2018

Advanced Payment Solutions.

datatrans.

Facts 2018

- 17 years of experience in e-commerce

- Focus on large and demanding customers

- International orientation

- Independent

- Self-financed

- CHF 10 billion trading volume

- 94 million (+ 39%) transactions

- Swiss market leader

- 43 million (+ 123%) conversions

- < 1 second (average) settlement time per transaction

- Time to market

- Debt-free

- 4400 active clients

- Mobile first

- availability 99,99%

Content

SBB CFF FFS

MIGROS

coop

swisscom

Lufthansa

ticketcorner.ch

starticket

Eurowings

SWISS

brussels airlines

edelweiss
der Sonne entgegen

Austrian

Sunrise

FAIRTIQ
Public transport made easy.

ZVV

Salt.

MSC
CROCIERE

digitec.ch

Media Markt

World Health
Organization

Allianz

FLEUROP
bring's.

SCOTT

QoQa

BMW

THE NEW
OLYMPIC
MUSEUM
SHOP

Mercedes-Benz

VATICAN.COM

Some of Datatrans' customers

Introduction
Foreword by executive board

Annual review 2018

While the Swiss retail trade can once again look back on a restrained year, the digital transformation has progressed further and online trade as a proportion of total retail trade turnover has again increased.

Online business is the «biggest disruptive force in the retail trade», according to Credit Suisse economists. However, the dynamics are particularly pronounced in the service sector. A key driver here is the sale of public transport tickets via smartphones, which is currently experiencing a real boom.

Datatrans Management
Urs Kisling
Bettina Reimers
Hanspeter Maurer
from left to right.

Datatrans has also benefited from this development. In operational terms, 2018 was the most successful year in the company's history. The number of transactions processed via our platform increased by almost 40% compared to the previous year. Revenue and operating profit also grew at a double-digit rate. This success is primarily based on the growth in transactions with large existing customers, as well as sales success with new customers in the DACH (Germany, Austria, Switzerland) region and the pleasing performance of the PCI Proxy (tokenization solution). With 43 million conversions, this area grew by 122% compared to 2017.

The more than 4,400 active Datatrans customers generated some 94 million e-commerce transactions with a trading volume of over CHF 10 billion in the year under review. This makes Datatrans Switzerland's leading payment service provider by far.

Datatrans Ltd., founded in 2001, has been self-financed and debt-free since its inception, and has closed each year of operation with a positive result. The share capital is fully owned by the Executive Board and individual employees. We focus on achieving a balance between business objectives such as profitability, liquidity, security, independence and healthy, organic growth.

We are convinced that in recent years we have put in place the strategic, financial and organisational prerequisites to remain competitive in the dynamic e-payment future market and to continue our national and international growth trajectory.

We would like to thank our customers for their trust and loyalty, our partners for their impeccable cooperation and our employees for their great enthusiasm and commitment.

Spring 2019

Executive Board Datatrans Ltd.

The Datatrans offices at Kreuzbühlstrsse 26 in Zurich.

Datatrans Ltd.
Our role as PSP

Our role as Payment Service Provider

The technicalities of connecting an online shop to the various domestic and foreign payment providers and credit card institutions (acquirers) are usually handed over to a payment service provider (PSP). This provider also offers other comprehensive services such as risk management and reporting and relieves the merchant of the strict security requirements imposed by the credit card companies (PCI DSS – Payment Card Industry Data Security Standard).

To be successful in online trading, businesses must offer customers the payment methods commonly used in the respective country and ensure that the payment processes run smoothly. This is why Datatrans, as an internationally oriented PSP, supports all major electronic payment methods used in Europe and offers various solutions for payment processing in e-commerce, mobile PoS and call centres. As a technical service provider, Datatrans is not involved in the cash flow, but is responsible for the smooth processing of payment transactions and for secure storage of the confidential data..

Our positioning

Concentration of forces is the principle behind our success, and a value that we try to consistently adhere to. E-payment processing has been our core business for almost 18 years. During this time, our employees have been able to gain valuable experience thanks to numerous customer projects. This allows us to expertly advise and support large and demanding online merchants – whether national or international – in all matters relating to payment processing.

