

# Assessment of new business opportunities

Overview service offering

2024

Prepared for \_\_\_\_\_

Internal



# Agenda

- ▶ **Assessment approach for new business opportunities**
- ▶ Selected credentials regarding new business opportunities
- ▶ Introduction EY-Parthenon Financial Services



# Companies have to focus on revenue growth while maintaining a low cost level and dealing with cost pressure; pursuing new opportunities can facilitate both

Revenue and cost drivers

## Striving for top line growth



Growing customer demand



Business expansion



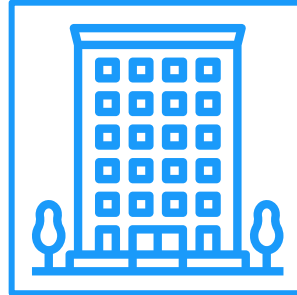
Sales & marketing strategy improvements



Technological disruption



M&A



## Managing cost pressure



Economic downturn



Rising operating costs



Necessary investments



Regulatory changes

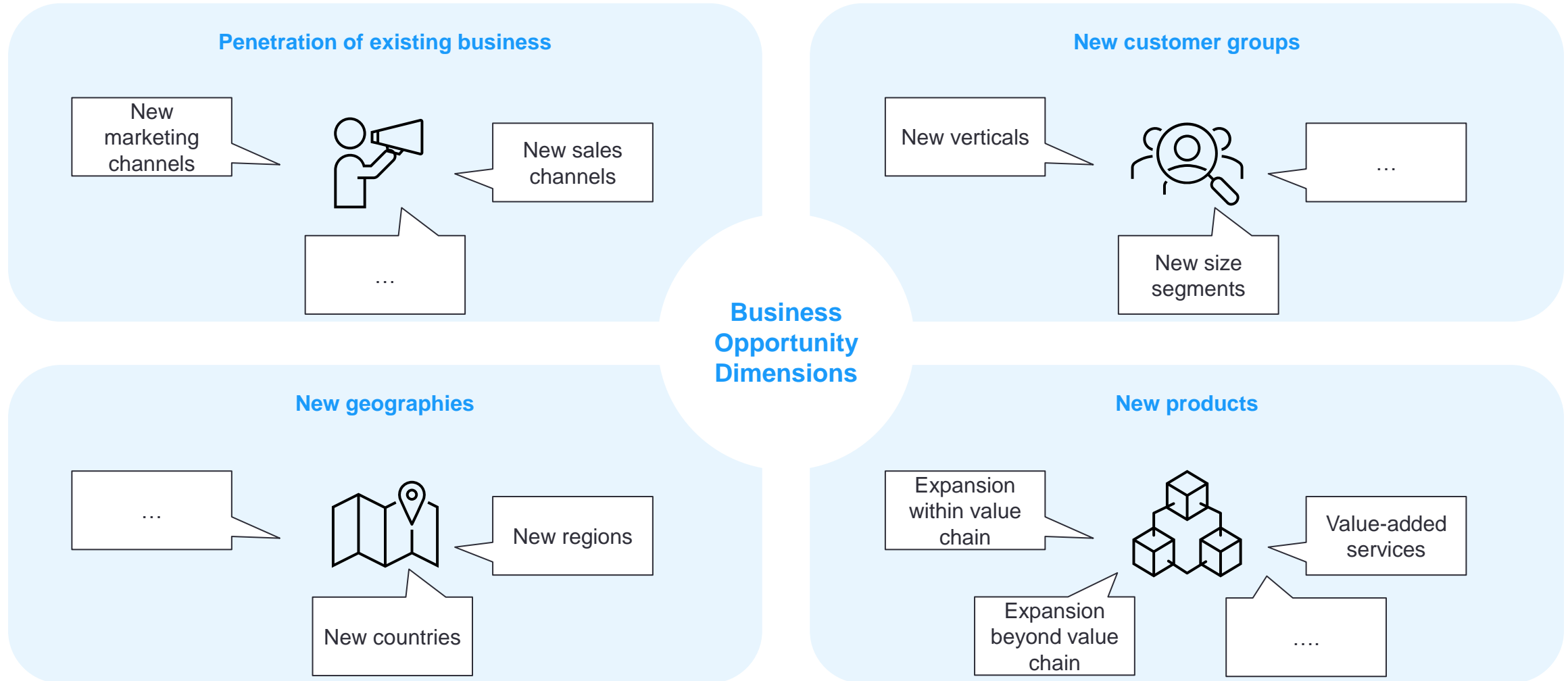


Strategic realignments

**New business opportunities** are vital for companies to strive for top line growth and manage cost pressure

# Businesses can choose to pursue new opportunities along four key dimensions such as penetrating existing business or unlocking new customers, geographies or products

