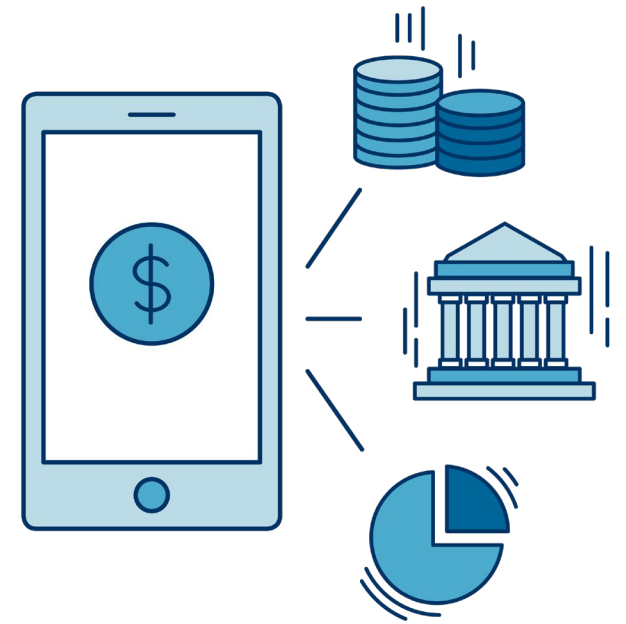


The US Small Business Fintech Report

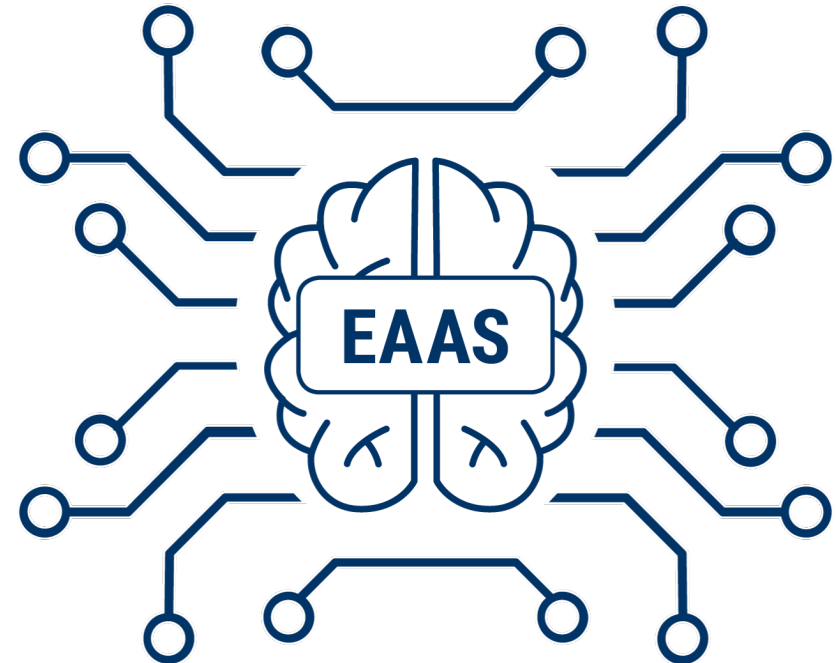
The tech startups transforming small business payroll, lending, insurance, accounting, and more



WHO WE ARE

The technology market intelligence platform.

CB Insights software lets you predict, discuss, and communicate emerging technology trends using data in ways that are beyond human cognition. We are a leader in the Expert Automation & Augmentation Software (EAAS) space.



TRUSTED BY THE WORLD'S LEADING COMPANIES



F-PRIME

FIRSTMARK



NORWEST VENTURE PARTNERS

Riviera

SEQUOIA

“We use CB Insights to find emerging trends and interesting companies that might signal a shift in technology or require us to reallocate resources.”



