

CheckFree Buys Corillian: \$245M

Payment processor snaps up web-banking software developer.

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By Ken Schachter

In its second major deal in less than two months, **CheckFree** will buy Internet-banking software maker **Corillian** for \$245 million in cash, the companies announced Wednesday. In the wake of the announcement, shares of Corillian spiked up \$1.56, or 45.2 percent, to \$5.01 in midday trading, while CheckFree eased down \$0.39, or 0.9 percent, to \$41.23.

The deal to acquire Corillian shares at a price of \$5.15 each comes just weeks after CheckFree's January 2 announcement of a \$206-million deal to acquire Dallas-based Carreker, whose software lets financial companies capture images of paper checks.

In recent weeks, CheckFree emerged as the top bidder for Corillian, beating out several other suitors. The deal heated up with the acquisition by Intuit of another online banking software provider, Digital Insight. That \$1.3-billion deal closed earlier this month.

The Corillian deal further broadens the product line of CheckFree, whose systems let consumers pay bills via the Internet, telephone, or retail agents.

Expanding Business Model

In a conference call, CheckFree CEO Pete Kight said the price for Corillian was based on its value in a combined company that could provide banks and billers a smorgasbord of services under one roof.

"We didn't buy Corillian's existing business model," he said. "They've done a marvelous job as a software provider, but we absolutely are going to expand their business model. There will be a lot more leverage to create value. ... We think they're a significant shortcut to where we want to go on our own."

Financial Technology Partners, the San Francisco-based boutique investment bank that advised Portland, Oregon-based Corillian, pegged the price at a 60 percent premium to market value and a 76 percent premium to enterprise value.

"People have to have the guts to hire the right advisor, which may not have the global brand name," said Steve McLaughlin, managing partner at FTP. "The bigger risk is to hire the big firms. The reason is they don't give the smaller companies the attention and focus and senior level bankers they need."

As to why CheckFree chose to make two major acquisitions before 2007 was even two months old, Mr. Kight said that neither Carreker nor Corillian were for sale a year ago.

"They just ended up becoming two deals that became available in the same timeframe," he said. Corillian serves more than 35 million online banking customers through 30 of the top 100 United States banks and 21 of the top 100 U.S. credit unions. The company also offers fraud prevention software.

The transaction must clear shareholder and regulatory scrutiny and is scheduled to close June 1.

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