In contrast to our competitors, we do not rely on simple or standardised services, but position ourselves as a specialist in complex, individual payment solutions tailored to our customers' needs. We are our customers' central point of contact for everything to do with payment processing in online and mobile commerce. We work neutrally and independently and give merchants complete freedom to choose their financial partners.

The ability to respond quickly and flexibly to new markets and customer requirements is an important competitive advantage in our dynamic operating environment. Thanks to our financial and technical independence, we can make decisions quickly and implement customers' wishes promptly and competently.

Our business model

Our business model is mainly focused on transaction-based fees for online payment processing. We act as an interface between the online merchant and individual payment providers. Our customers obtain added value and can make potential savings by being able to fully outsource the increasing complexity of payment processing and growing security and availability requirements to us. We are constantly expanding our specially developed transaction platforms, which meet the highest standards of reliability and security.

Offer, PCI DSS certification and Dun & Bradstreet rating

Webshop – Mobile Apps

Financial institutions (Acquirer) / Methods of paymentl

Datatrans offers high-quality and integrated payment processing solutions for professional technical payment processing in online trading. These include various APIs for connecting webshops, payment libraries for payment processing in native apps, payment pages with touch-compliant user interfaces for mobile webshops and tokenization solutions for mobile webshops (recurring transactions) or for simplifying payment processes (one-click checkout). In addition, the Datatrans PCI Proxy is a novel tokenisation solution for simplifying PCI compliance.

Payment Card Industry Data Security Standard

Datatrans complies with all PCI guidelines and has been certified by the major credit card organisations since 6 June 2006. Payment service providers including Datatrans are automatically subject to the strictest requirements of level 1.
In mid-2018, Datatrans again successfully passed the annual PCI DSS Onsite Review and was granted certification for another year.

Dun & Bradstreet Rating

On 19 December 2018 Datatrans again received the top Risk Indicator 1 rating (minimum risk of business failure). The Rating Certificate is a badge of quality for businesses and stands for reliability and stability. Only two percent of Swiss companies meet the requirements for this certificate. It shows a company's ability to meet its economic obligations to customers and suppliers.

The year 2018
The highlights

The future is mobile

Some years ago, many of our customers considered offering a native app in addition to a browser-based online shop. Nowadays, there are Datatrans customers who sell their services exclusively via a mobile app – and with great success.

Screenshot: SEPP parking app from Mathom AG

The fact that customers will increasingly make purchases via mobile devices (smartphones, tablets) became apparent soon after the launch of the first smartphones. Nine years ago, Datatrans was the first payment service provider in the DACH region to introduce a software component for native mobile apps (Datatrans Payment Libraries for iOS and Android). Merchants can outsource the entire payment process to this component, including the user interface for the payment process. This means that the payment takes place within the app. In the meantime, more than half of all transactions processed via Datatrans are initiated by mobile devices.

Datatrans offers suitable products not only for native apps, but also for browser-based online shops. For years, we have pursued a «Mobile First» strategy in the development of our payment forms for web shops. The requirements of a smartphone offer both opportunities and challenges for online shopping. The small display, the lack of a physical keyboard and even use on the move are challenges that demand an uncompromising simplification of the payment process. When launching a mobile app or an online shop, it is therefore not possible to think about the payment process too early. Every method of payment has its peculiarities and not all methods are suitable for mobile e-commerce. Also, measures to reduce the risk of fraud for payments with smartphones must be designed differently. This is precisely where Datatrans' expertise lies. We know the key success factors and can provide our customers with expert advice on all aspects of payment processing. Just as important as the shift in purchases from desktop to mobile are developments in which the smartphone is used to connect existing infrastructures (vending machines, EFT/POS terminals). We already commented in our annual report 2016 on the success of the SBB App and the new check-in / check-out approaches by Lezzgo and FAIRTIQ.

This development is now also making inroads into other sectors. One example of this is the SEPP parking app from Mathom AG launched at the beginning of 2018 (see screenshot), with which the smartphone becomes a parking meter. Open the app, start the parking process and stop when you return. The parking time is calculated to the minute and charged to user's credit card (Mastercard, Visa), PostFinance Card or TWINT.

