

Proactive Insights

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Why blockchain will be the future of payments despite what recent sector M&A suggests

Credit card giant Mastercard is to plough US\$300m into Network International ahead of the African payments firm's planned US\$3bn float on the London Stock Exchange.

It is the latest example of the furious deal-making going on in the sector, with payments-processing firms becoming highly sought after as the switch to cards and phones from cash reaches a tipping point.

READ: Mastercard pumps US\$300m into Network International ahead of IPO

Mastercard was recently outbid by arch-rival Visa for AIM-listed Earthport, which finally agreed on a £247m cash offer - 5x what the price was before the two giants started bidding.

WorldPay, meanwhile, is changing hands again with FIS buying the payments group for an enterprise value of US\$43bn. That comes just a year after the former RBS division merged with Vantiv.

So with big money being spent on 'traditional' payments companies, what does this mean for blockchain - the technology that was supposed to revolutionise the finance industry?

Not much, according to finnCap analyst Lorne Daniel, who still expects blockchain to dominate the financial landscape in the future.

"Blockchain will come, but like all of these things it takes five or ten years longer than you'd think for them to become established," he told Proactive Investors.

The likes of Mastercard and Visa all have an eye on the future and are looking at blockchain, he says, but they need to be able to service their customers' needs now as well.

"They are thinking much shorter-term. They're not going to be investing heavily in cutting edge tech because they don't know it works and they're not there to experiment."

More M&A on the way...

Daniel thinks more M&A could be on the way in the sector over the coming months as the sector land-grab continues.

"The big guys have got the money to buy the more successful platforms that have shown they work.

"We're now past that experimental stage and we're moving into a stage where you have winners and losers and the winners are being snapped up."

But he is sure that blockchain will live up to its initial hype, despite the cooling of interest in cryptocurrencies - most of which use Blockchain to function - over the past year.

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"Blockchain will definitely have its day, it's too good a technology not to. I'm sure across the financial industry it will be revolutionary, but it will likely be 10 or 15 years before you see it making major inroads."

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