2019 Fintech Trends To Watch
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Beti Cung, Corporate Strategy, Microsoft
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FUTURE OF FINTECH

June 11 - 13, 2019
New York, NY

events.cbinsights.com/future-of-fintech
Summary of findings

2018 VC-backed fintech deals and funding set an annual record: In 2018, VC-backed fintech companies raised $39.57B across 1,707 deals globally. Deals were up 15% year-over-year while funding surged 120% on the back of 52 mega-rounds ($100M+) worth $24.88B combined.

Fintech is happening on a global scale with deals outside of core markets (US, UK, and China) accounting for 39% of deals: Fintech deal hubs are starting to emerge globally. The count of unique fintech startups raising funding topped an annual high of 1,463 companies, and the unique number of investors reached 2,745 boosted by an influx of corporate investors.

Early-stage deals, as a percentage, fell to a 5-year low as investors concentrated bets in perceived winners: Global seed and Series A fintech deals grew 5% on an annual basis in 2018, but fell as a percentage of total deals to 57%. US early-stage deals were flat YOY as investors concentrated their bets in established fintech unicorns.

There are 39 VC-backed fintech unicorns worth a combined $147.37B: Q4’18 saw five new unicorns births (Plaid, Brex, Monzo, DevotedHealth, and Toss) and two in the first month of Q1’19 (N26 and Confluent). The cohort’s total valuation in 2018 was boosted by a record year for mega-rounds to existing unicorns, including Gusto and Robinhood, among others.

Fintech mega-rounds continued in Q4’18, while IPO activity is likely to remain lackluster in 2019: 2018 saw a whopping 52 $100M+ financing deals to VC-backed fintech companies – including 14 in Q4’18 worth $3.8B.

Asia made a run at the US as the top market for fintech with a surge in early-stage and mega-round investments: Asia saw the biggest boost in deals, growing 38% YOY and a record level of funding raising $22.65B across 516 deals. Political and trade war tensions may have caused some of the pull back in H2’18, but 2019 could see Asia overtake the US.

The US remained the top market for deals with 659 investments worth $11.89B funding, both a new annual high: Europe saw a pull back in deals to 367 deals but funding topped $3.53B, an annual record.

South America reached a turning point in the eyes of investors in 2018, despite political turmoil across the region: South America saw funding top $540M across 55 deals, both a new annual record. In H2’18, investors started to pull back in the region as social, political, and monetary conflicts struck the region. Despite strain, Brazil-based NuBank, became South America’s first unicorn and closed out 2018 with a $90M investment from Tencent.

Note: Report focuses on all equity rounds to VC-backed fintech companies. This report does not cover companies funded solely by angels, private equity firms, or any debt, secondary, or line of credit transactions. All data is sourced from CB Insights.
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   Fintech Unicorns

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   Which markets will see fintech emergence
   How incumbents will act

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   2018 Top VC-Backed Fintech Deals
   2018 Most Active Fintech Investors
2019 FinTech Trends Report

WHAT THIS REPORT COVERS

- Marketplace lending & alternative underwriting platforms
- Payments processing, card developers, & subscription billing software tools
- Tools to manage bills and track personal and/or credit accounts
- Audit, risk, and regulatory compliance software
- Companies leveraging blockchain technologies for financial services
- Companies selling insurance digitally or providing data analytics and software for (re)insurers
- Sales & trading, analysis, and infrastructure tools for financial institutions
- Investment and wealth management platforms and analytics tools
- International money transfer and tracking software
- Mortgage lending, digitization, and financing platforms
First, a look at what happened in 2018...

1. **Global fintech financing hit a new record**
2. **Early-stage fintech deal activity slowed down**
3. **16 new fintech unicorns were birthed**
Global fintech investment tops $39B in 2018

Annual global fintech deals and financing, 2014 – 2018 ($B)
Ant Financial’s $14B investment accounted for 35% of total funding in 2018
VC-backed fintech deals declined in Q4’18 but remain above 2017 levels.
North America is no longer powering global fintech funding growth

Global VC-backed fintech funding by continent, 2014 – 2018, ($M) (*Ant Financial excluded)

- Africa: 376% YOY
- South America: 167% YOY
- Europe: 24% YOY
- Asia: 265%* YOY
- North America: 43% YOY

*Ant Financials' $14B round in Q2'18 was excluded from the chart represented on this slide for illustrative purposes.
Deals grew in every market except Europe in 2018

Global VC-backed fintech deals by continent, 2014 – 2018

Note: Charts not to scale
Early-stage fintech deal share falls for the 5th year

Annual deal share by stage to global VC-backed fintech companies, 2014 – 2018

2014: 67%
2015: 65%
2016: 64%
2017: 62%
2018: 57%

Early-Stage: 17% (2014), 19% (2015), 18% (2016), 18% (2017), 16% (2018)
Mid-Stage: 8% (2014), 7% (2015), 6% (2016), 7% (2017), 6% (2018)
Late-Stage: 8% (2014), 7% (2015), 6% (2016), 7% (2017), 6% (2018)
Other: 8% (2014), 9% (2015), 12% (2016), 13% (2017), 16% (2018)
GLOBALLY THERE ARE

39 FINTECH UNICORNS

VALUED, IN AGGREGATE, AT

$147.37 BILLION
39 fintech unicorns valued at $147.37B

Global VC-backed fintech companies with a private market valuation of $1B+ (1/25/19)
16 fintech unicorn births in 2018

Global VC-backed fintech companies with a private market valuation of $1B+ (1/25/19)
GROWTH INVESTING IN FINTECH HIT A PEAK IN 2018

2018: 52 fintech mega-rounds total $24.88B

Global number of fintech mega-rounds ($100M+), 2014 – 2018
A third of global fintech deals include a CVC

Number of investors in a fintech startup reached a new high in 2018

2014 – 2018

Corporate and CVC participation in fintech saw a new annual high

2014 – 2018
Traditional hubs no longer power fintech growth

Count of fintech startups raising funding hit an annual record in 2018

2014 – 2018

Deals are shifting away from core fintech hubs

2014 – 2018

Deals in China, UK, US
Deals Outside Core Markets

2014 2015 2016 2017 2018

2014 745 2015 990 2016 1,077 2017 1,247 2018 1,463
2019 Fintech Trends
## BUT FIRST... HOW DID WE DO ON OUR 2018 FINTECH TRENDS TO WATCH?