## Business opportunity dimensions



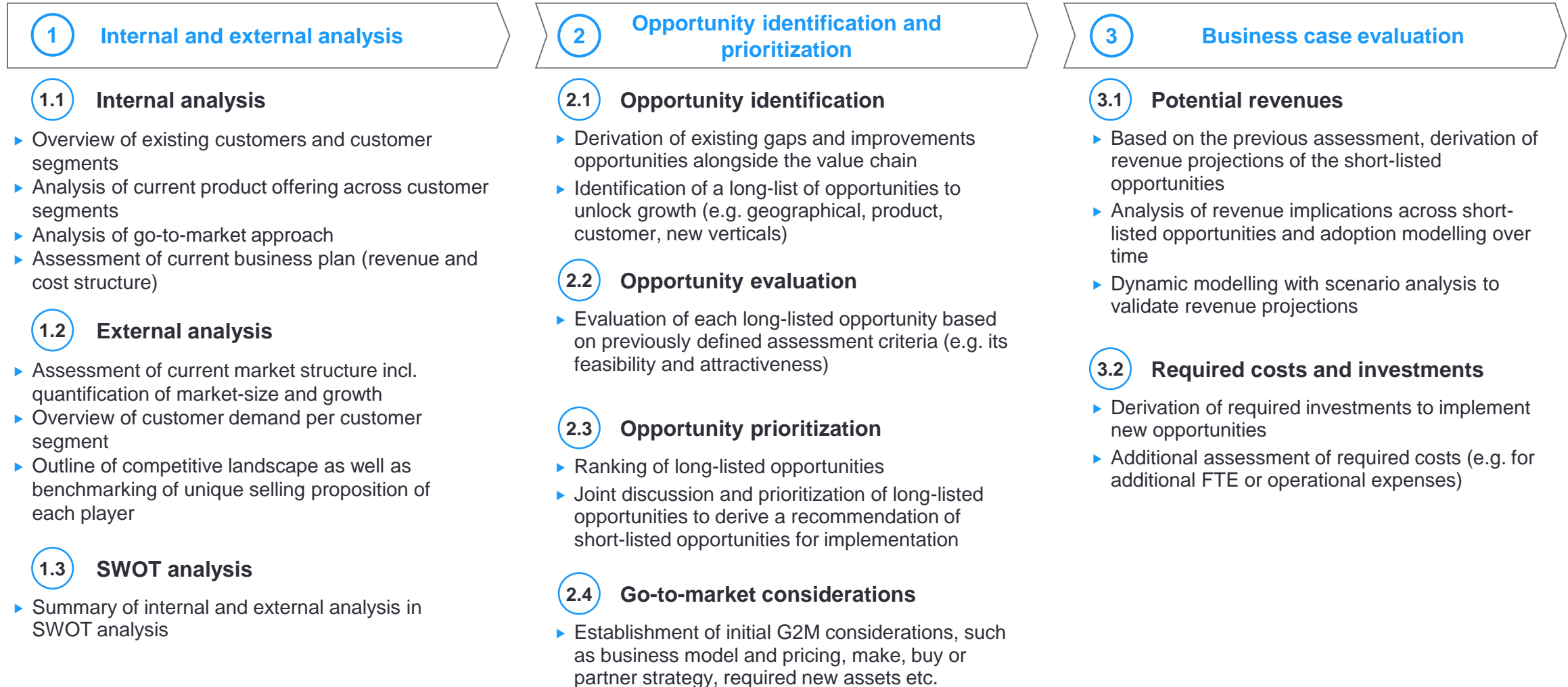
To address an opportunity successfully, asking and answering the right questions are key – EY-Parthenon can support addressing these questions to unlock growth



# To support companies' growth, we typically conduct an internal & external analysis to be capable of identifying and prioritizing opportunities for further business case evaluation

Potential project structure

EXAMPLE



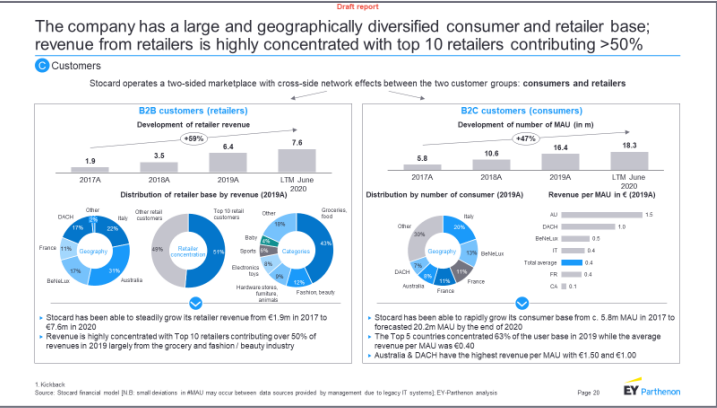


# We have conducted various internal and external analyses for clients to build a profound knowledge foundation and expertise

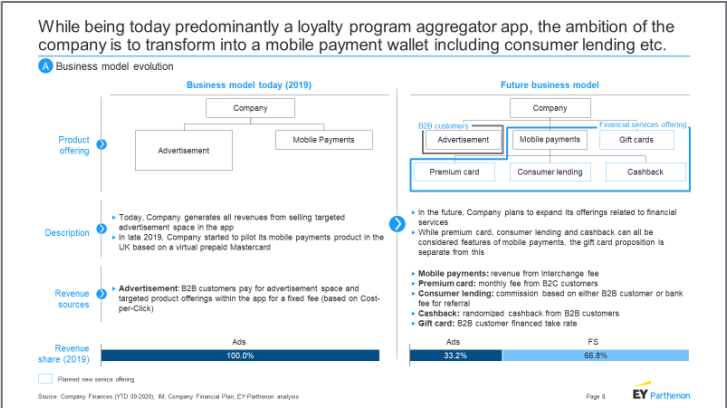
## Deep dive: Internal and external analysis

ILLUSTRATIVE

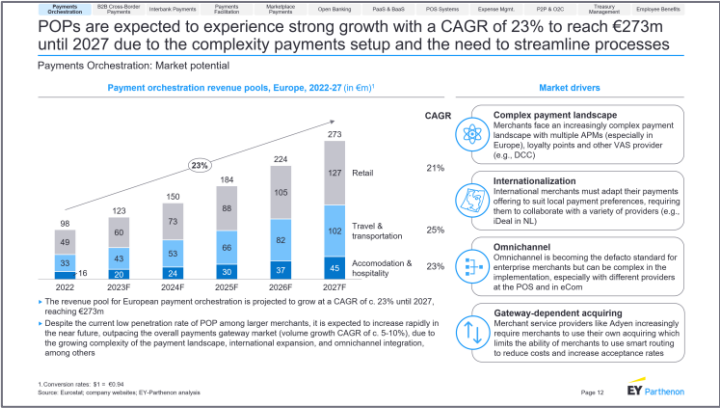
### Customer segmentation and performance



