

Disruption in the payments landscape: Bolt acquires Wyre in bid to extend its payment services to the blockchain

Introduction

Bolt Financial Inc., a leading payments-focused technology company, announced the acquisition of the crypto-services startup Wyre in a cash and stock deal. Announced on April 7th, 2022, the deal is expected to close later in 2022. It is valued at around \$1.5 billion, and, according to research conducted by Dealogic, would represent the largest merger in the crypto industry not involving a SPAC. Here it is worth remembering that in May 2021, Galaxy Digital Holdings Ltd. agreed to buy BitGo Inc for \$1.2bn. Therefore, the acquisition of Wyre is a continuation of the consolidation trend in the crypto world. As the value of M&A deals already totaled about \$1.25 billion in the first quarter of 2022, the latest agreement could lead to surpassing the previous record of \$4.9bn reached in 2021, confirming the upward trajectory in the sector.

About Bolt Financial Inc.

Bolt Financial is a private Fintech company that operates a cloud-based platform for checkout, online payments, and fraud detection. The firm, which was established in 2015 in San Francisco, offers the services for both clients and individual customers. In fact, merchants, companies and individual retailers can use the service for their ecommerce.

The company's main product is the checkout system, designed to compete with Amazon. Once a customer has added some products to his shopping cart, she has to pay through a checkout system. The checkout system designed by bolt combines a level of security and fraud protection with an optimised level of transaction speed and authentication. Indeed, if a customer has already used bolt checkout, he will already be authenticated for any other bolt checkout used by other merchants. In addition, the high level of customisation and variety of payment options provided make the product attractive.

The startup's technology is more expensive than competitors, as Breslow, Ceo and Founder of Bolt, admits. However, he claims that Bolt makes up for with increased sales for customers. It charges a low, flat, percentage-based fee per transaction, but delivers a sales boost of anywhere from 10 to 50 percent. Bolt's clients include apparel retailers Forever 21, Juicy Couture, and Lucky Brand, among others. In addition, in 2021, Bolt signed some key partnerships including Adobe Magento, Benefit Cosmetics, and PrestaShop. On January 14, 2022, Bolt announced it has raised \$355 million in Series-E funding led by funds and accounts managed by BlackRock, which puts it at a value of \$11bn. Over the last 5 years, Bolt has raised nearly \$1B in funding.

About Wyre

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Wyre Payments provides retail and business customers exchange services to allow for the transfer of national currencies and digital tokens between crypto wallets and traditional banks. It has money-transmitter licences in 27 US states. Focusing on developers, the firm provides APIs (Application Program Interfaces) and infrastructure, which allow thousands of developers and users to quickly build crypto platforms and bring crypto to the masses. The company has "on-ramped" about 15m end users to their partners and has processed more than \$10B in payments since inception. Its proprietary "Checkout" is the world's fastest fiat-to-crypto gateway, and has helped hundreds of crypto applications better reach their customers. Wyre has been involved in the crypto industry since 2013, supporting customers in about 100 countries worldwide. It allows them access to the blockchain technology and helps with the transition to Web3. Wyre has primarily worked with Bitcoin, several crypto exchanges, and NFT marketplaces.

Industry Analysis

With innovations in the financial sector and new advances in technology, the payments industry has experienced significant disruption over the last 10 years. The industry has many players of all sizes. Among the biggest players are Paypal and Apple, each with millions of customers. The pandemic accelerated the payments industry digitization, with 2022 marking an inflection point in the way consumers and businesses make their purchases. In response to rapid digitization, merchants need to ensure customers can use their preferred payment method. This is putting pressure on point-of-sale (POS) providers to create multichannel solutions that meet several needs. Major players in the payments industry are competing to explore new transaction flows, reach new categories of consumers and businesses, and adopt new devices and transaction technologies. As US e-commerce sales are growing at a very significant rate to exceed \$1tr for the first time this year, checkout providers are focusing on optimising the mobile payments experience.

After dipping in mid-2020, US B2B payments (the most relevant country for identifying the industry trends) are set for a second consecutive year of growth in 2022, with a forecasted volume of \$28.623 trillion. An interesting industry trend established here over the last years is the Blockchain implementation. Blockchain facilitates immediate, secure, low-cost international payment processing services through the use of encrypted distributed ledgers that deliver trusted real-time authentication of transactions without the need for intermediaries such as banks. With only a few hundred merchants having adopted the Bolt until now, its market positioning can be described as niche when comparing it with incumbents like PayPal. However it has recorded one of the highest growth rates in the industry, along with Juspay and Stripe. The acquisition of Wyre might unlock the full Blockchain market potential for the company, thus leading to the possibility to expand in this new disruptive industry. According to AlliedMarketResearch, the global blockchain-distributed payments market was valued at \$3.89 billion in 2020 and is projected to reach \$137.29 billion by 2027. The projected CAGR from 2021 to 2027 therefore stands at a proud 62.7%.