<table>
<thead>
<tr>
<th>2018 TREND TO WATCH</th>
<th>KEY DEVELOPMENTS</th>
<th>HOW WE DID</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fintech unbundling leads to rebundling</td>
<td>Rebundling had a false start in 2018, as startups underestimated the time to market and regulations</td>
<td>In 2019, the battle for millennial deposits will become more aggressive as fintech account products hit the market</td>
</tr>
<tr>
<td>2. European fintechs will expand their global footprint</td>
<td>Digital-first banks flourished in Europe under tech favorable regulations and funding environment</td>
<td>Monzo, Revolut, and N26 became unicorns and, though none went live, all established US operation plans for 2019</td>
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<td>3. Banks forgo partnering in favor of fighting fintech with fintech</td>
<td>Goldman Sachs was the most active in investing and building out fintech with retail bank Marcus</td>
<td>Many incumbents made valiant attempts to build and launch fintech competitors, but most missed on adoption</td>
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<td>4. Wealth management will become the hottest fintech sector in China</td>
<td>Asia cracked down on alternative lenders to tighten credit as defaults surged</td>
<td>Lufax and Ant Financial raised over $15B in funding as China’s broader fintech landscape consolidates</td>
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<tr>
<td>5. Latin America and Southeast Asia will see strong fintech growth</td>
<td>Both Latin America and South East Asia fintech deals and funding hit annual highs in 2018</td>
<td>Under pressure, Latin America may see funding cool off while Southeast Asia is likely to continue to grow in 2019</td>
</tr>
<tr>
<td>6. More companies will look to sell pickaxes amid cryptoasset speculation</td>
<td>Cryptocurrencies were strained as regulators globally ironed out regulation and guidance</td>
<td>ICO frauds created speculation and detoured retail investors however, equity investments rebounded</td>
</tr>
<tr>
<td>7. Capital markets fintech infrastructure becomes a focus area for investment</td>
<td>Plaid became the first infrastructure unicorn and started 2019 by acquiring competitor Quovo</td>
<td>2019 will see more consolidation in infrastructure focused companies under fee-compression in the industry</td>
</tr>
<tr>
<td>8. Banks deepen their partnerships with regtech</td>
<td>Marquee regulations were implemented creating demand for regtech but adoption trailed</td>
<td>Regulators promoted tech adoption and, in 2019, will look to guide banks through integrating with core infrastructure</td>
</tr>
<tr>
<td>9. Insurance tech investment moves to the back-end</td>
<td>Mega-round investments were spread out among full-stack insurers and intermediaries</td>
<td>Consolidation in insurtech make take form in 2019 as VC early-stage startups fail to show enough market traction</td>
</tr>
<tr>
<td>10. Amazon is primed to get more aggressive in fintech — outside of the US</td>
<td>Rumors swirled that Amazon was partnering with JPM or Capital One to launch bank accounts</td>
<td>Amazon picked up fintech investments in India, a key growth market for the e-commerce giant</td>
</tr>
</tbody>
</table>
2019 TRENDS TO WATCH

1. The battle for deposits
2. Fintech firms up focus on regulatory compliance
3. Southeast Asia sees hotbed of fintech activity
4. The next Ant Financial & WeChat Pay
5. Unbundling the paycheck
6. New investment platforms and asset classes
7. Fintech meets real estate
8. Rise of impact fintech
9. Lack of fintech M&A by banks continues
10. No-go for fintech IPOs
#1 FINTECH REBUNDLING GETS MORE AGGRESSIVE

The battle for deposits
Fintech firms look for their second act

Fintech firms are becoming more aggressive in expanding their lines of business beyond their initial use case

**BUYING**

- PayPal → iZettle
- Credit Karma → Penny Approved
- Kabbage → Orchard
- Tandem → pariti
- Stripe → Index

**BUILDING**

- **Revolut**
  Revolut hires CTO to head up wealth management and trading division
  January 9, 2019
- **Affirm**
  Affirm debating move into savings accounts next
  January 9, 2019
- **NuBank**
  NuBank receives regulatory approval to launch NuCanta bank accounts
  April 2018

**PARTNERING**

- TransferWise + N26
- Starling Bank + PensionBee
- Gusto + Scale Factor
- CB Insights
SAME GOAL, DIFFERENT ENTRY POINT

Fintech moves from mono-line to multi-line

Fintech startups are rebundling products and services ahead of their maturing customer base.
Banking-as-a-service platforms facilitate US fintech companies to expand to bank accounts

Green Dot uses its own bank, Green Dot Bank, and what it calls its banking-as-a-service platform to offer mobile banking capabilities to third party providers.

In April 2018, StoneCastle Partners and Q2 Holdings announced the launch of Cambr, merging Q2’s digital platform CorePro and StoneCastle’s digital deposit network of 800+ community banks and relationships with banks of record.
Abroad, fintech firms are looking to build their own chartered banks

Fintech startups that want to replace the old guard of banking are leveraging regulatory tailwinds and applying for charters and licenses with respective regulators.

Regulators globally have been lowering the barriers for tech startups to enter the market as a way to break up banking monopolies and stimulate competition.