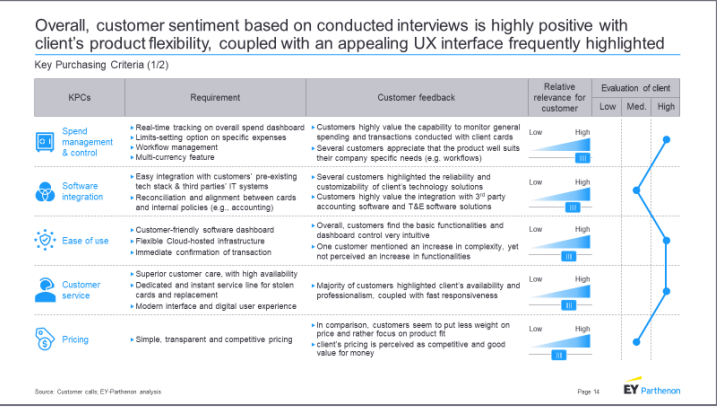
### Product offering across customer segments



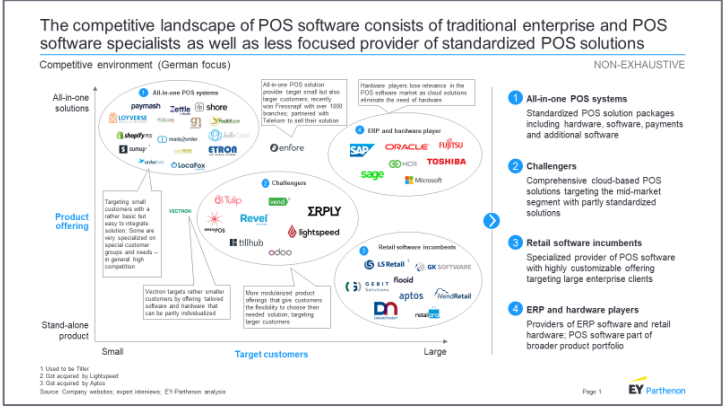
### Detailed market-size and growth projections



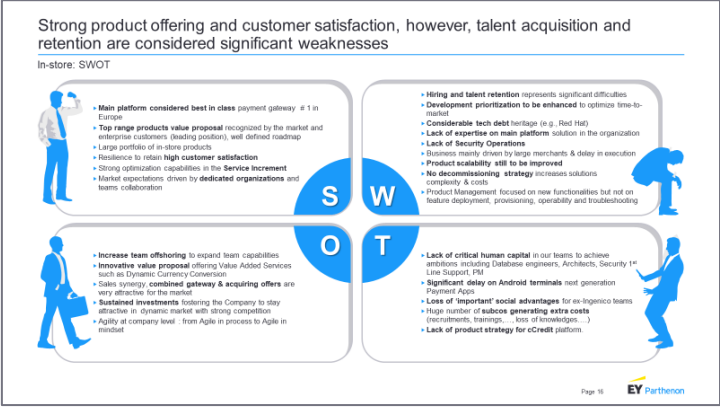
### Market demand across customer segments



### Competitive landscape and benchmarking



### Conclusions of external and internal analysis



# Once we have gathered knowledge about the market, we then identify, evaluation and prioritize opportunities and formulate approaches for a successful G2M approach

## Deep dive: Opportunity identification and prioritization

ILLUSTRATIVE

### Opportunity derivation from multiple angles

Opportunities in the government payments sphere for new payment solutions have been identified by analyzing on-going initiatives and pain points of the government

Opportunity sourcing

**Initiatives**

- Governments are optimizing the **user journey in the payments sphere**, to gain a cost-benefit-advantage and/or mitigate existing pain points
- To do so, governments formulated initiatives, which can entail the **digitalization of payments** (i.e. less F2F or cash TRXs), **simplification of processes** (i.e. fewer steps along the way) and/or the **reduction of TRX costs**
- Initiatives are usually actively pursued by the government with tight timelines, offering the **opportunity for quick go-to-market and tangible demand for new solutions**

**Pain points**

- In contrast to initiatives with a particular goal, there are also multiple cases of government payment processes, which are prone to an **inefficient user journey or that pose pain points for the government or citizens/businesses**
- These use-cases may or may not involve a **digital payment process currently**, and if addressed with a suitable solution can result in additional opportunities

Government payments opportunities can be both actively spearheaded by governments via initiatives tackling, but also by providers identifying pain points and proposing innovative solutions to optimize existing processes

Page 22 EY Parthenon

### Value chain analysis of key steps and gaps

The disbursement of energy cheques is complex and results in a lengthy process; Client can provide a more efficient solution to the government

Excursus: Energy cheques

Source: Expert interviews, EY-Parthenon analysis

Page 9 EY Parthenon

### Target-oriented assessment framework

We have analyzed the opportunities based on their feasibility and attractiveness with three assessment categories each

Definition assessment criteria

Feasibility		Attractiveness	
<b>Competition</b>	Current competition (e.g. banks, card schemes, wallets, etc.) in terms of competitive landscape and the capabilities of competitors	<b>Market size</b>	Quantitative market size of the opportunity in terms of total payment volume
<b>Entry Barriers (restrictions and challenges)</b>	Opportunity-specific entry barriers such as technological restrictions, integration challenges, regulatory restrictions, etc.	<b>Market growth</b>	Expected or forecasted market growth of the opportunity, including growth indicators
<b>Decision Process &amp; Time-to-Market</b>	Decision-making process of the government and involved entities with regards to the number of involved stakeholders, efforts required to convince decision-makers and the length of the decision-making process	<b>Market demand and opportunity</b>	Demand of the involved government stakeholders for a solution provided by Visa, driven by active government requests, identified challenges as well as expert insights

Rating

High (favorable for Visa) | Mid (potentially favorable for Visa) | Low (not favorable for Visa)

Page 4 EY Parthenon

### Opportunity assessment and prioritization

When comparing all opportunities, there are clearly five opportunities with highest feasibility and attractiveness, that should be prioritized

Opportunity shortlisting

Page 2 EY Parthenon

### Market entry hurdles and suggestions

Many hurdles have proven to be valid across Europe and APAC, especially if related to cost reluctance, decision-making processes or preferences for local players