Developments in the airline sector

2018 was marked by far-reaching changes in European aviation and some medium-sized companies – including Datatrans customers such as Germania, Skywork and Air Berlin – had to discontinue flight operations.

Despite this development, we were also successful in the airline sector last year. Eurowings went live with Datatrans in March, and Brussels Airlines decided to expand its cooperation with Datatrans and handle Internet sales via our payment platform. We will also process payment transactions for Lufthansa. This will take place within the framework of Direct Connect, a booking platform for connecting travel agents and large corporate customers.

In the challenging environment described above, we intend to strengthen our position as a specialised provider of payment processes and related services, such as credit card tokenisation with PCI Proxy, automated financial reconciliation and dynamic currency conversion.

Since 2018, we have been an official «Supporting NDC» partner of the IATA (International Air Transport Association). At our airline industry events, which we will hold this year again, we focused increasingly on these topics. In addition, we have decided to concentrate more intensively on the travel market. This includes online booking platforms, tour operators and technical service providers.

PCI Proxy – the tokenization solution

PCI compliance was traditionally time-consuming and costly – but now that is a thing of the past. With the PCI Proxy, Datatrans offers a novel solution to simplify the maintenance of PCI compliance.

The solution is particularly interesting for providers of services or platforms that work with several payment gateways at the same time, storing credit cards or dependent on receiving and forwarding credit card data, such as for storing recurring payments or as a guarantee of reservations. In particular, the processing, storage and the transfer of sensitive card data escalates the requirements for merchants and platform operators with in terms of PCI compliance (Payment Card Industry Data Security Standard). Increasingly, companies therefore use PCI Proxy to convert sensitive card data into a tokenized format before it reaches their systems. Such companies include Swiss International Air Lines, Swiss Federal Railways SBB, MSC Cruises, Hotelbeds, SITA, Hometogo, MEWS, HolidayCheck, and others.

Info

More information on our dedicated website: *www.pci-proxy.com*

Our customers can filter their data streams using the PCI proxy and have sensitive data converted into tokens automatically by making very small adjustments. This significantly reduces the effort required to ensure PCI compliance, so that PCI Level 1 compliance can be achieved within a few days instead of several months, resulting in savings of high certification costs and internal workload. At the same time, technology service providers and online merchants avoid the risk of data theft by storing sensitive data in our secure data safes in Switzerland. We take care of data security around the clock, monitor anomalies and continually improve systems so that our customers can concentrate on their core business.

In the 2018 financial year, the PCI Proxy again achieved its best result since it came online. The strong demand from customers is reflected in the doubling of sales compared to 2017. In 2018, the team also recorded good acquisition successes. In addition to young up-and-coming companies such as Mews, Hometogo, Lodgify, etc., the PCI Proxy also convinced large international groups such as SITA, FTI Group, Grupo Hotusa, etc. of its strengths. This very young product is already making a significant contribution to Datatrans' success.

In addition to its enormous growth in the travel sector, the PCI Proxy product is also increasingly establishing itself in new markets. Another important new segment, Digital Ordering, was added in 2018. Large restaurant chains such as Wingstop, Shake Shack and others rely on digital ordering platforms like Olo to allow their customers to order quickly and easily at a restaurant or for delivery to their homes. While digital ordering is still in its infancy in Europe, the American market is booming. Olo already serves more than 100 million customers and has a strong customer base of 1 million new customers every 2 weeks. PCI Proxy helps these restaurant chains and digital ordering platforms to enable their customers to buy quickly and securely, without worrying about PCI compliance or data protection, while accelerating smooth subsequent purchases through their restaurant apps and websites.

PCI Proxy – main features

- Tokenization APIs: PCI Proxy interfaces enable the acceptance of credit cards via web services (server-to-server), websites or mobile apps without the merchant's systems coming into contact with the sensitive data. The PCI Proxy converts the sensitive credit card data into a payment token while the actual data is stored in the Datatrans Token Tresor. This significantly reduces the effort required to ensure PCI compliance.

- Universal Token Safe (Vault): Datatrans› infrastructure provides secure storage of confidential payment information. The payment tokens are vendor-independent, so they can be used universally and work with all payment gateways and PCI-certified service providers worldwide.