The FCA was among the earliest to pilot limited licenses like the “e-money license” that enabled tech entrants like Revolut to launch a remittances business through initially partnering with a chartered bank, that decreased the company’s time to market. Revolut obtained a charter in 2018 and has been applying the same playbook to expand globally.
The battle for distribution will start with deposits

By attaining a customer’s paycheck, fintech challengers are able to make money on interest, and more importantly, set themselves up for future product innovation. If a customer’s money is already being deposited in an app, introducing new products — such as savings and investment accounts — can be seamless.

Debit cards are often fintechs’ first cross-over product because the service adds another product and revenue stream. Fintechs are also able to receive significantly higher interchange fees than traditional banks as a result of the Durbin Amendment, which limits the fees stores pay banks when customers make purchases with debit cards.
#2 Regulators Become More Emboldened

Fintech firms up focus on regulatory compliance
Emboldened regulators globally are...

**2019 REGULATORY DRIVERS**

1. **CRACKING DOWN ON BAD ACTORS**
   As startups look to launch new products, it will be essential for fintech challengers (and incumbents) to continue to build inroads with regulators to avoid roadblocks.

2. **COLLABORATING AND SPREADING INNOVATION**
   Regulators globally have been actively promoting innovation and embracing tech to break up local banking monopolies.
   Regulatory support has lowered the barriers for startups to enter markets.
Regulators are upping oversight on bad actors, issuing massive “unicorn” level fines

Fines include non-compliance with AML, KYC, and sanctions, and exclude crisis-related settlements, ($M)

- Dankse Bank: Final figure pending
- Goldman Sachs: $7,500
- Standard Chartered: $1,600
- Société Générale: $1,340
- Wells Fargo: $1,000
- ING: $900
- US Bank: $613
- Wells Fargo: $575
- CBA: $534
- Rabobank: $369
- Deutsche Bank: $205
- UBS: $145
- JP Morgan: $135
- BNY: $54
- UBS: $15
Regulators are increasing their scrutiny of high-profile consumer fintech challengers.
“I disagree with the statement that these funds are protected by SIPC. Had they called us, I would have told them what I just told you in that I have serious concerns about this. This has gigantic ramifications for the banking industry.”

-Stephen Harbeck
President & CEO, SIPC
REGULATORS OPEN THE DOOR FOR FINTECH

But regulators have also lowered barriers

The Hong Kong Monetary Authority announces details on its virtual bank licenses
May 30, 2018 | South China Morning Post

Fintech firm Revolut gets green light to expand to Japan and Singapore after Lithuania grants banking licence
November 17, 2018 | CNBC

Fintech regulations: Chile follows Mexico’s lead
May 15, 2018 | Americas

Google Payments Expands With E-Money License From Lithuania
December 20, 2018 | Bloomberg

Brazil cuts interest rates to new record low of 6.5%
March 21, 2018 | Financial Times

US’s OCC Provides a path for Fintech Charters & Varo Money gets conditional bank charter
September 9, 2018 | American Banker
As tech startups take advantage of open banking access, they will need in-house regulatory teams

**CANADA**
- The Department of Finance Canada launches Advisory Committee on Open Banking and open call for input

**UNITED STATES**
- OCC explores a “fintech charter”
- OCC issues conditional banking charter

**MEXICO**
- Mexico passes “Fintech Law” and requires banks to establish open APIs

**LATIN AMERICA**
- Brazil’s central bank issues new banking rules
- Chile regulators follow Brazil’s lead

**EUROPE**
- In Jan’19 the FCA reported 80 TPPs registered
- As of Sept’18 there were 17.5M monthly open API calls
- Both the EU’s revised payment services directive (PSD2) and UK’s Open Banking went live

**ASIA**
- The Hong Kong Monetary Authority drafted open API frameworks
- HKMA starts issuing virtual bank guidance and licenses

**AUSTRALIA & NEW ZEALAND**
- Australia Securities and Investment commission (ASIC) openly endorsed open banking guidelines
- Open Banking put on hold in Jan’18 by the federal government

**AFRICA**
- Nigeria set up an Open Technology Foundation, a not-for-profit industry group developing open API standards
- South Africa Reserve Bank (SARB) started researching the establishment of a a regulatory sandbox
Southeast Asia sees hotbed of fintech activity
Fintech in Southeast Asia is heating up with record year for deals and funding, up 143% YOY.
Southeast Asia fintech startups are attracting bigger financings and foreign investors

Last Round: $40M Series D in Q1’19
Sector: E-commerce installment lending
Investors: Ant Financial

Last Round: $24M Series B in Q3’18
Sector: OS services for SMBs
Investors: Sequoia Capital, East Ventures, Convergence Ventures

Last Round: $28M Series C in Q3’18
Sector: Financial services comparison
Investors: Experian Ventures, Telstra Ventures, Korea Investment Partners

Last Round: $100M Series C in Q1’19
Sectors: Digital wallet and payments
Investors: Warburg Pincus

Last Round: $2.4M Series A in Q1’18
Sector: Financial services comparison
Investors: B. Grimm, European Venture Partners

Last Round: $40M Corporate Minority in Q4’18
Sectors: Digital wallet and remittances
Investors: KKR, Tencent, IFC
Ant Financial is becoming more aggressive in expanding its reach in Southeast Asia.