Beti Cung, Corporate Strategy, Microsoft





FUTURE OF FINTECH

 CBINSIGHTS

June 12 - 13, 2019

New York, NY

events.cbinsights.com/future-of-fintech

Save with early bird pricing until Dec 31, 2018

Contents

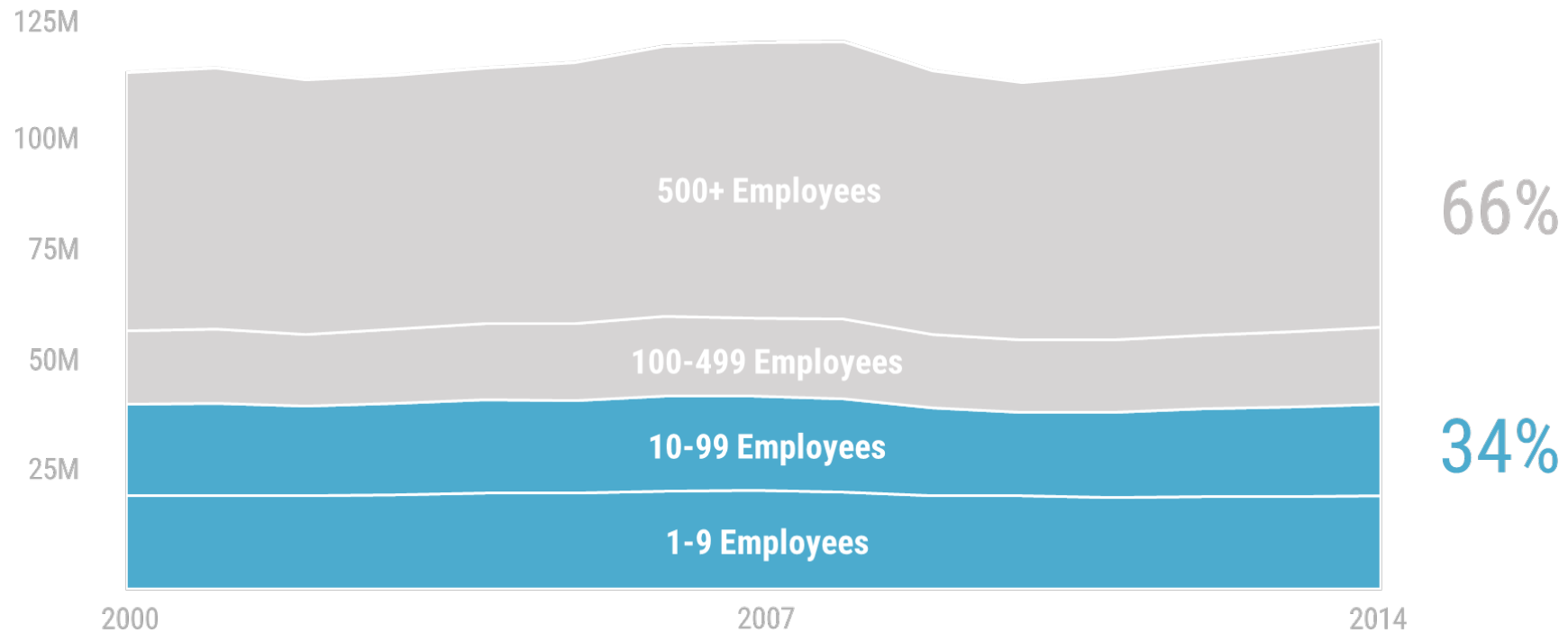
- 6** Introduction
- 19** The small business fintech landscape
- 28** Recent trends in small business fintech
- 35** Methodology

Small businesses in the US are:

