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Payoneer And The SPAC: Betsy Cohen And Scott Galit On Going Public, Payments...

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Payoneer And The SPAC: Betsy Cohen And Scott Galit On Going Public, Payments And The Future



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Betsy Cohen, Bancorp founder and serial SPAC investor, and Scott Galit, CEO of Payoneer PAYONEER

At the start of February, payments-focused fintech Payoneer announced that it would be going public through a \$3.3bn merger with a special purpose acquisition company (SPAC) backed by Bancorp founder Betsy Cohen.

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about whether – and how – the company might make its entry on the public markets.

Betsy Cohen, whose SPAC FTAC Olympus Acquisition Corp is merging with Payoneer, argues that the current pro-ecommerce environment makes this an ideal time for the company to make its public debut.

“Many of the trends, vectors and tailwinds, the world as a whole, are in their favor,” she says. “So this is a moment for them to expand.”

Payoneer: A pure cross-border ecommerce play

In its current state, Payoneer represents arguably the closest public company proxy for cross-border ecommerce, with CEO Scott Galit explaining that the company’s focus is on “the digitisation of commerce globally”.

“We see ourselves as being a great partner for really any business of any size, anywhere in the world, as they go on their digitalization journey,” he says. “Whether they’re just starting, or whether they’re quite large and globalizing or whether they’re already global and optimizing.”

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This sees the company provide a host of financial services to its customers, including KYC, pay-in, multicurrency accounts and all of the other trappings required to run an ecommerce business with customers across the globe.

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business side of what they do is very challenging, particularly the emerging markets.”

Market position: Changing customers, challenging competitors

Back in 2017, Payoneer’s offering was largely self-serve, focusing on freelancers and smaller marketplace sellers. But in the following years it has evolved its offering, building local market teams to conduct relationship selling and so attract bigger corporates.

“We’ve actually started to sell into and manage relationships with SMBs, that on average are a fair amount larger than the average Payoneer customer,” explains Galit.

The result is not only more revenue – Payoneer expects to achieve revenue 2.5x that of 2017 by 2022 – but a lower take rate, dropping from 1.54% in 2017 to 0.79% in 2020, which is expected to reduce further to 0.65% in 2022.

By comparison, Adyen (not focused on cross-border) had a take rate of 0.23% for 2020, which raises the question: where does Payoneer sit in the market?

On paper its valuation puts it alongside leading payment processors FIS FIS +0.7% FIS +0.7% FIS +0.7%, Fise FISV +0.8% rv FISV +0.8% FISV +0.8% and Global Payments GPN +0.2% ts GPN +0.2% GPN +0.2%, at around seven times 2021 revenue, but its offering is more in line with the likes of PayPal PYPL -3.3% PYPL -3.3%, Adyen and Shopify, all of which trade at between 30 and 50 times revenue.

“It's not processing payments just to process. It is circling the ecommerce business, with a variety of services,” she says.

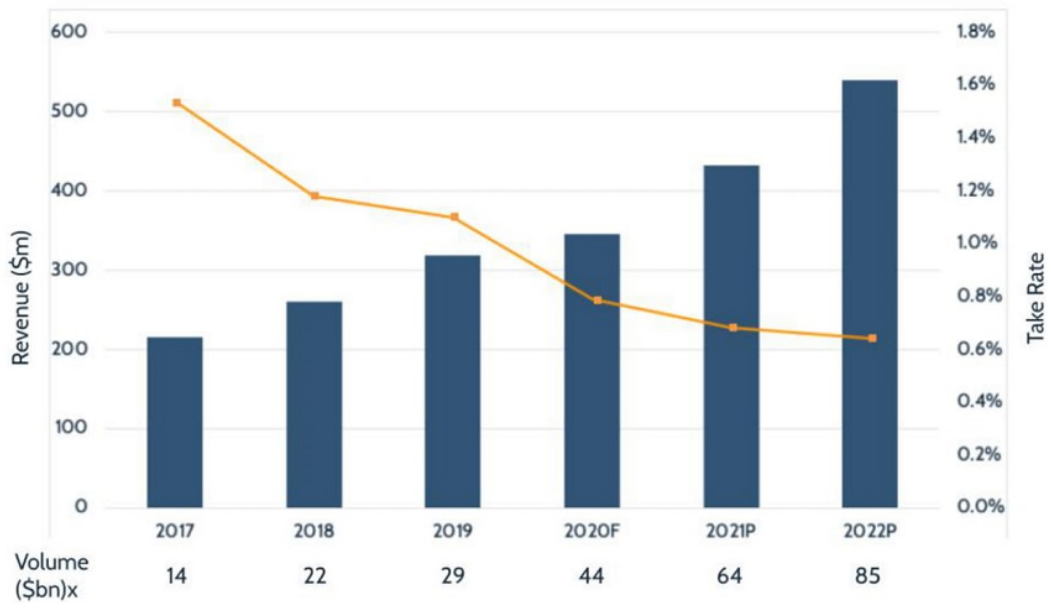
“They're a facilitator of ecommerce transfers in and out with the additional services for which they can charge, creating a profitability, as opposed to simply a take rate that is really quite significant.”