Partnering Locally to Expand Mobile Payments
- Indonesia
- Thailand
- Cambodia
- Philippines
- Malaysia
- Vietnam

Looking for Strategic Investments in Other Financial Categories

Exclusive | Indonesia’s Akulaku to raise $100m Series D from investors including Alibaba’s Ant Financial

The new funding will see Akulaku deepen its ties with Alibaba’s assets in Southeast Asia.
Ride-hailing platforms may end up as biggest fintech winners in Southeast Asia
The next Ant Financial & WeChat Pay
QR codes are the entry point to digital payments
Alipay and WeChat Pay are leading China’s transition to a cashless economy
Fintech is powering the growth of MercadoLibre in Latin America

Leading Latin American e-Commerce player MercadoLibre is expanding into QR code payments as more payments take place off-platform. It also operates a loan business to sellers and recently announced plans to launch an investment fund for Argentinians to invest in high-yielding, short-term-securities. MercadoLibre’s mobile wallet business has been estimated to be valued at $2 billion.
Line is looking to build an ecosystem resembling Alipay/WeChat Pay in Japan

Leading messaging app Line is making a big push into fintech by pushing mobile payments into cash-heavy Japan. Line has ambitious goals for the number of stores that accept Line Pay and has started to expand into other financial businesses including wealth management (through a partnership with Nomura to launch an online stock brokerage) and insurance (through an investment in startup JustInCase and a partnership with Sompo).
Grab and Go-Jek have emerged as leading mobile payments players in Southeast Asia

Go-Jek and Grab have emerged as the leading “super-apps” of Southeast Asia (the equivalent of aiming to provide a platform that combines Didi, Meituan, Weiying, and Alipay among other services). In 2017, Go-Jek acquired three fintech startups and 60% of the 100M monthly transactions in Go-Jek’s ecosystem are processed through Go-Pay. In September, Go-Jek partnered with three P2P lending startups to expand into credit. Grab has also announced several partnerships (Chubb, Credit Saison) through its Grab Financial arm to offer financial services to its driver, agent, and merchant community.
Unbundling the paycheck
Household debt balances have accelerated and total over $13 trillion

Source: FRBNY
First, startups went direct to consumer to head off debt

**AUTO**
LendingClub

**STUDENT**
SoFi

**CREDIT CARD**
Upstart

**HOME EQUITY & RENOVATION**
GreenSky

**IPO:** $5.46B Dec'14  
**Total Funding:** $263.3M  
**Select Investors:** DST Global, Coatue Management, capitalG, Canaan Ventures, Kleiner Perkins

**Last Round:** $500M Series F Feb’17  
**Total Funding:** $2.2B  
**Select Investors:** G Squared, Silver Lake Partners, Institutional Venture Partners, SoftBank Group

**Last Round:** $32.5M Series D Mar’17  
**Total Funding:** $584.7M  
**Select Investors:** First Round Capital, Khosla Ventures, Correlation Ventures

**IPO:** $4.27B May'18  
**Total Funding:** $610M  
**Select Investors:** QED, TPG, DST, Fifth Third Bank
Fintech firms are unbundling the paycheck to alleviate and prevent predatory debt
Startups are partnering with employers to offer salary linked benefits

**Earnin**

*MAKE ANY DAY PAYDAY.*

Join Earnin to get paid the minute you leave work with no loans, fees, or hidden costs.

**Last Funding:** $125M Series C in Dec’18

**Select Investors:** DST Global, Andreessen Horowitz, Spark Capital, Matrix Partners, Coatue Management, Ribbit Capital

Earnin is an app that allows employees to access earned income ahead of a scheduled payday. Earnin partners with Starbucks, Pizza Hut, Walmart, and other employers.

Earnin reported they work with employees across 50K companies and that the app has been downloaded 1M times.

**Salary Finance**

*ADVANCE EARNED PAY*

Sometimes having to wait until payday can mean falling back on high-cost debt like a payday loan or overdraft. We allow employees to draw down their pay as they earn it, making it easier for them to budget.

**Last Funding:** $20M Series B-II in Aug’18

**Select Investors:** Blenheim Chalcot, Legal & General

UK-based Salary Finance offers installment loans that deducts loan repayments directly from an employee’s salary. In December 2018 they launched a payday advance service allowing employees to access earned income.

In Q4’18 they announced a partnership with the United Way as a preferred solution for their network of 10K employers.
DISRUPTING PAYROLL, STARTING WITH PAYDAY

Last Funding
$140M Series C // Jul’18

Valuation $2B
Gusto is an HRIS platform that provides HR, benefits administration, and payroll automation software.

Since February of 2015 the company has added over 60K+ small businesses (~1% US SMB population).

In June 2018, at the CB Insights’ Future of Fintech conference, Gusto CEO and co-founder Josh Reeves announced Flexible Pay, the company’s digital paycheck advancement service that allows employers to offer earned income to employees in advance of a traditional bi-weekly pay cycle.

2018 PARTNERSHIPS

- Gradvisor
- AP Intego
- 529 College Savings
- ScaleFactor
- Guideline
- 401(k)
New investment platforms and asset classes
Fintech is democratizing investing

1. **Alternative Access to Investing**
   The first wave of investing apps lowered the barriers for investors to access existing markets with tech.

2. **Access to New Assets**
   Startups are now looking to lower barriers to enter alternative asset classes and creating new commercially available assets.

3. **New Investing Models to Tap Existing Assets**
   In tandem, startups are creating next-gen investment platforms that are focused on creating new methodologies to access alternative asset classes.
Alternative investment apps will continue to rise in prominence among next-gen investors.
New investment models will be created to open up markets and create asset classes

- **CARS**
  - **Last Round:** $7M Series A Sep’18
  - **Investors:** Social Leverage, Anthemis Group, Upfront Ventures

- **MARINE**
  - **Last Round:** $12.8M Series A Jan’18
  - **Investors:** GreyCroft, FJ Labs, Saturn Partners, The Raine Group

- **MUSIC**
  - **Last Round:** $3.37M Series B-II Nov’18
  - **Investors:** Grotech Ventures, Techstarts

- **MUNICIPALITIES**
  - **Last Round:** $25M Series B May’17
  - **Investors:** 8VC, Abstract Ventures, Sound Ventures, Fintech Collective, Village Capital

- **ART**
  - **Last Rounds:** Undisclosed

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[Images of icons for CARS, MARINE, MUSIC, MUNICIPALITIES, and ART]
Startups borrowing existing biz models to open up real estate investing to retail investors

**FOR RETAIL INVESTORS**

Crowdstreet is a US-based marketplace that connects accredited investors, family offices, and institutions with sponsored commercial real estate projects. Crowdstreet leverages a crowdfunding model to connect investors to co-invest with developers. Crowdstreet’s investors have deployed $350M across 250+ properties.