- 1) Optimistic
- 2) Growing
- 3) Diverse

MACRO TRENDS

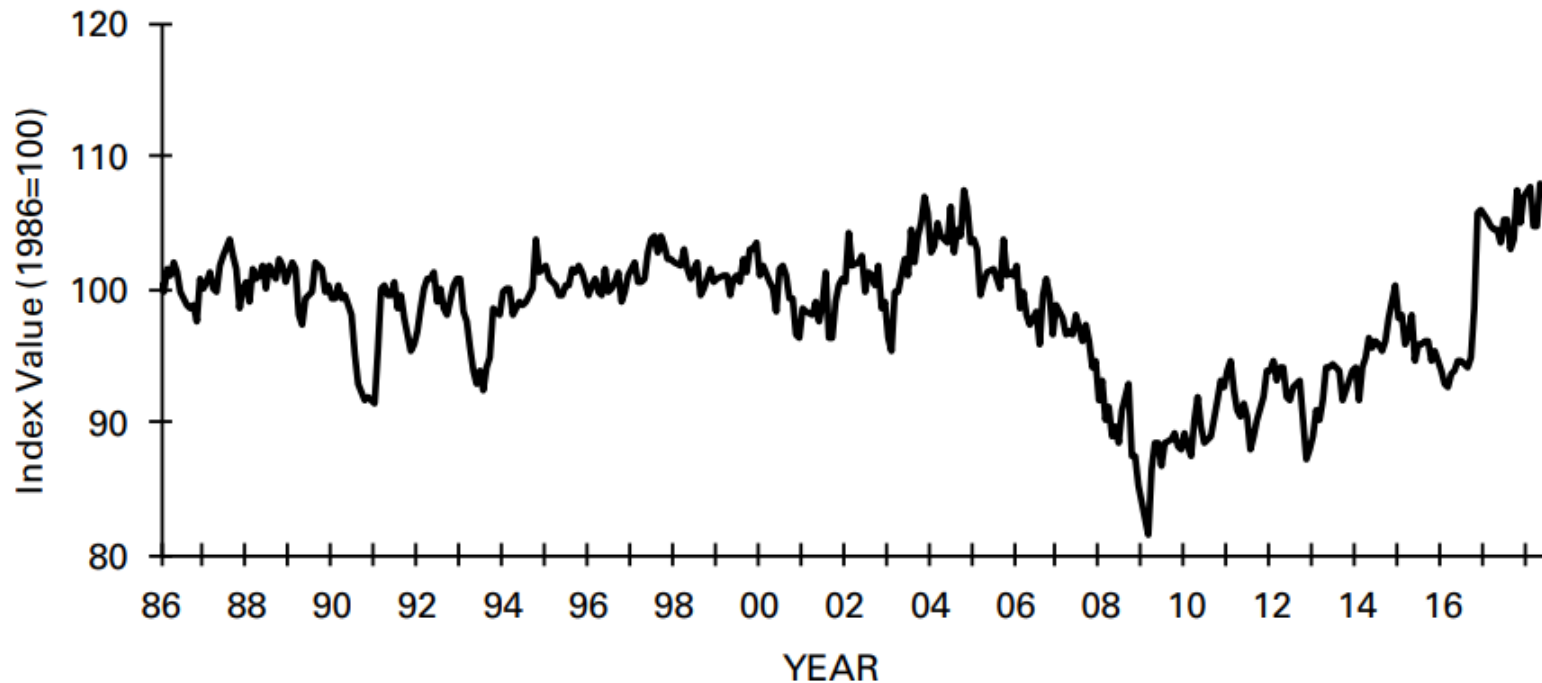
Small businesses employ one-third of the labor force in the US



