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BEST PRACTICES

AWARDS

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2020 BEST PRACTICES AWARD

bitpay

**2020 GLOBAL
ALTERNATIVE PAYMENTS
COMPANY OF THE YEAR AWARD**

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Background and Company Performance

Industry Challenges

Cross-border and cross-currency payments are notoriously fraught with friction. With time-consuming delays, potential errors, unclear status, and high or surprise fees, the barriers are frustrating for institutions, merchants, and consumers. Digital transformation should be lubricating previously slow-moving processes, but, thus far, it is not meeting its potential.

Blockchain technologies and cryptocurrencies have evolved from fringe movements to looming disruptors in a short time, pressing stakeholders across industries and ecosystems to react to a new reality. While individual cryptocurrencies have experienced wide fluctuations, the alternative payment systems enable new payment structures. Similarly, blockchain technologies are finding adoption across a range of industries previously racked with inefficiencies and uncertainty.

Many targeted, industry-specific applications of blockchain are gaining traction; however, the options available to spend blockchain-based cryptocurrency remain limited, comparatively. Cryptocurrency holders and merchants demonstrate the need for a clear and cohesive payment network provider to enable transactions turning BitCoin, Ethereum, and other cryptos into dollars, pounds, and Euros. Merchants, vendors, and service providers are excluding the equivalent of billions of dollars from their total addressable markets, as BitCoin and other currencies become the preferred payment options for individuals and businesses plugged into global technology sectors.

Entering the complicated landscape may require merchants themselves to undertake the due diligence, sensitive data management, and risk. Cryptocurrencies remain volatile to an extent, and merchants are reluctant to risk accepting such coins—holding the currency through price fluctuations, and assuming the burdens of chargebacks, fees, and automated clearing house schedules.

The steadily growing volume of commerce using cryptocurrencies demonstrates bottled-up demand for a more mainstream and fluid cryptocurrency exchange and payment acceptance mechanism. Digital businesses and service providers with global footprints (e.g., e-commerce, travel, gaming, web hosting, and managed services) are eager to transact in cryptocurrencies, but the threat of fraud and chargebacks hold back adoption. Moreover, transacting with clients across the globe may require establishing local presences and settlement accounts in many countries, an infrastructure that growing firms may not have.¹

From early adapters initially, retailers and commercial services see the potential for ubiquitous and easy payments—indeed, even governments and public services across the globe are adapting to the new landscape to include cryptocurrency in the cross payments ecosystem. Legislation continues to evolve internationally; within the United States (US)

¹ How Blockchain is Transforming the Financial Services Industry: Current Use Cases Propelling Growth Opportunities in Trade Finance, KYC/AML, and Cross-Border Payments, (Frost & Sullivan, January 2020).

federal regulatory bodies are behind individual states in articulating legislation and guidelines for these new transaction mechanisms. The regulatory landscape is still nascent and prone to change, consequently normalizing the concepts and compliance measures will be critical to developing the broader ecosystem.²

As blockchain technology matures and cryptocurrency adoption expands to more outlets, the marketplace is witnessing greater interest and encouragement from the investment community. Big banks and commercial clearinghouses are boosting investments in blockchain technology and product development. Major corporations and financial services providers seek to capitalize on the market potential but remain behind many earlier established service providers while the major payment acceptance enablers and credit card companies are reluctant to steer away from their main lines of business. Across the globe, alternative currencies are gaining ground as a preferred and steady medium in local transactions and transnational payments. The payment rails necessary to cement the segment are being placed now and leadership is necessary to make cryptocurrency and other blockchain-based payment methods a truly global payment option.

Product Family Attributes and Business Impact of BitPay

Founded in 2011 by individuals with early success in cryptocurrency mining, BitPay is a leader in the blockchain payments space. Building out the rails to become the leading payment provider for cryptocurrencies, BitPay has boots on the ground across the globe working to extend the merchant acceptance network and collaborate with regulators. Enabling transactions from anywhere in the world in cryptocurrencies, BitPay leverages innovation, vision, and due diligence to pioneer a simpler global payment infrastructure.