Lendinvest is a marketplace property lender that uses a P2P model to connect borrowers with bridge and rent-to-let financing. Retail and institutional investors are then able to invest in LSE listed bonds securitized from the loans.

Lendinvest has lent $2B and helped borrowers buy, build, and renovate 5,000+ properties.

Alphaflow automates real estate investing by leveraging a robo-advising model to generate passive income-producing portfolios.

The company launched in January 2016 and has $17.32M of assets under management.
Fintech meets real estate
2018 saw the tech landscape in real estate expand. Deals flowed across the commercial and residential real estate markets. Broad investment themes included platform-ification, digitization, and portfolio optimization.

2019 will see these companies look to take advantage of consumer demand and supply of residential properties, and investor demand for portfolio exposure and diversification.
Mortgage debt dwarfs all others categories

Source: FRBNY
First, fintech startups digitize the mortgage lifecycle and created alternative lending platforms.
As home values rise, fintech is moving into home equity

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<th>UNISON</th>
<th>FIGURE</th>
<th>hometap</th>
<th>POINT</th>
<th>EASY KNOCK</th>
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<tr>
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<tr>
<td>Rent-to-own</td>
<td>x</td>
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<td>x</td>
<td>x</td>
<td>x</td>
<td>✓</td>
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<tr>
<td>Total disclosed equity funding</td>
<td>$92.84M</td>
<td>$50M</td>
<td>$12M</td>
<td>$8.65M</td>
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<td>$1.3M</td>
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<tr>
<td>Select Investors</td>
<td>F-Prime Capital and Citi Ventures</td>
<td>Ribbit Capital, DCM Ventures, and CreditEase Fintech Fund</td>
<td>American Family Ventures and General Catalyst</td>
<td>Andreessen Horowitz and Ribbit Capital</td>
<td>Blumberg Capital and Montage Ventures</td>
<td>IA Ventures and MetaProp NYC</td>
<td>Kima Ventures and Techstars Ventures</td>
</tr>
</tbody>
</table>
And abstracting away the mortgage as startups look to make cash offers for home buyers.

Seattle-based Flyhomes launched as a brokerage and provides a program to make cash offers on behalf clients. FlyHomes is expanding into new lines of business to deal with mortgages, title and escrow, repairs and renovations and more.

New York-based Ribbon, which operates in the Carolinas, works with homebuyers and their real estate agents to provide home sellers with a guaranteed sale, and all-cash offer regardless of where buyers are in the mortgage process.
Rent-to-buy: Startups look to enable gradual home equity ownership

**DIVVY HOMES**

San Francisco-based Divvy allows renters to put down 2% of the price of a desired property, which Divvy buys and leases back. 25% of the monthly price goes toward home equity, with 70% going toward rent, and 5% toward a maintenance fee.

**VERBHOUSE**

San Francisco-based startup Verbhouse operates a lease-with-an-option-to-purchase program in the Bay Area that lets program participants move into homes now with the option to buy later.
Fintech is integrating home insurance deeper into the home buying process

Lenders using Blend Labs represent more than 25% of the total US mortgage market with $60B in mortgage applications flowing through its software in 2017. Blend launched a home insurance agency in August 2018.

By adding a home insurance option early in the home buying process, Blend hopes to save borrowers and lenders time.

Source: Andreessen Horowitz, "Making Sense of Mortgages," Blend Labs, CB Insights analysis
REAL ESTATE MEETS FINTECH

Startups look to disrupt the $15B title insurance market

In December 2018, States Title acquired North American Title, the eighth largest title writer in the United States by market share. States Title hopes to use data and technology to predict and risk and severity of a title defect on particular properties.

New York-based startup Spruce is a digital title insurance and escrow agency. Spruce has worked with lenders and real estate companies in 36 states and plans to be in 48 states by the end of 2018.

Qualia provides cloud workflow technology to the title, escrow, and closing process. Clients include Stewart, First American, and Fidelity National. As of March 2018, 5% of the national real estate market was transacted through Qualia.
Rise of impact fintech
“Going green” is not new, but there is renewed demand driving how ESG scales

**Sustainability is a global priority**
Tech companies are jumping to head off concerns over the health of the environment, sustainability, and corporate governance (ESG). Upcoming initiatives will turn up the heat on companies to prove countries are progressing positively.

**Markets & Economy**
Tech companies are tapping into the ESG and impact investing space which have seen an uptick in inflows and are gaining traction among economists and investors. Market volatility could drive more inflows into impact investments and position impact fintech firms to bring standardization to investment criteria.

**Demographic shifts**
Startups are creating next-gen wealth management platforms for the next generation of investors who increasingly want investment portfolios that align with their values. To grow distribution and increase engagement, fintechs with scale could look to tap into ESG and impact investing.
Impact investing and ESG are on the rise

News mentions of “impact investing” and “ESG” (environmental, social, and governance), 2014 – 2019 YTD
Global sustainability goals will be top of mind for policy makers, but measuring progress is subjective.

In 2015, the UN committed to implementing Sustainable Development Goals (SDGs) that outline 17 global goals each nation has pledged to work towards by 2030.

However, each goal and underlying initiatives are open to interpretation and carry different weights of importance across regions.

Measuring progress towards goals is complex, lacks accountability, and is an area global leaders will demand transparency from officials tasked with implementation and governance.
Quantifying progress and impact is subjective because there is no “gold standard” of green data.

