cash



- 1) On January 26, Ant Financial and MoneyGram announced that privately held Ant Financial would acquire publicly traded MoneyGram (MGI) for \$13.25 per share, representing a total deal value of about \$880 million. The deal is expected to close in the second half of 2017.
- 2) The announced merger would create a global payment powerhouse with combined revenues of more than \$3 billion and bases in Asia and North America. It would also enable Alipay, the top payment network in China, to enter the US and enable MoneyGram to access China and the rest of Asia.
- 3) MoneyGram operates a money transfer network of 2.4 billion bank and mobile accounts in addition to 350,000 physical locations. The company is expected to report revenues of about \$1.5 billion for 2016.
- 4) Ant Financial maintains a network of more than 630 million users, comprising 450 million Alipay users, plus another 180 million users through its partnership with Paytm, India's leading mobile payment provider.

Our Take

The announced merger of Ant Financial and MoneyGram would create a global payment powerhouse with combined revenues of more than \$3 billion and bases in Asia and North America. It would also enable Alipay, the top payment network in China, to enter the US and facilitate payments by Chinese tourists in the country. At the same time, the deal would enable MoneyGram to access China and the rest of Asia.

**Details on the Transaction**

On January 26, Ant Financial and MoneyGram announced a merger, under which privately held Ant Financial would acquire publicly traded MoneyGram (MGI) for \$13.25 per share, which represents a 20% premium to MoneyGram's share price over the preceding three months. The total deal value is about \$880 million. The transaction has been approved by MoneyGram's board of directors and large investors and is expected to close in the second half of 2017. Following the transaction, MoneyGram will continue to be headquartered in Dallas, Texas, and will retain its brand and management team.

What the Transaction Means

The merger would combine two complementary money transfer firms, creating a global powerhouse with strength in the US, China, India and other countries. The transaction will combine MoneyGram's money transfer network of 2.4 billion bank and mobile accounts, in addition to its 350,000 physical locations, with Ant Financial's network of more than 630 million users, comprising 450 million Alipay users, plus another 180 million Paytm users through its partnership with Paytm, India's leading mobile payment provider. Ant Financial also recently announced a partnership with Ascend Money in Thailand.

Details about MoneyGram

MoneyGram is a global provider of innovative money transfer services. Consumers can perform MoneyGram transactions online, through a mobile device, at a kiosk or in a local store. The company offers bill payment services, issues money orders and processes official checks in selected markets. FactSet estimates that MoneyGram will report about \$1.5 billion in revenue for 2016.

Details about Ant Financial

Ant Financial Services Group was spun out of Alipay, the world's leading third-party payment platform, in 2014. Alibaba has rights to a 33% stake in the company; the rest is owned by employees and domestic Chinese investors. The company is dedicated to creating an open ecosystem, enabling financial institutions and partners to make rapid progress toward "Internet+," and providing inclusive financial services to small and micro enterprises and individual consumers. Businesses operated by Ant Financial and its invested/controlled companies cover payments, wealth management, independent credit scoring and reporting, and private bank and cloud computing services. The unit does not report its financials separately; however, an article in the *Shanghai Securities News* put its 2014 revenues at US\$1.5 billion (¥10.2 billion, up 92%) and its net profit at US\$380 million (¥2.6 billion).



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