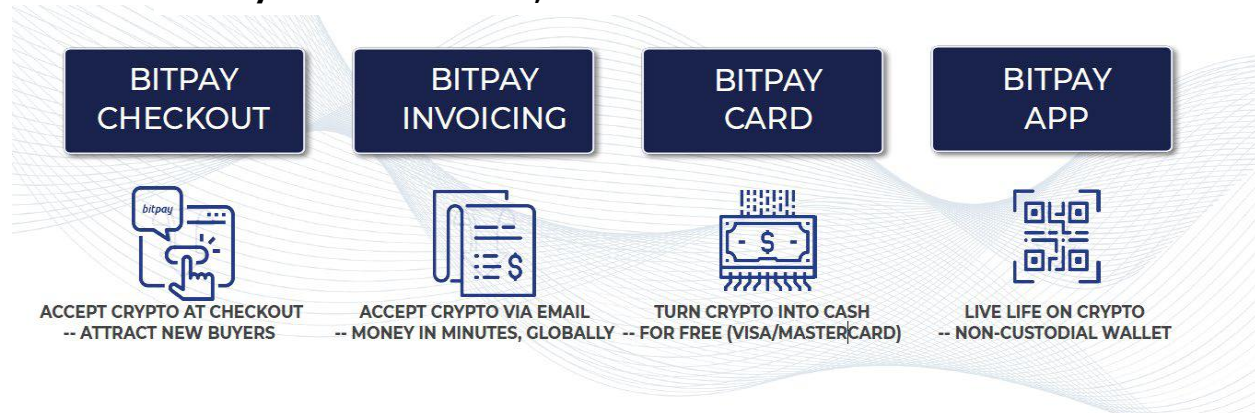
Laying the Rails, the First-mover, Technology and Network in an Emerging Space

As cryptocurrencies grow as a medium of local exchange and method of cross border payments, BitPay has achieved a first-mover advantage in developing and delivering the key enabling platform for blockchain payments. Building out the infrastructure and rails for a new realm of payment acceptance, BitPay's serves as the vital link for vendors to accept and invoice in BitCoin. The BitPay suite enables businesses and users to collect payments over a peer-to-peer payment network and dispense stable cryptocurrencies into dollars, pounds, or Euros. With over 10,000 merchants currently using BitPay to accept over \$1 billion dollars a year in cryptocurrencies, BitPay has the network breadth and technology momentum to maintain its leadership position.

With experience in the cryptocurrency and blockchain technology arena, BitPay understands the market and recognizes the necessity for a reliable payment bridge—creating its four services: *Checkout*, *Invoicing*, *Card*, and *App*. Far from high-risk speculating or exchange trading, BitPay serves as the necessary payment processor for individuals, small vendors, and large enterprises to accept crypto at checkout, send and collect invoices, use a card functioning as local currency, and manage crypto holdings in a wallet.

² Blockchain: Global Investment Analysis: Blockchain Funding and Investment Trends— An Overview, (Frost & Sullivan, September 2019).

BitPay Product Portfolio, for Merchants and Consumers



Source: BitPay

BitPay solves the essential tensions hindering much of the market, blazing a trail for managing risk and smoothing friction points in the commercial ecosystem to accept BitCoin, Ethereum, and Ripple XRP directly and convert them to local currency. The company's suite of tools fills the adoption gap and expands the marketplace for vendors and consumers—propelling wider adoption of alternative currencies and allowing users to operate and live entirely by the transferability of cryptocurrencies to cash.

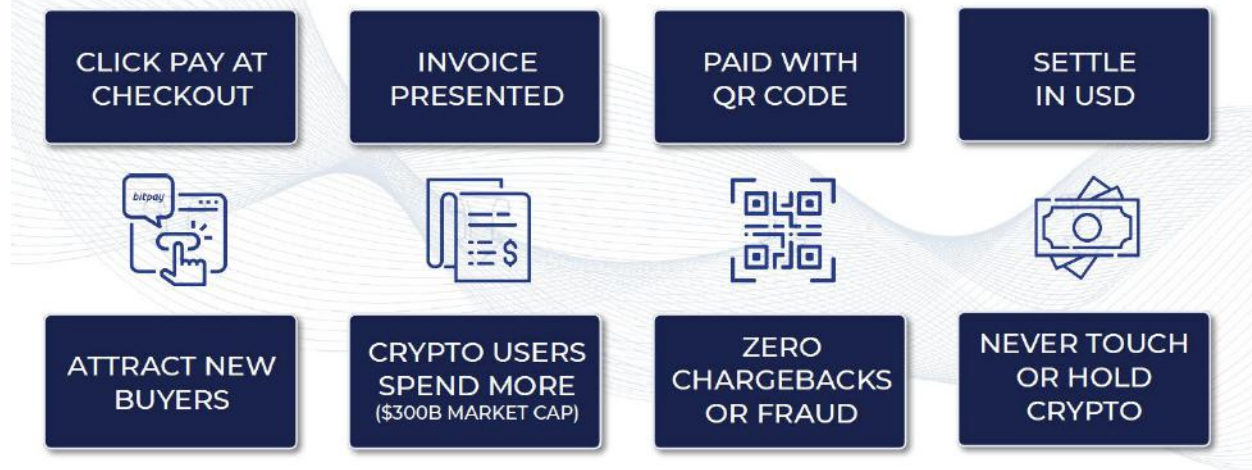
Helping Merchants Reach a Global Market with Lower Fees and Little Risk