Ratings are categorized across five risk levels: negligible, low, medium, high and severe. Ratings scale is from 0-100, with 100 being the most severe.
Despite subjective nature, investing in impact funds is growing

2018 saw ESG and impact portfolios gain academic recognition for their ability to generate alpha.

Strategies that intentionally exclude certain sectors, companies, or practices are gaining traction with younger demographics.

As of 2016, global sustainable investment assets reached $22.9T

2014 & 2016 ($T)

Source: 2016 GSIR
With $30T from the ‘great wealth transfer,’ millennials will expect choices that have a positive ROI & impact.

86% are "very interested" or "interested" in sustainable investing.

61% have made at least 1 sustainable investment action in the last year.

75% think their investments can influence climate change.

Millennials are 2X more likely to make sustainable investments than the average investor.

Source: Survey conducted by Morgan Stanley released in August 2017
The first layer of impact fintechs are establishing green data credibility for financial services firms.

**ADVISORY**
- ethic.
  - Allows advisors to conduct negative and exclusionary screening

**INVESTING**
- Clarity AI
  - Auto rebalances portfolios to align with social impact goals

**CREDIT RISK**
- Sigma Ratings
  - Provides scoring and reporting for non-quantifiable risk events

**REAL ESTATE**
- Measurable
  - Platform for scoring and monitoring environmental outputs of RE assets

**DATA INTEGRITY**
- TruValue Labs
  - AI database that tracks, quantifies, and reports intangible risk for equities
The next layer of impact fintech will establish credibility with next-gen investors, ahead of wealth transfer.

**BANKING**
Digital-first banks that use impact investments to generate interest on deposits and savings.

**INVESTING**
Automated wealth management software that allocates assets across thematic investment funds and ETFs.

**LENDING**
Investment account that allocates assets to community development financial institutions (CDFIs).
Lack of fintech M&A by banks continues
European banks are challenging back

In H1’18, competition between high street banks and well-funded challengers continued to heat up.

While incumbents look to boost their digital capabilities, challenger banks are growing market share and their global footprint.

As predicted, fresh off mega-round ($100M+) investments and unicorn designations, N26, Monzo, and Revolut all announced plans to build out their US operations.
2018 saw banks launch a wave of digital products

JP Morgan said to examine spin-off of its blockchain project to win wider adoption
March 22, 2018 | CNBC

Goldman Sachs is recruiting at least 6 people for the UK launch of its online lender Marcus
March 3, 2018 | BUSINESS INSIDER

Citi will soon make PFM mobile banking available to non-Citi customers
March 26, 2018 | Businesswire

RBS hatches plan to create digital challenger bank to face off the threats from startups like Monzo and Starling Bank
March 19, 2018 | Finextra

Goldman Sachs in Talks With Apple to Finance iPhone Sales and grow lending with POS financing
February 7, 2018 | THE WALL STREET JOURNAL
But while banks continue to embrace mobile banking...
..incumbents still miss on mobile UX/UI, a key to acquiring and engaging next-gen customers

US IOS App Store ratings (out of 5)
### Banks will remain trigger shy on acquisitions

2013 – 2019 (01/12/2019)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Artificial Intelligence</th>
<th>Capital Markets Tech</th>
<th>Digital Banking</th>
<th>Lending &amp; Credit</th>
<th>Alternative Payments</th>
<th>Personal Finance</th>
<th>Real Estate</th>
<th>Wealth Tech</th>
</tr>
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<tbody>
<tr>
<td>BBVA</td>
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<td>Goldman Sachs</td>
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<td>BNP</td>
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<tr>
<td>Capital One</td>
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<td>JPMorgan Chase &amp; Co.</td>
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<td>Credit Suisse</td>
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<td>First Republic Bank</td>
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<tr>
<td>Silicon Valley Bank</td>
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</tr>
</tbody>
</table>

- Regulatory barriers, legacy tech infrastructure, cultural barriers and reluctance to carry inflated goodwill (intangible assets) values on balance sheets pose challenges for incumbents looking for fintech startups
- 20 fintechs have been acquired by banks
- Goldman has been the most active with their biggest announced acquisition being of PFM app Clarity Money in April 2018

Acquired after September 1, 2017 = 📈  
Startup acquired for talent = ☢️
No-go for fintech IPOs
2018 started the year with 25 unicorns valued at $75.9B

Global VC-backed fintech companies with a private market valuation of $1B+ (01/01/2019)
Despite hype, only three fintech unicorns went public

Global VC-backed fintech companies with a private market valuation of $1B+ (01/01/2019)

- **TransferWise** $1.18B Valuation
- **GreenSky** $1.9B
- **Affirm** $1.79B Valuation
- **Klarna** $2.5B
- **Coinbase** $1.56B
- **Funding Circle** $18
- **Clover** $1.2B
- **Oscar** $2.7B
- **Kabbage** $18
- **Gusto** $3.5B
- **credit karma** $3.5B
- **Mozido** $2.4B (as of Q4’14)
- **Avanti** $1.9B
- **Robinhood** $1.38
- **Symphony** $18
- **Avid** $16
- **Clybourn** $16
- **Scout Finance** $16
- **Zenefits** $18 (as of Q2’15)
- **Paytm** $4.5B
- **Safewallet** $3.6B
- **UPB** $2.7B

**Dutch payments company Adyen opens at €400/share, a pop of 67%, now valued at $16B**

**Funding Circle prices at bottom-end of narrowed IPO range**

**GreenSky stock rises after several analysts initiate coverage with bullish ratings**
Adyen makes record public debut in Europe

Netherlands-based payments processor Adyen saw shares jump 98% on 1st day of trading

Mkt Cap Euro 13.44B
Alternative lenders ‘bear’ market volatility
Record fintech mega-rounds will likely delay IPOs