US small business optimism has hit an all-time high

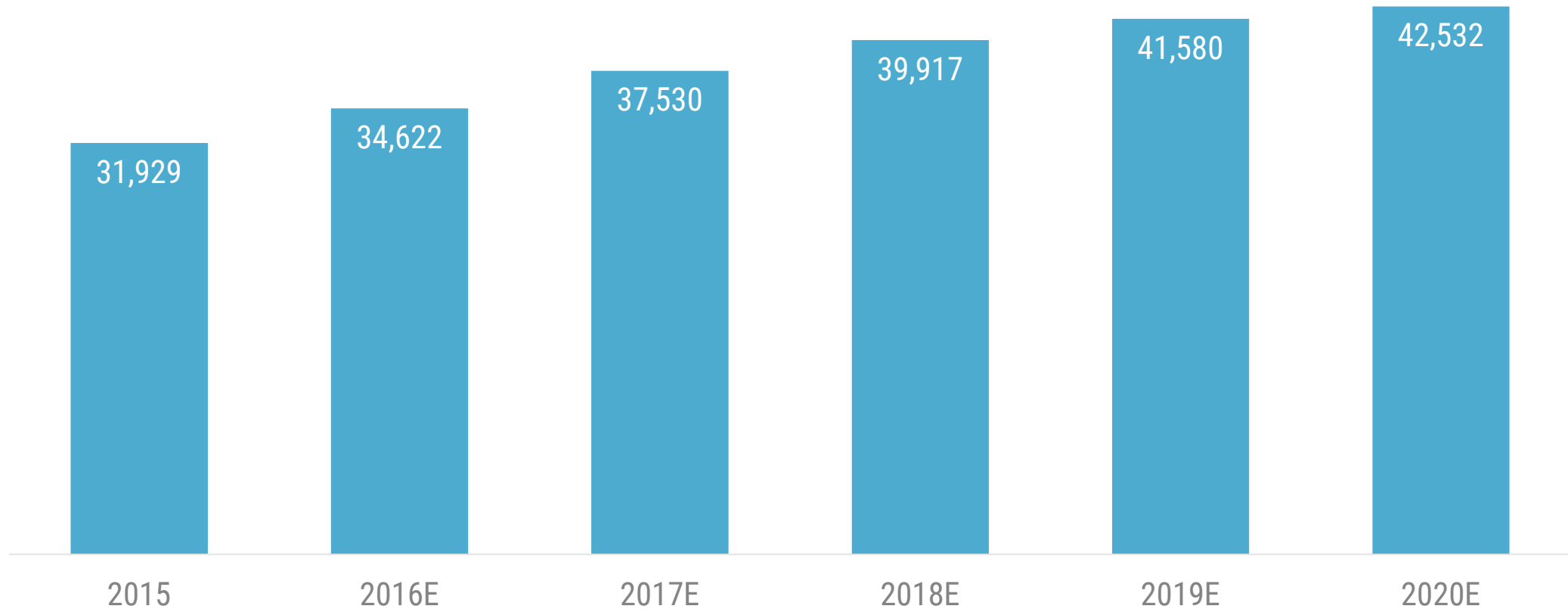
OPTIMISM INDEX

Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)



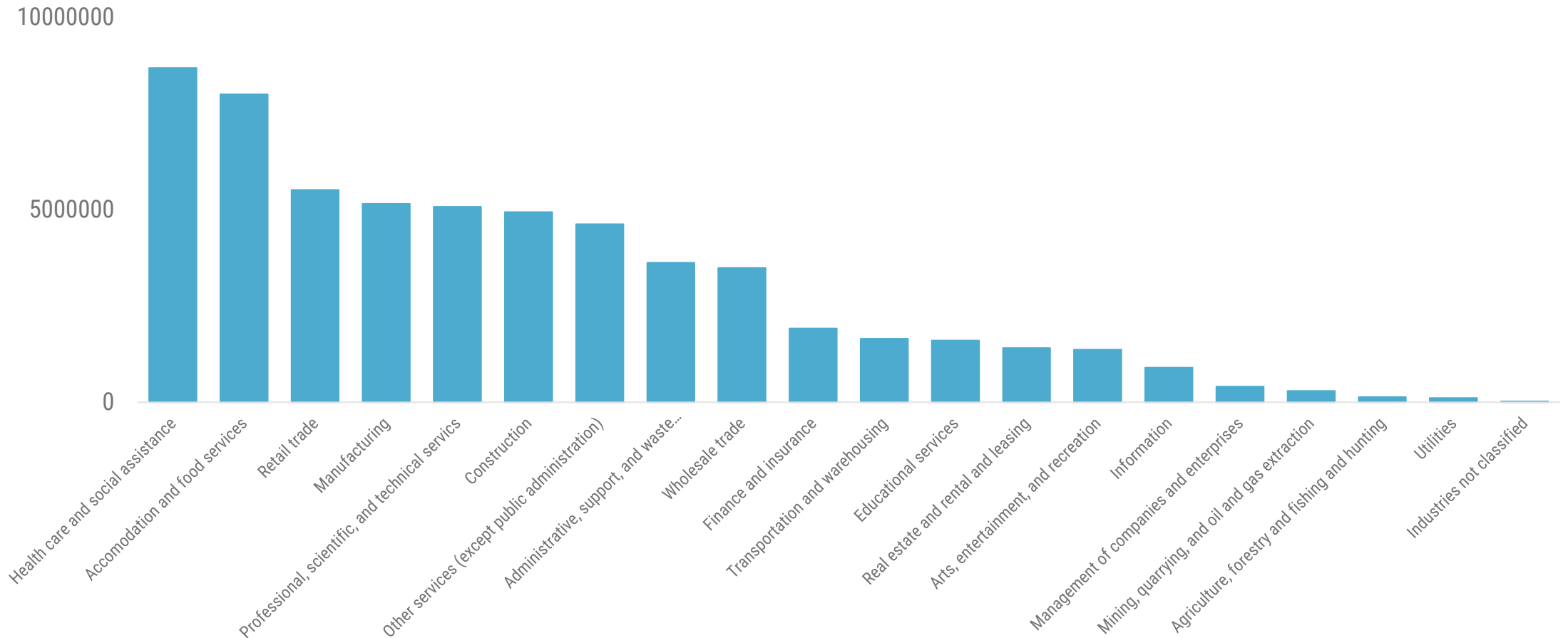
Small businesses in the US continue to climb

of small businesses with 0-49 employees (in thousands)



Small businesses in the US are diverse

US small business employment by industry (in millions)



Small businesses in the US are:

- 1) Optimistic
- 2) Growing
- 3) Diverse

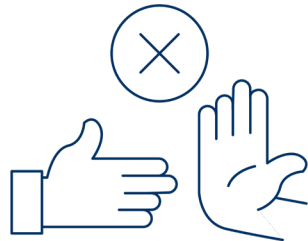
4) Underserved financially

WHY NOW?