For merchants across the world, BitPay magnifies the total addressable market and minimizes risk exposure while offering faster and lower-cost payment processing. BitPay functions as the trusted intermediary for consumers and vendors to transact in the new digital economy, and expand their total addressable markets without racking up high fees.

BitPay administers transactions at significantly reduced fee structures, altogether precluding payment card industry compliance fees, monthly account minimums and fees, and chargeback fees. Asking only 1% for all transactions across the board, Bitpay places itself among the lowest cost processing options—making it especially advantageous for startups and growing digital service providers. Without going through third-party automated clearing houses (ACH), which are notoriously slow to handle funds, BitPay sends the US dollars the very next day. Rather than a wire transfer (which is usually faster than an ACH), BitPay checkouts and invoices ask only a standard flat fee and smooth the complexity for the sender and receiver. Moreover, BitPay also lifts the transaction limits on users (compared to the \$10,000 limit on wire transfers.)

According to BitPay's estimates, cryptocurrency users represent an entire market capitalization of \$795 billion, and they spend on average more than \$5,000 per ticket. The company reports that the fairly new payment instrument drives up checkout percentages for accepting vendors; it is actually bringing in new customers without cannibalizing previous credit card transactions. Further, because BitPay administers the entire transactions there are no credit card numbers at risk of theft or fraud. Accepting crypto through BitPay removes the risk of chargebacks, as BitPay takes on the risk of

Modern Payment Acceptance for the Digital Economy



Source: BitPay

Elegantly Straightforward to Integrate into Existing Business

Requiring little integration time and low upfront costs, BitPay takes on the volatility and complexity of cryptocurrencies and acts as the single service provider for a truly international marketplace. Vendors do not need to search out local credit card processors or maintain local settlement accounts because BitPay handles the transfer rails. BitPay pursues a dual-prong strategy, with a simple integration box for small businesses and more customizable options for large enterprises. Merchants can choose to pass fees to consumers, work with BitPay to facilitate awareness campaigns, and even request white-glove integration support and walk-throughs for the documentation need for high-ticket transactions. Merchants take on zero new risks and cost of purchasing cryptocurrencies, while BitPay integrates with 35 major e-commerce platforms and supports transactions in the most stable coins, and responds as consumer preferences shift and evolve.

The *BitPay Checkout* platform implements quickly, akin to similar online processors, and delivers the same experience for a variety of use cases and presents the same smooth experience for users. Via a payment button on the merchant's e-commerce portal or in-person via a QR code on the point-of-sale device, *Checkout* is simple and secure, and pays at a locked-in exchange rate.

BitPay Invoicing allows a business to invoice and accept cryptocurrencies across borders via email, an elegantly simple solution for finance departments to settle accounts in minutes from anywhere. Working behind the scenes for the merchant, BitPay settles on the first confirmation email from the cryptocurrency (almost in real time). Implementing this requires little more than a logo change and enters the market for accepting payments within 48 hours. BitPay deposits in banks in 38 countries in US Dollars, Euros, Pounds, and others.

Expanding the Spending Options for Crypto Holders

Individual consumers can use cryptocurrencies for their everyday purchases, business expenses, and the same as credit-card transactions—globally. Consumers holding crypto in a support wallet protocol, or a BitPay wallet, can take advantage of the *BitPay Card and BitPay App*. The *Card* enables users to make transactions and spend anywhere with a branded VISA in the US and MasterCard in Europe, and top up like a reloadable debit card—for free, a unique offering. While the *BitPay App* enables users to spend at checkout online and in-person, they also manage one or multiple *Wallets*, transfer and flexibly manage their coins across platforms. With millions of *BitPay App* users, gaming and gambling platforms, commodities exchanges, and electronics hardware have been early adaptors and leverage the seamless transaction for payments in their applications. Demonstrating foresight until fully digital cryptocurrency acceptance becomes ubiquitous, Bitpay’s *Card* and *App* facilitate transactions and furnish a bridge between the digital currencies and traditional retailers.