2018 sees record global fintech mega-rounds ($100M+)

Legend:
- China
- US
- India
- UK
- Germany
- Brazil
- Hong Kong
- Australia

<table>
<thead>
<tr>
<th>Amount</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1B+</td>
<td>2</td>
</tr>
<tr>
<td>$500M+</td>
<td>1</td>
</tr>
<tr>
<td>$300M+</td>
<td>8</td>
</tr>
<tr>
<td>$200M+</td>
<td>10</td>
</tr>
<tr>
<td>$100M+</td>
<td>31</td>
</tr>
</tbody>
</table>

Companies:
- LU.com
- Dataminr
- Robinhood
- Fair
- Stripe
- Plaid
- Revolut
- UiPath
- N26
- Monzo
- Halki
- Toast
- Narrative Finance
- Brex
- Judo
- Oriente

Countries:
- China
- US
- India
- UK
- Germany
- Brazil
- Hong Kong
- Australia
Stripe, the global payments provider, has been aggressively expanding its tech stack. The company plans to use the latest funding to expand into Southeast Asia and India.

According to Bloomberg, Stripe sales are roughly $1.5B annually. Stripe supports businesses in 120 countries, payments in 130 currencies, and provides services ranging from fraud prevention to accounting. Stripe reports that 65% of UK internet users and 80% of US users have bought something from a Stripe-powered business.
APPENDIX:

2018 global fintech year-in-review
US FINTECH VC-BACKED EQUITY FUNDING IN 2018:

$11.89 BILLION

ACROSS

659 DEALS
US fintech funding hits 5-year high as $100M mega-rounds tops record


<table>
<thead>
<tr>
<th>Year</th>
<th>Amount ($)</th>
<th>Deals</th>
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<tbody>
<tr>
<td>2014</td>
<td>$5.71</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$8.81</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$5.92</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$8.18</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$11.89</td>
<td></td>
</tr>
</tbody>
</table>
US deals and funding top a 5-year high

Funding surged in 2018 on the back of 25 mega-rounds worth $5B.

Q4’18 saw 10 mega-rounds, 3 of which minted new unicorns, Brex, Devoted Health, and Plaid.

Other mega-rounds in the year boosted the valuations of established unicorns like Stripe, Robinhood, and Coinbase.
ASIA FINTECH VC-BACKED EQUITY FUNDING IN 2018:

$22.65 BILLION

ACROSS

516 DEALS
Fintech funding in Asia spikes to $22.7B on the back of $14B Ant Financial investment

Asia VC-backed fintech financing trends, 2014 - 2018, ($B)
EUROPE FINTECH VC-BACKED EQUITY FUNDING IN 2018:

$3.53 Billion

ACROSS

367 DEALS
Fintech deals in Europe level off, as funding hits $3.5B in 2018

Europe VC-backed fintech financing trends, 2014 - 2018, ($B)
UK fintech deals fall 18% in 2018

Brexit concerns may have contributed to a year-over-year decline in UK fintech financing rounds in 2018.

Funding to UK-based fintech companies grew slightly on the back on significant investments to digital-first “challenger banks” Monzo and Revolut. Both became unicorns in 2018.
Top deals & investors
## Top 11 global fintech deals in 2018

The top 3 deals to VC-backed fintech companies were all mega-rounds ($100M+) in China

<table>
<thead>
<tr>
<th>Company</th>
<th>Deal Date // Amount</th>
<th>Total Disclosed Funding (M)</th>
<th>Select Investors</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>蚂蚁金服</td>
<td>May’18 // $14,000M</td>
<td>$19,145M ($150B Valuation)</td>
<td>Silver Lake Partners, General Atlantic, T. Rowe Price, Temasek Holdings, Sequoia Capital China, Warburg Pincus, &amp; others</td>
<td>China-based internet giant that provides a suite of financial services spanning payments, insurance, credit, wealth management, and others, through various subsidiaries including Alipay &amp; Yu’e Bao</td>
</tr>
<tr>
<td>陆金所LU.com</td>
<td>Dec’18 // $1,350M</td>
<td>$3,031M ($3.8B Valuation)</td>
<td>Goldman Sachs, JP Morgan, UBS</td>
<td>An internet lending and wealth management platform for SMB and retail consumers</td>
</tr>
<tr>
<td>金融壹账通</td>
<td>Jan’18 // $650M</td>
<td>$650M ($1B Valuation)</td>
<td>IDG Capital and SBI Group</td>
<td>A spin-out from Ping An providing a platform for financial account management for SMBs.</td>
</tr>
<tr>
<td>Dataminr</td>
<td>Jun’18 // $392M</td>
<td>$569M ($1.2-$1.6B Valuation)</td>
<td>Venrock, Goldman Sachs, GSV</td>
<td>B2B data analytics suite of modular desktop and API applications that leverage social media to detect events, consumer signals, and alerts</td>
</tr>
<tr>
<td>fair</td>
<td>Dec’18 // $385M</td>
<td>$1,451M</td>
<td>CreditEase, Munich Re/HSB Ventures, SoftBank Group</td>
<td>Auto lending and finance management platform</td>
</tr>
</tbody>
</table>
# Top 11 global fintech deals in 2018