- Flexible distribution hub: A payment token, which is stored once in the vault, can be forwarded to any service provider, payment gateway or acquirer for billing as often and flexibly as required.

- Simple integration without adaptation of the merchant's systems: The format and field length of a token correspond to the values of the associated means of payment. The interfaces are designed in such a way that this compliance service can be implemented and deployed quickly and easily.

New customers, payment methods and acquirers

In the past year, closer cooperation with existing customers and the acquisition of further important merchants allowed us to expand our position. In addition, we acquired several well-known customers in the surrounding countries.

In 2018, we added the following new payment methods and acquirers:

Datatrans Mobile Libraries

Alias solution

Tenth E-Commerce Report Switzerland and other commitments

The E-Commerce Report Switzerland is a series of studies with a long-term perspective, featuring primarily qualitative and cross-industry analysis. The report annually reveals and documents market developments from the perspective of leading Swiss online traders. The study is carried out by Professors Ralf Wölfle and Uwe Leimstoll from the Institute for Information Systems at the University of Applied Sciences and Arts Northwestern Switzerland FHNW. Datatrans Ltd. is the originator and commissioning body of the study series. Our aim in producing the study series is to keep track of the latest developments in e-commerce and, at the same time, to raise awareness of our company in the core target groups.

«Dealing with powerful digital platforms». This was one of the main topics of the E-Commerce Report Switzerland, which was published for the 10th time in 2018. A further focus was «Seamless Payment: Paying without Click» – a topic to which Datatrans also devotes a great deal of energy.

Datatrans was also involved in the following activities:

bestofswissweb.ch   *bestofswissapps.ch*   *ecommerce-award.ch*   *digitalnudgeday.ch*

Digital Wallets and Seamless Payment

Apple Pay, Google Pay and Samsung Pay

Two years ago, Datatrans was one of the first European payment providers to offer Apple Pay. Since 2018, we have been offering our customers two further generic payment wallets in Google Pay and Samsung Pay. Such wallet solutions eliminate several steps in the traditional checkout process. This has a positive effect on conversion, especially for payments initiated via smartphone.

The goal of «Seamless Payment» is to improve conversion with a lean payment process. Payments are handled completely in the background without the need for end-customer initiation. Seamless payment enables online merchants to open up new business models – especially in connection with the continued strong growth in the use of mobile devices – such as those from solution providers in the mobility sector (transport, parking) and already used by various Datatrans customers.

Datatrans and Google – joint event in Zurich

As part of a joint event with Google, Datatrans presented the use cases and options for integrating Google Pay into the Datatrans payment solution on 8 November.

At their offices located on Europaallee in Zurich, Google also presented the Google Pay roadmap and major objectives before a group of around 40 representatives from a range of leading Swiss companies.

from left: Thomas Willenborg and Béatrice Gloor (Datatrans) and Lucyna Janas (EMEA Business Development Manager Google Pay)

Authentication: PSD2 and 3-D Secure 2

PSD2 (Payment Services Directive 2)

With the introduction of the Payment Services Directive 2 (PSD2), the EU has created a legal framework to promote technical innovation in payment transactions while at the same time strengthening consumer rights, improving security and simplifying payment processing.

While the PSD2 guidelines for the abolition of payment fees have been in force since 2018, the Regulatory Technical Standards (RTS) for strong customer authentication (SCA) and secure communication will only come into force on 14 September 2019. Also to be implemented by September 2019 are the interfaces through which third-party providers will be able to access the bank customers's payment accounts.

In the future, customers will have to identify themselves with at least two elements (2-factor authentication) from the categories knowledge, possession and inherence (biometric factor such as fingerprint) for online payments. Exceptions should continue to be guaranteed in the case of transactions with a low risk, to support a convenient and fast checkout.

3-D Secure 2 (3-DS 2)

EMVCo – an association of the major credit card organisations – has developed 3-D Secure 2, a new and uniform security standard for payment on the web. The aim is to ensure a smooth shopping experience in e-commerce and still guarantee the highest possible level of security.

The improved authentication procedure 3-DS 2 meets the requirements of the PSD2 for strong customer authentication. In addition, the standard offers functions for smooth checkout for low-risk transactions..