Payoneer also contrasts with other cross-border focused fintechs.

“They're providing and network services that surrounds the small and medium size business person, and in the last year or so, even the larger company,” says Cohen.

“So it's a very different model than TransferWise or Flywire, one of those that really does simply payments across the border.”

Payoneer revenue, take rate and volume, 2017 - 2022



Source: FXC Intelligence analysis, Company Financials. Take rate is calculated by dividing revenue by volume.

Rumours of a public entry have surrounded Payoneer for years. However, Galit says that while the company has been considering the move for some time, it was beginning to give the idea serious thought in early 2020.

That is, until Covid-19 hit. This naturally put the move on the back-burner, but as the company responded to the environment the pandemic had created, it became an increasingly appealing prospect.

“We got more and more confident and more and more excited about the story that we could tell,” says Galit.

“All of the conviction we had had before about being able to be public – and the value that we could get from that – was something that started to become clear to us as we got through 2020.”

However, finding the right approach and partner for market entry is always vital, and here Galit’s long-standing friendship with Cohen proved vital.

“I think he recognized that I understood the basic business and therefore, since we had known each other for such a long time, that what we did together, we could do as partners,” says Cohen.

“And that’s a very important part of how we think about facilitating the transition of the company from the private to the public sphere.”

SPACs: Not an IPO replacement

SPACs have quickly become a popular route to market in both the cross-border payments space and beyond, enabling companies to be open about their financials, raise valuable capital and attract a valuable partner for future growth.

bright companies including CardConnect and International Money Express to market.

However, despite the growing enthusiasm surrounding SPACs, Cohen stresses that they are not – as some have suggested – going to replace the IPO.

“They're not for every company. They're for companies that are at an inflection point of growth; that have an appropriate message to communicate to investors on a forward-looking basis,” she says.

“The IPO is retrospective, or it can be used by consumer companies as a branding exercise as well as to raise. It's not for every company, but in today's world, it's for a lot of companies.”

The future for Payoneer

With its entry to the public markets assured and at least \$500m available for investment, Payoneer is now in a position to expand its reach more than ever before. So how does the company plan to grow?

Cohen argues that the company can double its number of customers within five years by responding to customers and expanding its services to meet demand.

“One of the things that the team on the ground does very well is to listen to ecommerce, to the people who are selling or the people who are buying,” she says.

“They will identify new needs, and the offering will get richer over the next five years.”

Cards, too, are expected to increasingly play a role. While the company's card component shrank as it shifted to larger customers, this is now picking up, with new offerings, including virtual commercial cards, helping to expand this area.

But the company won't just be looking internally for its future growth – particularly given the additional capital it now has on hand.

“We see more M&A opportunities,” says Galit. “And we really think that as a global platform with lots of customers and really covering the whole world, we have a lot of additional value we can bring to customers by supplementing our organic investments with acquisitions.”

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Daniel is Founder and CEO of FXC Intelligence, a financial data company specializing in the cross-border payments, cards and ecommerce industries. Daniel is a leading...

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Important Information and Where to Find It

In connection with the definitive agreement and plan of reorganization (the “Reorganization”) between Payoneer Inc. (“Payoneer”) and FTAC Olympus Acquisition Corp. (“FTOC”), New Starship Parent Inc. (“New Starship”) filed with the Securities and Exchange Commission (the “SEC”) a preliminary proxy statement / prospectus on February 16, 2021 and will mail a definitive proxy statement / prospectus and other relevant documentation to FTOC stockholders. This document does not contain all the information that should be considered concerning the proposed Reorganization. It is not intended to form the basis of any investment decision or any other decision in respect of the proposed Reorganization. FTOC stockholders and other interested persons are advised to read the preliminary proxy statement / prospectus and any amendments thereto, when available, and the definitive proxy statement / prospectus in connection with the solicitation of proxies for the special meeting to be held to approve the transactions contemplated by the proposed Reorganization because these materials will contain important information about Payoneer, FTOC and the proposed transactions. The definitive proxy statement / prospectus will be mailed to FTOC stockholders as of a record date to be established for voting on the proposed Reorganization when it becomes available. Stockholders will also be able to obtain a copy of the preliminary proxy statement / prospectus and the definitive proxy statement / prospectus once it is available, without charge, at the SEC’s website at <http://sec.gov> or by directing a request to: FTAC Olympus Acquisition Corp., 2929 Arch Street, Suite 1703, Philadelphia, Pennsylvania 19104.

Participants in the Solicitation

Payoneer and FTOC, and their respective directors and executive officers, may be considered participants in the solicitation of proxies with respect to the potential transaction described in these materials under the rules of the SEC. Information about the directors and executive officers of FTOC is set forth in FTOC’s Prospectus dated August 25, 2020 filed with the SEC on August 26, 2020. Information regarding other persons who may, under the rules of the SEC, be deemed participants in the solicitation of the stockholders in connection with the potential transaction and a description of their interests are set forth in the proxy statement/ prospectus filed with the SEC on February 16, 2021. These documents can be obtained free of charge from the sources indicated above.

Non-Solicitation

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