G2M hurdles

- Cost reluctance of governments**
  - Changing the governments attitude towards incurring additional costs is very difficult as non-ATA payment methods are costlier than existing solutions
  - The government will want to pay as little as possible, ideally nothing
  - Former Senior Deputy Director, Ministry of Finance (Malaysia)
- Data processing requirements**
  - In Europe, the majority of governments desire providers with local data processing capabilities due to their own preference, as well as data protection laws
  - It is a problem, if data processing was not possible in Germany. At times this was a no-go
  - Current Lead, Henrik Tschopp, Public Sector, Telekom
- Preference for local players or schemes**
  - Payments from and to governments are large tickets
  - Naturally, governments will want to support their local economy and not foreign players
  - Generally, the government will want to foster local companies, but that can be circumvented when international firms work together with locals
  - Manager, Paynet
- Payment methods**
  - In some markets, certain payment methods or the use of certain rails may be prescribed by law, which can be difficult to overcome (especially in the law)
  - In order to implement the change on the local level two forms are required: local initiative and local resolution
  - Business Development Director, Paynet
- Legal operating rights in certain countries**
  - Some countries, for example Malaysia, require any entity involved in the government sphere to have a legal entity in Malaysia
  - Generally, firms that want to work with the government, have to have a registered legal entity in Malaysia
  - Former Executive Director & CEO, GHL Systems
- Unclear government structures**
  - Layered system requires for some opportunities to contact people at central or municipality level
  - Enablers can often be used (e.g. other service providers or organizations)
  - When I worked at the Ministry of Finance, I have struggled to get any common reporting from the local authorities
  - EY SME
- Requirement for a tender process**
  - Early communication with the government automatically opens an opportunity for competitors
  - Tenders can be difficult and challenging
  - The public sector depends on public procurement law. You can't just decide to buy services from a service provider, usually you have to set up a tender
  - EY SME
- Long decision making processes**
  - Some opportunities require a long time-to-market if they are not part of a wider initiative
  - Time needs to be carefully weighed in comparison to the costs
  - The decision making process to work with an int. card provider is long, because they also involve political decisions
  - Former Senior Manager, SAP

Page 23 EY Parthenon

### Individual go-to-market approaches

Throughout our analyses, it has become evident that there is no universal approach for GS in any of the countries; a successful G2M depends on multiple factors

G2M success factors

Page 25 EY Parthenon

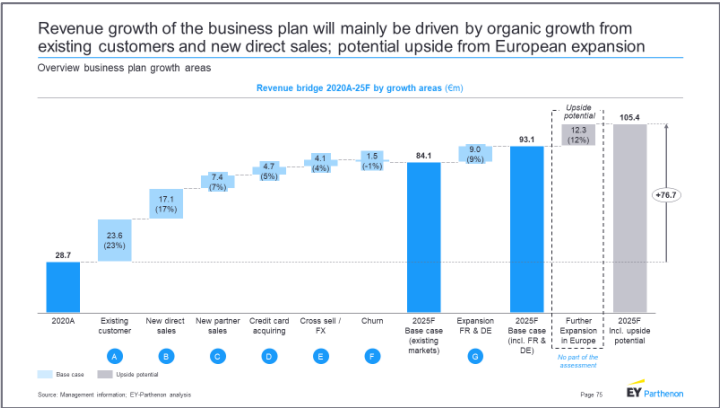


# To put these opportunities into a monetary perspective, we work out their potential impact on the business plan and any corresponding costs and investment requirements

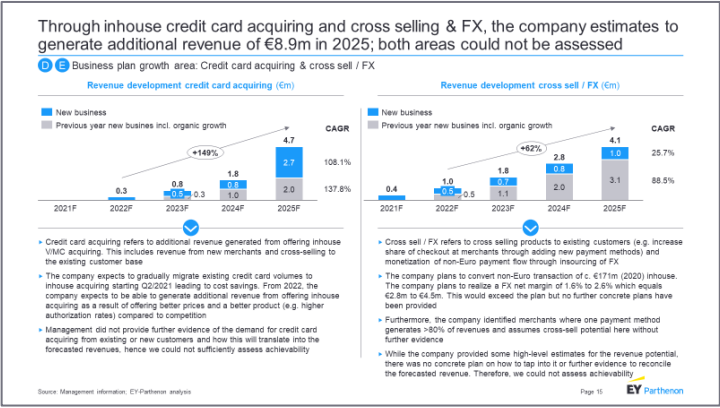
## Deep dive: Business case evaluation

ILLUSTRATIVE

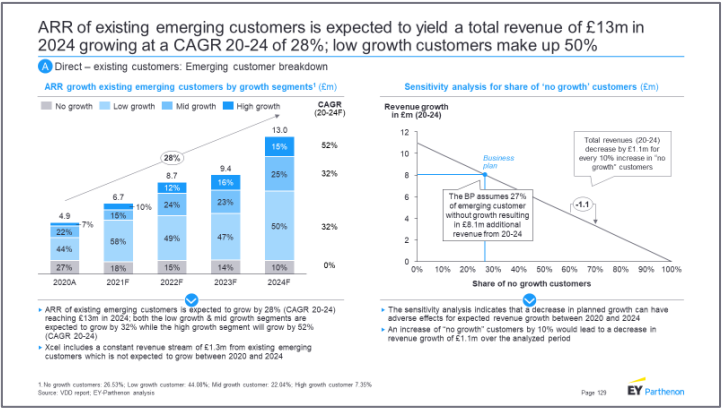
### Overview business growth of opportunities