Support for the implementation of PSD2 and 3-DS 2 by Datatrans

Datatrans provides technical solutions in cooperation with external partners and in strict compliance with the technical specifications and recommendations of the credit card schemes. The ramp-up phase for transactions based on 3-DS 2 will begin in April 2019. The aim is for the majority of online card payments within the EU to be made using strong customer authentication by 14 September.

If there is a 3-D Secure contract already in place, 3-DS 2 can be activated automatically by Datatrans and the acquirer without the need for the merchant to make any technical adjustments. Otherwise, contractual and technical adjustments will be necessary. In addition to providing technical interfaces, Datatrans actively supports its customers in the implementation of the PSD2/3-DS specifications, either by publishing technical documentation or by offering direct consulting services.

Figures
10 billion trading volume

94 million transactions with a trading volume of more than CHF 10 billion

Growth in the total number of e-commerce transactions processed was + 39% in 2018.

With a total of 94 million transactions via virtual terminals in 2018, Datatrans clearly exceeded the 90 million mark, representing growth of + 39% over the previous year. At the end of the year, 9 million transactions per month was also exceeded.

Monthly transaction development 2009 – 2018
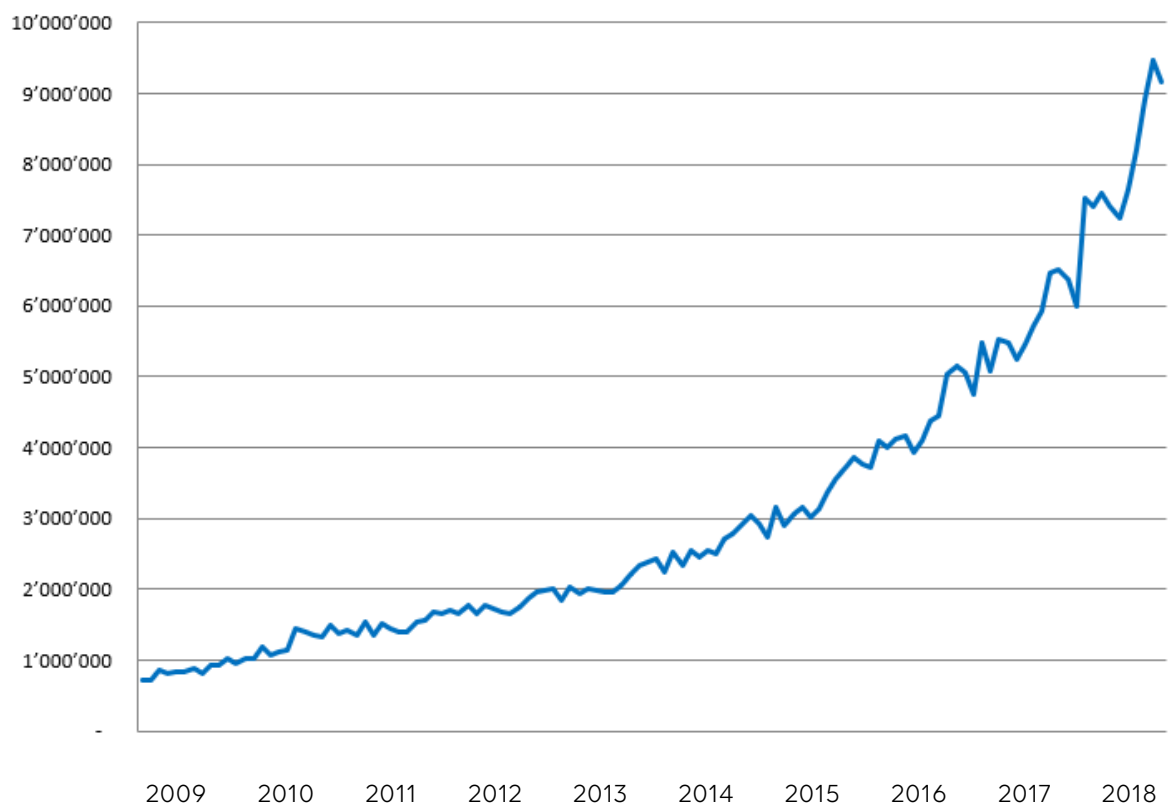
The gratifying growth in transactions continued in 2018. The main driver was the strong growth in public transport ticket sales and the activities of the new customer Eurowings.