Small businesses have trouble raising capital

44%

of employer firms said **credit availability or securing funds for expansion** was a **financial challenge** in the prior 12 months



60%

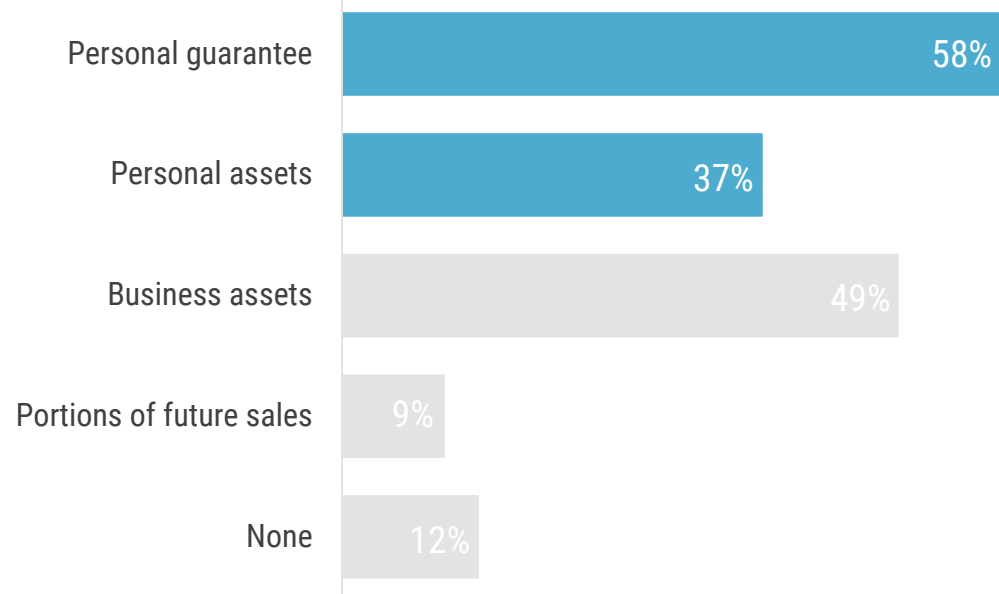
of applicants **received less financing than the amount they applied for**



WHY NOW?

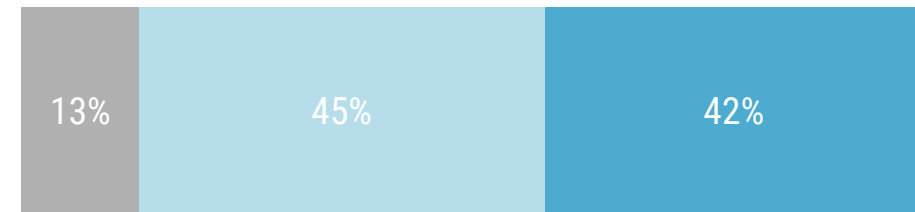
Small business owners risk personal well-being to raise capital

COLLATERAL USED TO SECURE DEBT



Note: Respondents could select multiple options

USE OF PERSONAL AND BUSINESS CREDIT SCORES



- Business score only
- Both
- Owners' personal score only



WHY NOW?