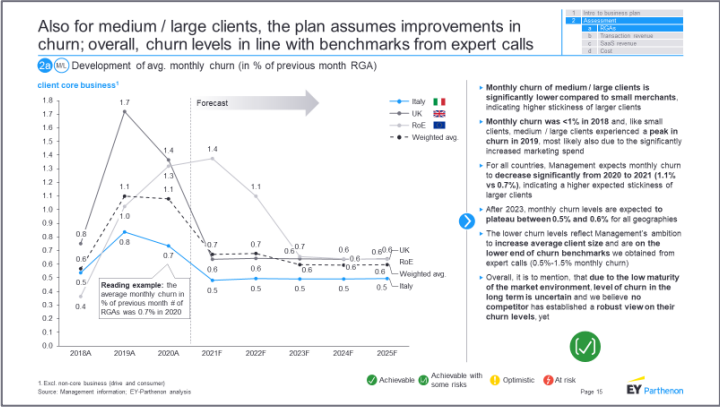
### Revenue modelling across opportunities



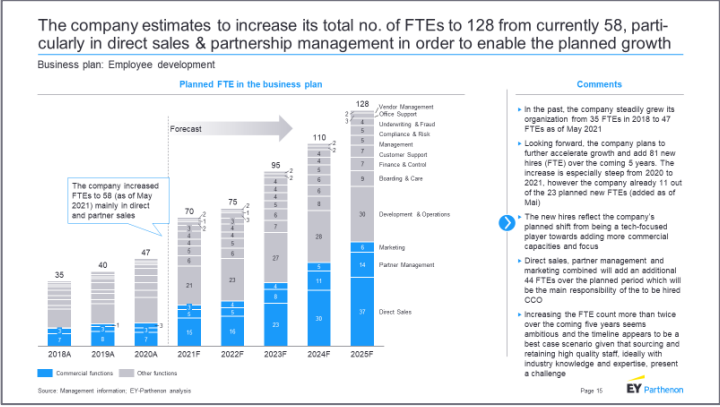
### Implication analysis and adoption modelling



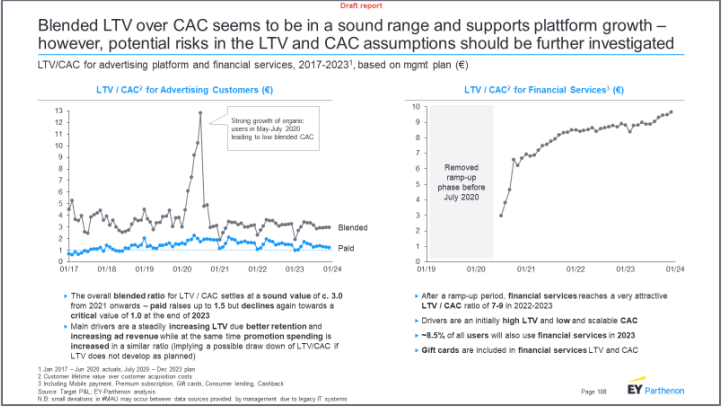
### Scenario analysis across opportunities



### Overview of investment requirements



### Analysis of cost implications



# Agenda

- ▶ Assessment approach for new business opportunities
- ▶ **Selected credentials regarding new business opportunities**
- ▶ Introduction EY-Parthenon Financial Services



# As markets are dynamic and trends shift, we supported a full-service bank in refreshing and optimizing their strategic positioning and governance model to stay competitive

Commercial cards and merchant acquiring strategy



## Project objectives

Penetration of existing business



New customer groups



New geographies



New products



Full-service UK bank offering retail & commercial services in need of optimization in the areas of strategic positioning, value proposition and governance model



## Project approach

- 1 SWOT analysis for a card product & commercial cards
- 2 Outlining of strategic positioning, value proposition and governance model optimization potential based on customer needs and segments
- 3 Designing of a target distribution and operating model
- 4 Financial impact evaluation of propositions incl. roadmap for strategy and TOM implementation
- 5 Evaluation of strategic options and potential valuation scenarios for the client's card product



## Client impact

Created a target value proposition & strategy including their financial impact upon implementation to optimize the bank's strategic positioning and governance model for future years to come



# When markets become saturated, looking towards new customers can solve for this – here, we created a roadmap for a client to win over governments as new customer

## Government payment solution entry strategy



### Project objectives

Penetration of existing business



New customer groups



New geographies



New products



A payment scheme traditionally focused on retail flows was looking towards approaching governments as a new customer group in various geographical markets



### Project approach

- 1 Status-quo analysis of payment infrastructure
- 2 Historic and future sizing of the opportunity
- 3 Research on initiatives and policies driving this opportunity
- 4 Long-list of use cases based on feasibility & attractiveness analysis
- 5 Analysis of short-listed use cases entailing their value chain, market-size, pain points, hurdles & success factors, identification of leads and G2M timeline



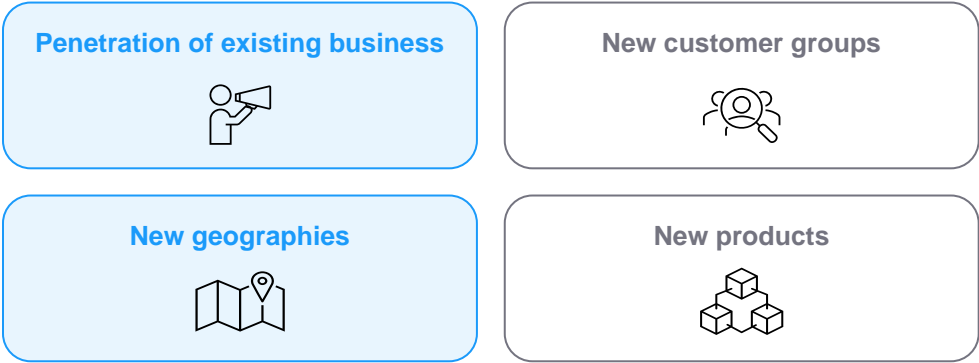
### Client impact

Supported the client in understanding and unlocking potential use cases to enable reaching a new customer group by disrupting current solutions in the market with their innovative product suite

# A path for growth often comes hand in hand with funding needs – as such we supported a PSP in creating a penetration & expansion strategy to unlock investor funding

Acquiring and issuing processing expansion strategy

## Project objectives



A French PSP with issuing and acquiring processing business was in need of raising funds and requested an evaluation of their domestic strategy and outlining of an expansion strategy to win over investors