In 2018, an e-commerce trading volume of over CHF 10 billion was processed via the Datatrans payment platform. This comprises around CHF 5.3 billion in CHF and CHF 3.4 billion in EUR as well as over CHF 1.3 billion from various other currencies (mainly USD and GBP with a share of over 70%).
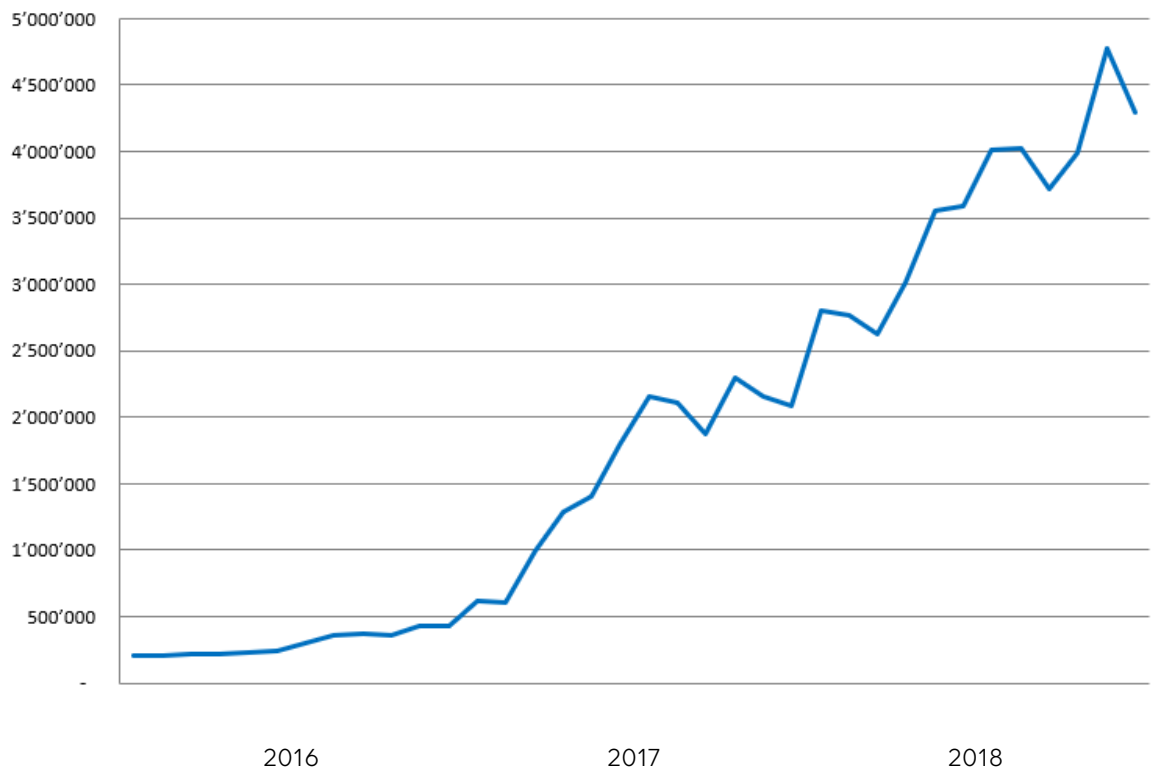
Datatrans' systems availability was 99.99% in 2018.

43 million conversions

Strong growth in conversions.

With a total of over 43 million conversions in 2018, this new division again grew strongly. Growth compared to the previous year was a gratifying +123%.