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Deal Structure and rationale

With the most recent pre-acquisition valuation of Wyre being around \$99 million, and only having raised \$5 million in the latest funding round in January 2021, the acquisition premium stands incredibly high. The deal is expected to finalise in the third or fourth quarter of 2022 and must still pass numerous regulatory steps. Neither company has yet disclosed the official terms of the deal nor the financial advisors they will be working with. Bolt has been working with Legal advisors Gunderson Dettmer, an international law firm which specialises in Corporate law, venture capital law and M&A.

The acquisition will integrate Wyre's cryptocurrency payment technology into Bolt's services, in an effort to position Bolt as a front runner in the cryptocurrency payment space. This deal comes amid growing demand for payments for both physical and online goods to be carried out using cryptocurrencies. Bolt looks to utilise Wyres' technology to evolve and simplify digital shopping in addition to making cryptocurrency payments a mainstream and reliable commerce solution. Bolt now plans to offer both consumers and retailers a swift buying and selling experience that supports both the use of cryptocurrencies and Non Fungible Tokens (NFTs) with the security and ease of traditional fiat currency. This will open merchants up to a greater pool of customers who use cryptocurrency for payments. According to Bolt, such customers spend almost double that of customers who pay with credit cards. In addition, according to Bolt, merchants who begin accepting cryptocurrency payments see a 40% net increase in new customers on average. Founder and executive chairman of Bolt recently stated that when creating his company he always "imagined cryptocurrency at its centre". This acquisition fulfils his ambition and is a defining step forward for Bolt.

Many barriers stand in the way of everyday consumers using cryptocurrencies. Setting up cryptocurrency wallets, understanding crypto jargon and making transfers using cryptocurrency can be very daunting and complex to most consumers. The tens of thousands of consumers already in Bolt's network will now be able to easily purchase and store cryptocurrencies and NFTs, extending Bolt's services beyond just one-click payments. Bolt plans to integrate "Checkout", Wyre's flagship product, a groundbreaking fast and easy fiat-to-crypto gateway, in order to make cryptocurrency payments accessible to everyone. Bolt competes in a crowded space of fintech payment startups and giants like Apple Pay and Paypal. This acquisition is the largest in the crypto sector which didn't involve a Special Purpose Acquisition Company (SPAC) and allows Bolt to differentiate itself and stand out amongst its rivals.

Market reaction

With both firms being private companies it is difficult to directly assess the market reaction to the deal. In addition, most publicly listed venture capital and private equity funds which invested in Bolt and/or Wyre have not experienced any meaningful impacts on their stock positions due to the acquisition. One which has, however, is Ether Capital Corporation, a technology investment company based in Toronto that aims at investing in projects, protocols and businesses that leverage the Ethereum and web3

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ecosystems and technologies. An early-stage investment of \$1.5 million in 2018 led Wyre to become a key component of Ether Capital's portfolio, alongside Ether, the native Ethereum crypto-asset. The investment especially supported Ether Capital's investment thesis to support projects and businesses making fiat-to-crypto transfers much easier and more efficient. Based on figures from the end of 2021 Ether Capital's stake in Wyre stood at \$6.2 million, which is planned to be bought by Bolt in cash and common shares of Bolt paid over 4 years. In their public acknowledgement of the acquisition, Ether Capital stated they believe such a deal "represents an excellent outcome for shareholders." Furthermore, they believe this deal will "pave the way for increased opportunities between the traditional digital payments space and Web3 applications." Since the announcement of the acquisition Ether Capital's shares have risen almost 17%. Ether Capital Corporation and its investors see a lot of potential in Bolt now that they have acquired Wyre, allowing Bolt to position itself as a leader in the crypto payment space. With Fast AF Inc., one of Bolt's main competitors, announcing via Twitter on the 5th of April they would close operations, Bolt is shaping up to take over a much greater market share.

TAGS: bolt, wyre, payment, payments industry, mobile payment, crypto, cryptocurrency, blockchain, acquisition, deal, fintech, cloud, start-up, VC

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