## Project approach

- 1 Evaluation of existing business strategy
- 2 Market assessment of selected European markets
- 3 Identification of prioritized markets based on feasibility & attractiveness assessment
- 4 Establishment of an overall growth strategy
- 5 Analysis of an updated financial business plan

## Client impact

Identified growth opportunities for the client both within the home and overseas markets and developed a prioritized implementation plan and its financial impact on the business plan to unlock investor funding for their expansion aspirations

# Agenda

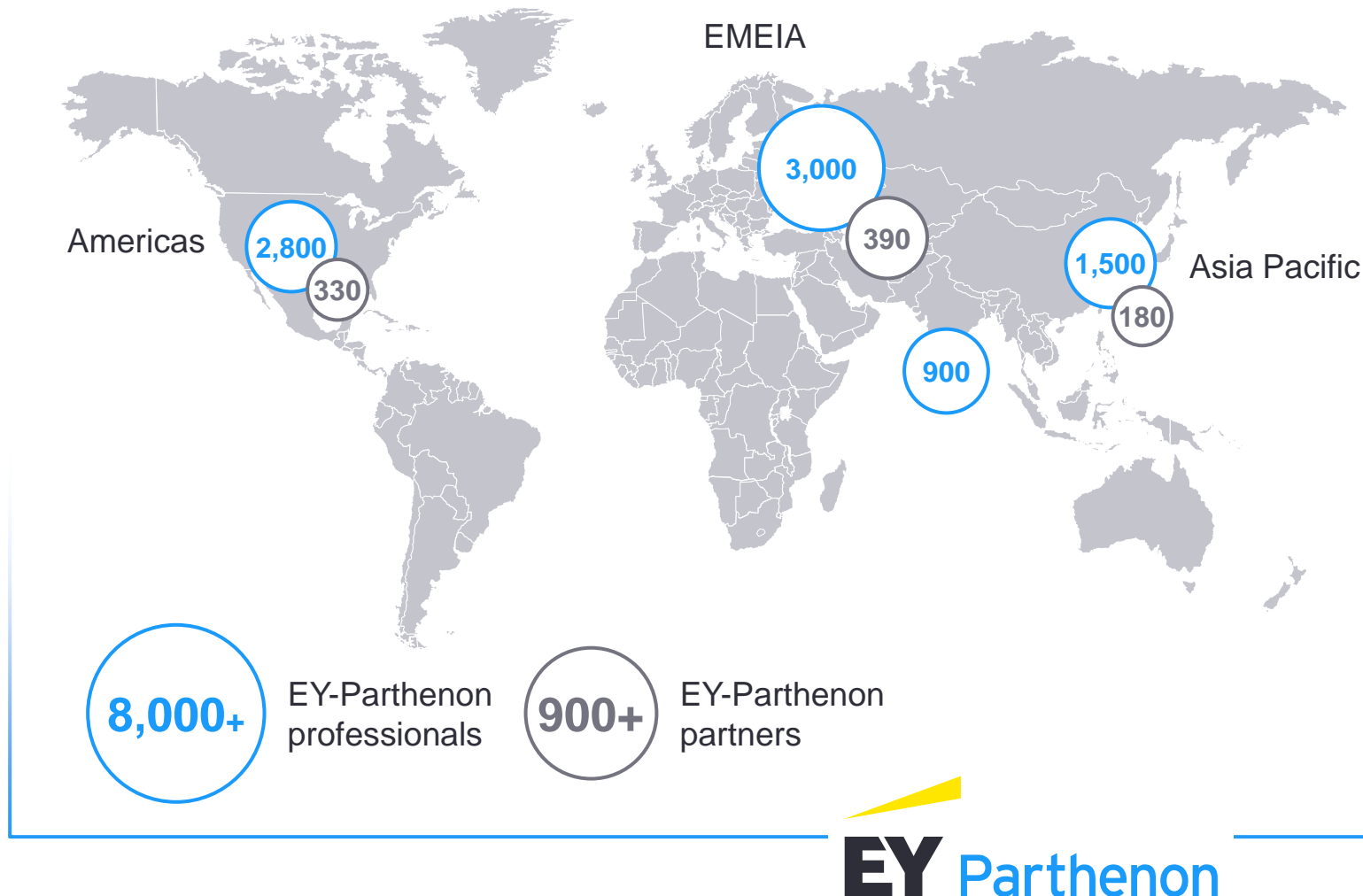
- ▶ Assessment approach for new business opportunities
- ▶ Selected credentials regarding new business opportunities
- ▶ **Introduction EY-Parthenon Financial Services**





# We are one of the leading strategy consultancies globally with more than 8,000 dedicated professionals and 900 partners around the world

EY-Parthenon at a glance



## About us

- ▶ We are the **4<sup>th</sup>-largest strategy consultancy** in the world and present in over 60 countries
- ▶ We unite **strategic industry know-how** with comprehensive **transaction and restructuring expertise**
- ▶ We build on **deep sector expertise** to serve the major market leaders and the up and coming challengers
- ▶ Combined with **EY's global service offering**, we are best positioned to help our clients in their strategic decision-making and roll-out

# EY-Parthenon has successfully advised leading clients within the payments and banking sector including banks, merchants and industry players as well as financial investors

