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PRO PE DEALS

Carrick Leads \$175 Million Investment in DailyPay

The investment in the provider of earned-wage access is the private-equity firm's largest in its nine-year history



DailyPay users can have their earned wages placed on a debit card before their actual payday for a fee.

PHOTO: RUPAK DE CHOWDHURI/REUTERS

By [Luis Garcia](#)

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Private-equity firm Carrick Capital Partners has made its largest deal by leading a \$175 million investment in earned-wage access provider DailyPay Inc.

DailyPay also has secured \$325 million in debt financing from various sources, according to a news release.

The New York-based company provides systems that enable employees to withdraw their income as they earn it without having to wait for paydays. Chief Executive Jason Lee co-founded DailyPay in 2015.

“The beauty about [on-demand pay] is that it’s not a loan in any way, shape or form. It’s money you’re entitled to because you worked those hours,” said Jim Madden, Carrick’s co-CEO.

DailyPay charges users an ATM-like fee of \$2.95 per payment if they want the money right away or \$1.95 if they can wait a day, Mr. Madden said. The money is typically deposited in the recipient’s bank account or placed on reloadable debit cards.

He added that Carrick has been interested in on-demand pay services, also called earned-wage access, and in DailyPay in particular for about three years, but waited for the company to achieve a certain size before making an investment.

“This is the fastest-growing space and I think the fastest-growing company I’ve come across in decades,” he said.

DailyPay’s revenue more than doubled last year from 2019, with the company making payments to accounts in more than 6,000 U.S. financial institutions, the release said.

Carrick expects demand for DailyPay’s services to remain robust as businesses look for ways to lure and retain employees in a [tight labor market](#), Mr. Madden said.

Workforce management company Ultimate Kronos Group’s Workforce Institute conducted a survey of 1,180 U.S. workers in 2019 showing that 61% believe they shouldn’t have to wait for payday to have access to what they have earned.

The growth of on-demand pay services has attracted several other entrants, including established payroll services provider Paychex Inc. and financial technology startups such as Even Responsible Finance Inc.

Carrick believes DailyPay's market share and its compliance with regulations, as well its technology, give the company an edge, Mr. Madden said.

Even though the idea of earned-wage payments is simple, calculating the net amount employees can get at any particular time is complex, as variables such as taxes and healthcare costs, which can change from state to state, must be taken into account, he said.

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“They developed their own proprietary technology and algorithms that they plug into the employers’ time and attendance system and they know at that moment in time what your gross pay is and they’re also able to determine what your net pay is,” he said of DailyPay.

He added that DailyPay aims to expand its reach to retailers and financial institutions. The company also is working on a digital wallet that would let workers store the money they get, according to Mr. Madden.

“A lot of [workers] don’t have bank accounts because they’re not profitable for banks. Why couldn’t they use their daily pay account?” he said.

DailyPay is seeking “arrangements with merchants who want to offer products and services at a discount” to workers, Mr. Madden said. “Those are the things that get us very excited about the future.”

Founded in 2012, Carrick backs companies that use technology to make business processes more efficient. The firm is investing in DailyPay with capital from its third fund, Carrick Capital Partners III LP, which closed in

2018 with \$380 million. That fund is now about 60% invested, Mr. Madden said.

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