Monthly conversion development 2016 – 2018

The extremely positive growth was again achieved by significant numbers of new customers.
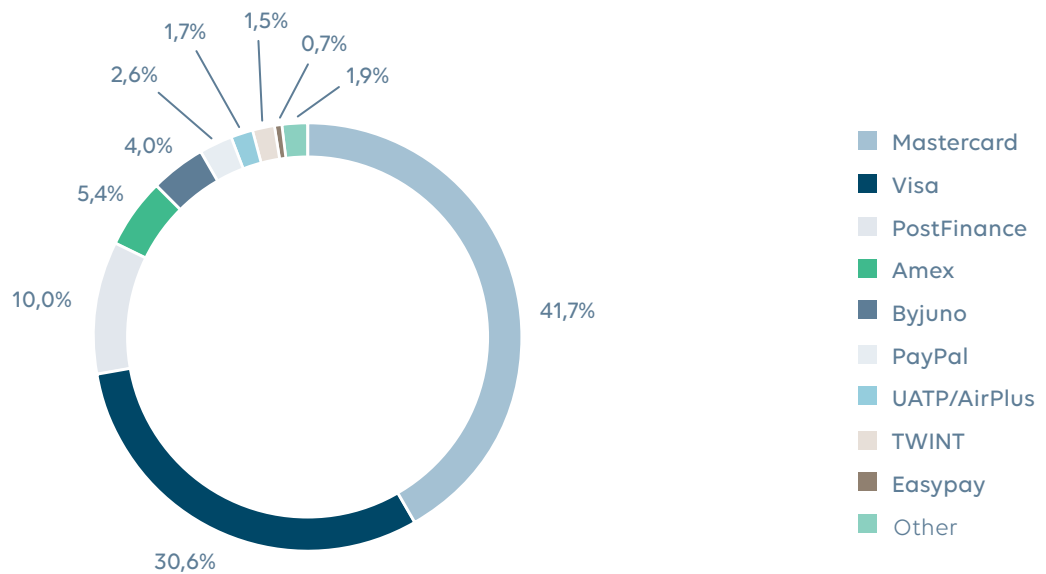
We also expect a marked increase in volume in this business segment in 2019. We will continue to expand our range of PCI Proxy services and adapt them to the requirements of other industries and business models.

Payment methods and currencies

With a share of 72%, Mastercard and Visa continue to be the dominant payment methods.

Mastercard with a transaction share of 41.7% and Visa with a share of 30.6% are still the most commonly used payment methods. PostFinance with 10.0%, American Express with 5.4%, Byjuno with 4.0% and PayPal with 2.6% are also important. In 2018, 94.3% of all transactions were processed via these six payment methods.

Payment methods (share of transactions 2018)

1,7%
1,5%
0,7%
2,6%
1,9%
4,0%
5,4%
10,0%
41,7%
30,6%

- Mastercard
- Visa
- PostFinance
- Amex
- Byjuno
- PayPal
- UATP/AirPlus
- TWINT
- Easypay
- Other

Currencies (share of transactions 2018)

1,6%
1,3%
1,2%
15,5%
80,4%

Over 80% of transactions are conducted in CHF, another 16% in EUR and around 4% in other currencies.

- CHF
- EUR
- USD
- GBP
- Other
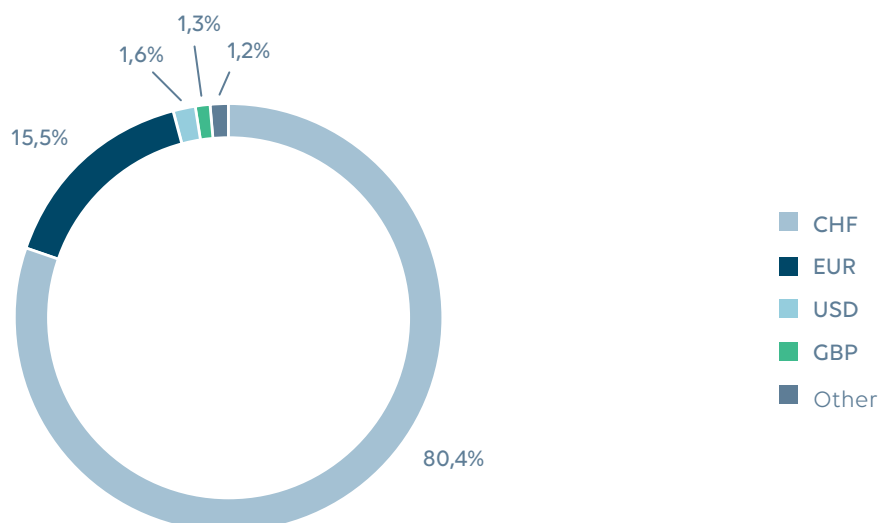
Outlook for 2019
Ticketing, mobile, PCI Proxy

Economic and industry-specific conditions

Digital commerce will continue to grow unabated in the coming years. This is supported by numerous factors such as the favourable economic environment, the convergence of sales channels, the continuing growth in the importance of mobile solutions, technological advances, as well as the fact that consumers are becoming increasingly accustomed to the digital environment. This positive development is also driving demand for secure online payment solutions.