Representative clients

SELECT

## Industry clients

### Banks and issuers



### Schemes, acquirer and gateways



### Merchants and other



## Financial investor clients

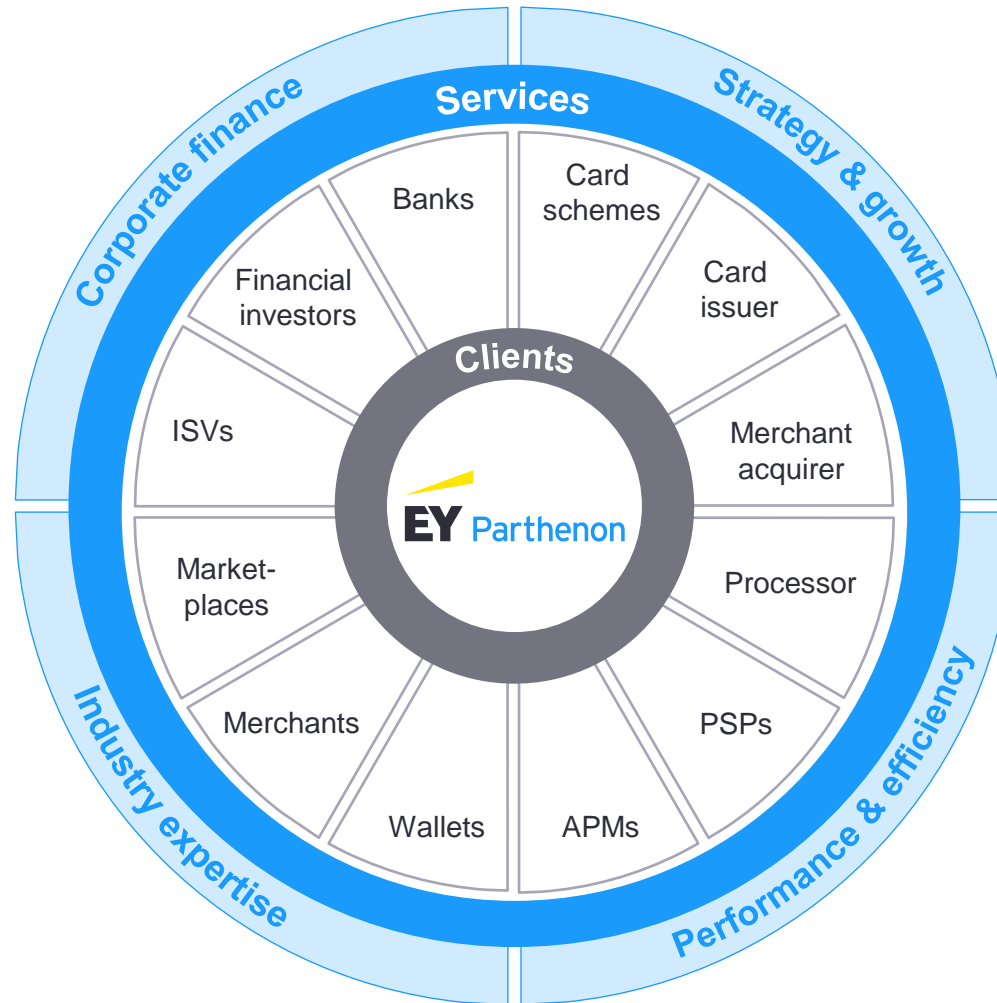


# EY-Parthenon can provide expert support for both organic as well as inorganic transformation processes; these deliver distinctive value to clients

## Overview service offering

- ▶ Transaction advisory
- ▶ Commercial due diligence
- ▶ Corporate finance strategy
- ▶ Corporate and B2B payments strategy
- ▶ Treasury and cash management optimization

- ▶ Card issuing
- ▶ Merchant acceptance
- ▶ Processing and infrastructure
- ▶ Online and mobile payments
- ▶ Instant and account-to-account payments
- ▶ Open Banking
- ▶ Embedded Finance



- ▶ Market entry strategy
- ▶ Product and portfolio strategy
- ▶ Pricing strategy
- ▶ Go-to-market strategy
- ▶ Partnership strategy
- ▶ New business opportunities (organic and inorganic)

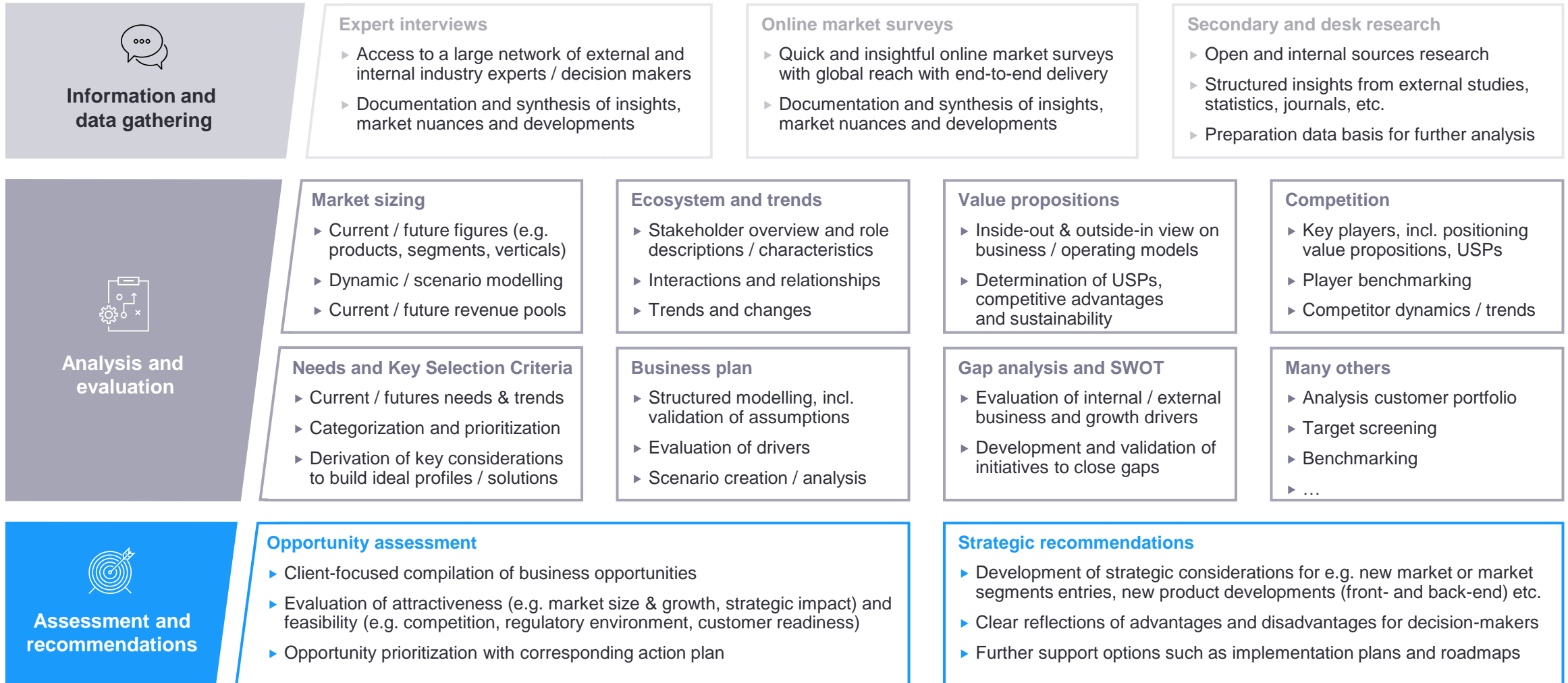
- ▶ Business and operating model
- ▶ Restructuring
- ▶ Cost reduction & optimization
- ▶ Benchmarking
- ▶ Post merger integration
- ▶ Advanced PMO
- ▶ Risk, fraud and security