6 of the top 11 deals to VC-backed fintech companies were to US-based startups

<table>
<thead>
<tr>
<th>Company</th>
<th>Deal Date // Amount</th>
<th>Total Disclosed Funding (M)</th>
<th>Select Investors</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Oscar</em></td>
<td>Aug'18 // $375M</td>
<td>$1.27B ($3.2B Valuation)</td>
<td>Alphabet</td>
<td>Tech-enabled health insurance carrier</td>
</tr>
<tr>
<td><em>robinhood</em></td>
<td>May'18 // $363M</td>
<td>$539M ($5.6B Valuation)</td>
<td>capitalG, DST Global, ICONIQ Capital, Kleiner Perkins Caufield &amp; Byers, Sequoia Capital</td>
<td>B2C digital brokerage and financial services platform that lets users invest in U.S. stocks, ETFs, options, and cryptocurrencies</td>
</tr>
<tr>
<td><em>CGT2.com</em></td>
<td>Jun'18 // $359M</td>
<td>$536M</td>
<td>Geo-Jade Petroleum Corporation, Shunwei Capital Partners</td>
<td>Web-based investment portal that provides various debt-backed investments products for individual and SMB investors</td>
</tr>
<tr>
<td><em>one97</em></td>
<td>Aug'18 // $300M</td>
<td>$3.07B ($10B Valuation)</td>
<td>Berkshire Hathaway</td>
<td>Mobile payments and commerce platform</td>
</tr>
<tr>
<td><em>DevotedHealth</em></td>
<td>Oct'18 // $300M</td>
<td>$368.95M ($1.8B Valuation)</td>
<td>Andreessen Horowitz, F-Prime Capital, Premji Invest, Uprising, Venrock</td>
<td>Digital health care company serving seniors, aiming to launch Medicare Advantage plans</td>
</tr>
<tr>
<td><em>coinbase</em></td>
<td>Oct'18 // $300M</td>
<td>$538.67M ($8B Valuation)</td>
<td>Andreessen Horowitz, Polychain Capital, Tiger Global Management, Wellington Management</td>
<td>Crypto currency exchange, wallet, and platform for retail and institutional investing and transactions in digital currencies</td>
</tr>
</tbody>
</table>
The most active fintech VCs in 2018

By unique fintech company investments (new or follow-on)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Investor</th>
<th>Select Fintech Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>500startups</td>
<td>finAccel Albert indio YayPay RealAtom peoplefund</td>
</tr>
<tr>
<td>2</td>
<td>Ribbit Capital</td>
<td>robindhood coinbase earnin NU_bank ROOT Toss BREX Toss</td>
</tr>
<tr>
<td>3</td>
<td>BainCapital VENTURES</td>
<td>SINGIFY JUSTWORKS. reonomy CHROMERIVER Bench Ribbon HARNESSE WWLTH</td>
</tr>
<tr>
<td>4</td>
<td>a16z</td>
<td>stripe PLAIN earnin DIVYY Propel Harbor</td>
</tr>
<tr>
<td>5</td>
<td>Omidyar Network</td>
<td>chime zest neon Lidya SPRUCE Propel</td>
</tr>
</tbody>
</table>
## The most active fintech VCs in 2018 (continued)

By unique fintech company investments (new or follow-on)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Investor</th>
<th>Select Fintech Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>nyca</td>
<td>Axon, Canopy, Skyline, Ladder, CommonBond, Scratch, Fluidly</td>
</tr>
<tr>
<td>7</td>
<td>anthemis group</td>
<td>Tide, TrueLayer, Flock, Flux, Unmortgage, Ethic, Fluidly</td>
</tr>
<tr>
<td>8</td>
<td>Index Ventures</td>
<td>Robinhood, Metromile, Plaid, Revolut, Wealthfront</td>
</tr>
<tr>
<td>9</td>
<td>Salesforce ventures</td>
<td>ShopKeep, Kooltra, FORTER, Runa, Measurabl</td>
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</tbody>
</table>
Methodology

CB Insights encourages you to review the methodology and definitions employed to better understand the numbers presented in this report. If you have any questions about the definitions or methodological principles used, we encourage you to reach out to CB Insights directly. Additionally, if you feel your firm has been under-represented, please send an email to info@cbinsights.com and we can work together to ensure your firm’s investment data is up to date.

What is included:

— Equity financings into emerging fintech companies. Fundings must be put into VC-backed companies, which are defined as companies who have received funding at any point from venture capital firms, corporate venture groups, or super angel investors.
— Fundings of only private companies. Funding rounds raised by public companies of any kind on any exchange (including Pink Sheets) are excluded from our numbers, even if they received investment by a venture firm(s).
— Only includes the investment made in the quarter for tranched investments. If a company does a second closing of its Series B round for $5M and previously had closed $2M in a prior quarter, only the $5M is reflected in our results.
— Round numbers reflect what has closed — not what is intended. If a company indicates the closing of $5M out of a desired raise of $15M, our numbers reflect only the amount which has closed.
— Only verifiable fundings are included. Fundings are verified via various federal and state regulatory filings, direct confirmation with firm or investor, or press release.
— Previous quarterly VC reports issued by CBI have exclusively included VC-backed rounds. In this report, any rounds raised by VC-backed companies are included, with the exceptions listed.

What is excluded:

— No contingent funding. If a company receives a commitment for $20M subject to hitting certain milestones but first gets $8M, only the $8M is included in our data.
— No business development / R&D arrangements, whether transferable into equity now, later, or never. If a company signs a $300M R&D partnership with a larger corporation, this is not equity financing, nor is it from a venture capital firm. As a result, it is not included.
— No buyouts, consolidations, and/or recapitalizations. All three of these transaction types are commonly employed by private equity firms and are tracked by CB Insights. However, they are excluded for the purposes of this report.
— No private placements. These investments, also known as PIPEs (Private Investment in Public Equities), are excluded even if made by a venture capital firm(s).
— No debt / loans of any kind (except convertible notes). Venture debt or any kind of debt / loan issued to emerging startup companies, even if included as an additional part of an equity financing, is not included. If a company receives $3M with $2M from venture investors and $1M in debt, only the $2M is included.
— No government funding. Grants, loans, or equity financings by the federal government, state agencies, or public-private partnerships to emerging startup companies are not included.
WHERE IS ALL THIS DATA FROM?

The CB Insights platform has the underlying data included in this report

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