Nevertheless, it can be assumed that the growing importance of foreign players will continue to have a negative impact on the competitiveness of domestic e-commerce providers. National borders are of little importance to online consumers. The E-Commerce Report Switzerland 2018 showed that the competitive pressure from large foreign retail platforms continue to concern Swiss online merchants. Depending on the industry and business model, however, this assessment varies. Pure e-commerce providers (Pure Players) judge their competitiveness as far more skeptical than those suppliers who are working in cross-channel business concepts.

The service sector is barely affected by foreign competition, as the services are provided in the immediate vicinity of the customer. This is where we see our greatest growth potential, not least because electronic payment methods are primarily used in this area. In contrast, in the retail trade, traditional invoicing still accounts for a large proportion of business.

The ticketing sector in particular will grow again in 2019. This will be driven by technological progress and greater use of smartphones for digital shopping. In addition to clear added value for the customer, providers such as SBB also see major cost advantages, as hardware investments and maintenance costs can be greatly reduced with the ticket vending machine in the pocket.

The prospects for Datatrans

We are also planning double-digit growth for 2019, both in terms of sales and earnings. The order books for projects and customer-specific modifications were already well filled again at the beginning of the new year. Furthermore, we have received assurances from numerous major customers that they will continue to expand their cooperation with Datatrans. Some companies are looking to open up further foreign markets, while others wish to intensify their activities in Switzerland and further expand their business through digitalisation.

We already have an excellent position in Swiss digital commerce and assume that will will continue to expand our position in Germany and Austria thanks to our track record, our references and our good reputation as a reliable and innovative partner. Although the growth in new customers abroad is even faster than in Switzerland, one of our most important goals for 2019 remains to build on our solid position in our home market.

The future lies in a combination of online and offline. Smartphones are seen as a bridge between e-commerce and walk-in trade. The intelligent linking of the two channels enables goods or services to be ordered and paid for in advance and then picked up or redeemed on site. In this way, e-commerce merchants' know ledge of their customers' purchasing behaviour can also be used in physical retail environments.

The trend towards digitalisation and the networking of sales channels will con-tinue unabated in the coming years as the mobile Internet becomes more widely used. This will lead to a further spread of web technologies at the POS. Migros customers, for example, can already pay for their purchases with their smartphone in all branches. If the customer chooses to pay by credit card, PostFinance Card or TWINT, the transaction is processed via Datatrans.

Especially for purchases made via smartphones (for example tickets), the customer not only wants to be able to pay securely, but also conveniently and quickly. Payment is therefore ideally integrated into the overall process and is not initiated separately. It runs in the background. The prerequisites for such seamless payment consist firstly of the supporting procedures to identify the customer without any doubt and secondly to identify tokenised payment methods in a user's profile.

Datatrans has been using mobile commerce for a very long time and has added wallets such as Apple Pay, Google Pay and Samsung Pay to its range of services to simplify the checkout process. Other comparable payment methods will be added in the near future. This is positive for the merchant, because the easier the payment process for the customer, the more likely it is that the transaction will be completed.

Our tokenisation solution PCI Proxy has met with a very good response, and not only in the travel environment. In 2018, major companies in the food delivery sector became our customers (mainly in the USA). The growth figures are impressive and it is already evident that this new Datatrans pillar will contribute significantly to our overall success in the future.

We focus on expert consulting, high quality products and services and beneficial innovations as the basis for sustainable and profitable customer and partner relationships. In addition, we use the advantages of our company size, as well as our experience and independence, to quickly and competently implement industry and customer-specific requirements.

We look forward to continuing to develop innovative and forward-looking products together with our customers and partners in 2019, thus opening up further cost-cutting and growth potential for all those involved.