# We offer proven competencies and methodology to support our clients with information gathering, holistic analyses as well as deriving strategic and business recommendations

## Overview service offering

SELECT



# As a payments thought leader, we have developed frameworks and conducted analyses in response to our clients' most relevant strategic topics

## Thought leadership overview

### New Frontiers



- ▶ Deep dive of 13 key payment growth topics with proven business models

### Evolution of Payment Acceptance



- ▶ Assessment of core payment acceptance trends incl. market potential and provider landscape

### SMB acceptance



- ▶ Market understanding and strategic considerations how providers can grasp this evolving market opportunity

### Merchant Payments



- ▶ Analysis of major merchant payment challenges and the impact of payment-as-a-strategy

### Embedded lending for banks



- ▶ Strategic framework for banks on how to approach the embedded lending market opportunity

### Value of Payments for banks



- ▶ Definition framework for banks to identify and provide transparency over their payment capabilities

### ESG in the payments industry



- ▶ Overview of ESG trends and how payment providers can leverage ESG as a value driver

### Fin. Services Emerging Markets



- ▶ Market analysis of the mobile financial services industry focusing on its largest market – Sub-Saharan Africa

# We have an extensive amount of proprietary tools and databases that can be leveraged for any project providing us with a head start compared to other consultancies

## Overview of our tools

SELECT

### Proprietary POS and e-commerce market models

- PoS and e-commerce market size and revenue pools across all countries in Europe
- Data available on different market segmentations such as merchant size, value chain segments and product offering

### EY-Parthenon PSP market study

- We analyzed the Top 500 online stores by revenue in Germany, shop-by-shop to evaluate the PSP market shares
- The study includes PSP origins, product offerings, PSP merchant portfolios, growth of portfolios and omnichannel positioning

### Venture Capital and M&A tracker

- Our databases capture all major transactions in the payments industry, contributing to the identification of trends and transactions characteristics
- Databases cover valuation, strategic importance, investor perspectives, and value propositions

### Payments / e-commerce database access

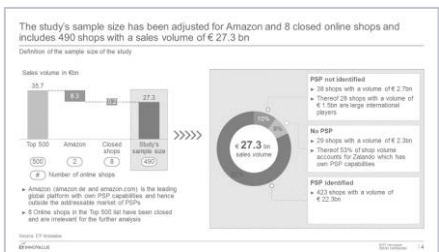
- We have full access to renowned national and cross-border knowledge and statistics databases for payments and eCom
- Using the wide-ranging studies, we are able to incorporate sector-specific trends as well as detailed information on relevant players into our analyses

### Expert networks and survey tools

- We have networks and exclusive conditions with reputable survey and expert agencies (e.g., Arbolus, proSapient, Potloc, etc.)
- With our experience in conducting interviews and surveys, we can provide key insights, trends and characteristics of specific markets

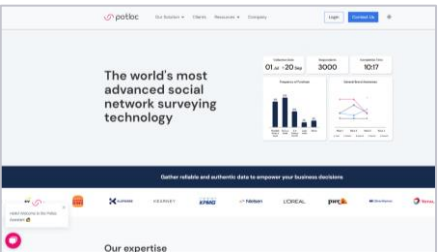
## Exemplary insights and output

Available gross revenue pool											
Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Germany	12.5	13.2	14.1	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0
France	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	15.5
Italy	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5
Spain	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5
UK	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	15.5	16.0	16.5
Poland	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5
Portugal	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5
Greece	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5
Sweden	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5
Denmark	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5
Netherlands	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5
Belgium	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
Austria	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5
Switzerland	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5
Finland	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5
Other	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



Available gross revenue pool											
Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Germany	12.5	13.2	14.1	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0
France	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	15.5
Italy	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5
Spain	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5
UK	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	15.5	16.0	16.5
Poland	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5
Portugal	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5
Greece	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5
Sweden	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5
Denmark	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5
Netherlands	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5
Belgium	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
Austria	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5
Switzerland	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5
Finland	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5
Other	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Available gross revenue pool											
Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Germany	12.5	13.2	14.1	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0
France	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	15.5
Italy	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5
Spain	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5
UK	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	15.5	16.0	16.5
Poland	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5
Portugal	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5
Greece	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5
Sweden	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5
Denmark	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5
Netherlands	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5
Belgium	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
Austria	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5
Switzerland	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5
Finland	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5
Other	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0





EY | Assurance | Tax | Strategy and Transactions | Consulting

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](https://ey.com).

EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit [parthenon.ey.com](https://parthenon.ey.com)

© EY-Parthenon Financial Services GmbH  
All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

**ey.com**

#### Your Contact

Stefan Thomalla

Director, Payments Strategy

[Stefan.Thomalla@parthenon.ey.com](mailto:Stefan.Thomalla@parthenon.ey.com)