User Experience: Select Coin, Scan QR Code, Payment Success



Source: BitPay

The Compliance Leader

Frost & Sullivan especially commends BitPay for its efforts in demonstrating leadership and foresight in helping to develop the compliance landscape in conjunction with regulators. To be precise, the company’s proven leadership team includes board member Arthur Levitt, former chairman of the Securities and Exchange Commission, and advisor Carl Stern, former CEO and Chairman of the Boston Consulting Group. BitPay takes pains to institute know-your-customer checks and screening processes, akin to those in the

banking industry. The company's modern approach and policies are stricter than those used by VISA and MasterCard.

BitPay's initiatives to normalize compliance measures are helping it maintain a first-mover position, not merely in consumer compliance but also for anti-money laundering, daily and high-ticket transaction monitoring.

BitPay maintains money transmission license in most individual US states and works in tandem with compliance and tracking tools along with regulators in state capitals, the US Congress, and the US Financial Crimes Enforcement Network, in addition to relevant agencies globally—with the weighty goal of progressing the new blockchain payments and cryptocurrency toward accepted compliance concepts. BitPay is expanding the compliance department steadily and adding a C-suite level General Compliance Officer.

Conclusion

Cryptocurrencies and blockchain transactions are gaining traction, but merchants and service providers need an easy way to accept these new commercial channels. BitPay acutely recognized the gap and seized a first-mover position in this growing alternative payment space, enabling a truly global payment method. Unlocking an expansive newly addressable market for vendors, BitPay's platform for *Checkout* and *Invoicing* feature a low 1% flat fee structure and next-day settlement. While the *App* and *Card* make it easy for consumers to manage and spend cryptocurrency holdings with participating vendors and even use a VISA/MasterCard refillable debit card. A low-cost way for merchants to open up to a new customer base, BitPay avoids the complexity and multivendor integrations required of other transfer options and enables faster cross border transactions with minimal risk. Most clearly, BitPay has taken up the mantle of normalizing and systematizing the emerging space and works in conjunction with regulators to standardize compliance at a high level across the globe.

With its foresight and strong overall performance, BitPay earns Frost & Sullivan's 2020 Global Company of the Year Award in the alternative payments market.

Significance of Company of the Year

To receive the Company of the Year Award (i.e., to be recognized as a leader not only in your industry, but among non-industry peers) requires a company to demonstrate excellence in growth, innovation, and leadership. This excellence typically translates into superior performance in three key areas—demand generation, brand development, and competitive positioning—that serve as the foundation of a company’s future success and prepare it to deliver on the 2 factors that define the Company of the Year Award: Visionary Innovation and Performance, and Customer Impact).



Understanding Company of the Year

Driving demand, brand strength, and competitive differentiation all play critical roles in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on Visionary Innovation and Performance to enhance Customer Impact.

Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated each factor according to the criteria identified below.

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs

Requirement: Implementing a robust process to continuously unearth customers' unmet or under-served needs, and creating the products or solutions to address them effectively.

Criterion 2: Visionary Scenarios through Mega Trends

Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling "first-to-market" growth opportunity solutions.

Criterion 3: Implementation of Best Practices

Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 4: Blue Ocean Strategy

Requirement: Strategic focus on creating a leadership position in a potentially "uncontested" market space, manifested by stiff barriers to entry for competitors.

Criterion 5: Financial Performance

Requirement: Strong overall business performance in terms of revenues, revenue growth, operating margin, and other key financial metrics.

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

Criterion 2: Customer Purchase Experience

Requirement: Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints.

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company's product or service and have a positive experience throughout the life of the product or service.

Criterion 4: Customer Service Experience

Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify Award recipient candidates from around the globe	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies 	Pipeline of candidates who potentially meet all best-practice criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates 	Matrix positioning of all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized Award candidates
6 Conduct global industry review	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible Award candidates, representing success stories worldwide
7 Perform quality check	Develop official Award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best-practice Award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select winner 	Decision on which company performs best against all best-practice criteria
9 Communicate recognition	Inform Award recipient of Award recognition	<ul style="list-style-type: none"> • Present Award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10 Take strategic action	Upon licensing, company able to share Award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess Award's role in future strategic planning 	Widespread awareness of recipient's Award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation, and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.