Small commercial insurance is a \$100B market that is growing, but not digitized

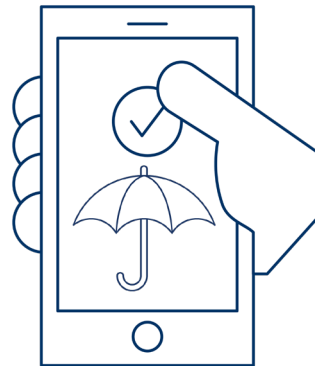
24%

of SMBs **purchased** their **most recent business insurance online**



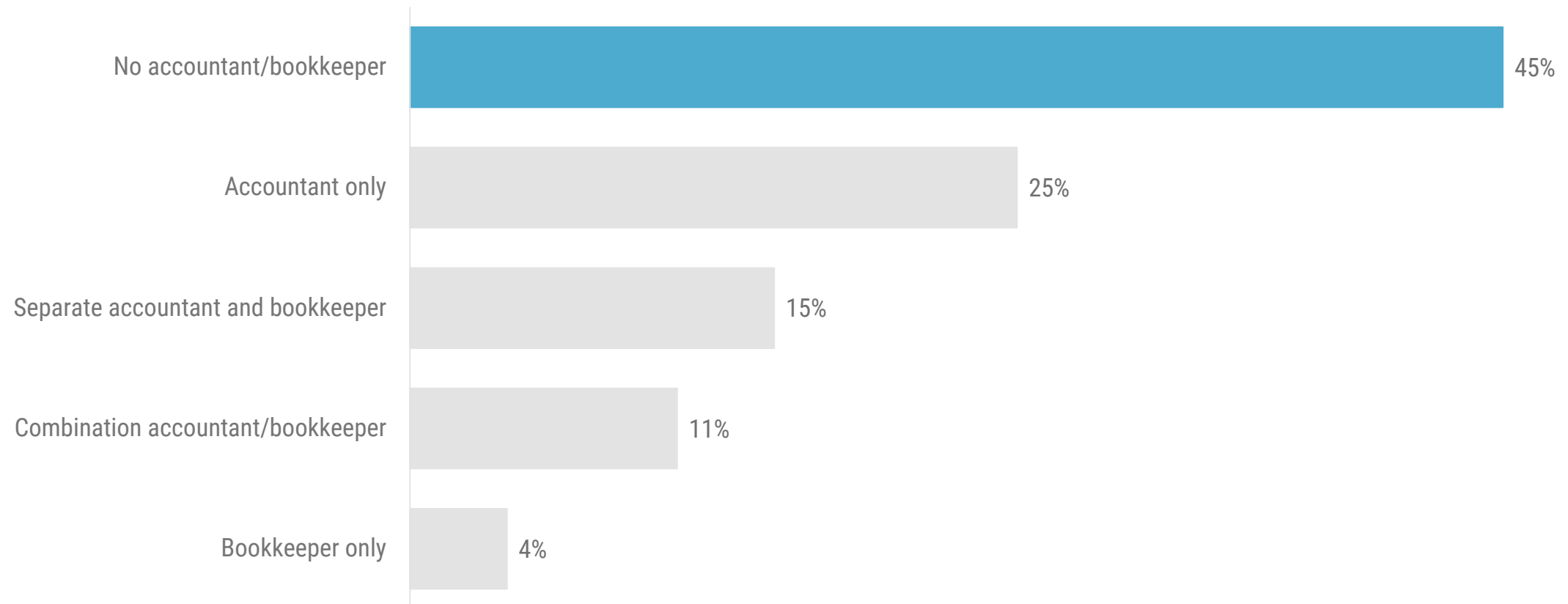
65%

of SMBs say they are **quite likely** to **buy insurance online** in the future



WHY NOW?

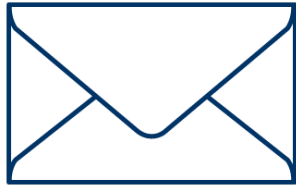
Nearly half of small businesses do not employ an accountant or bookkeeper



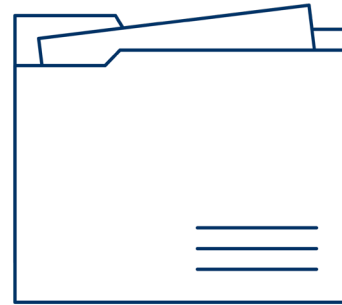
WHY NOW?

40% of small businesses incur penalties for incorrect payroll filings and payments

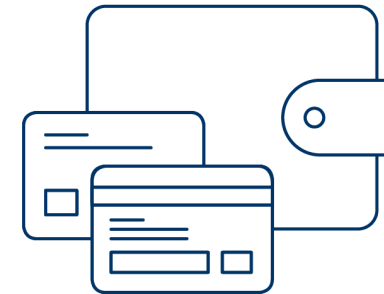
Top three penalties for not making federal tax deposits on time:



Failure to deposit



Failure to file

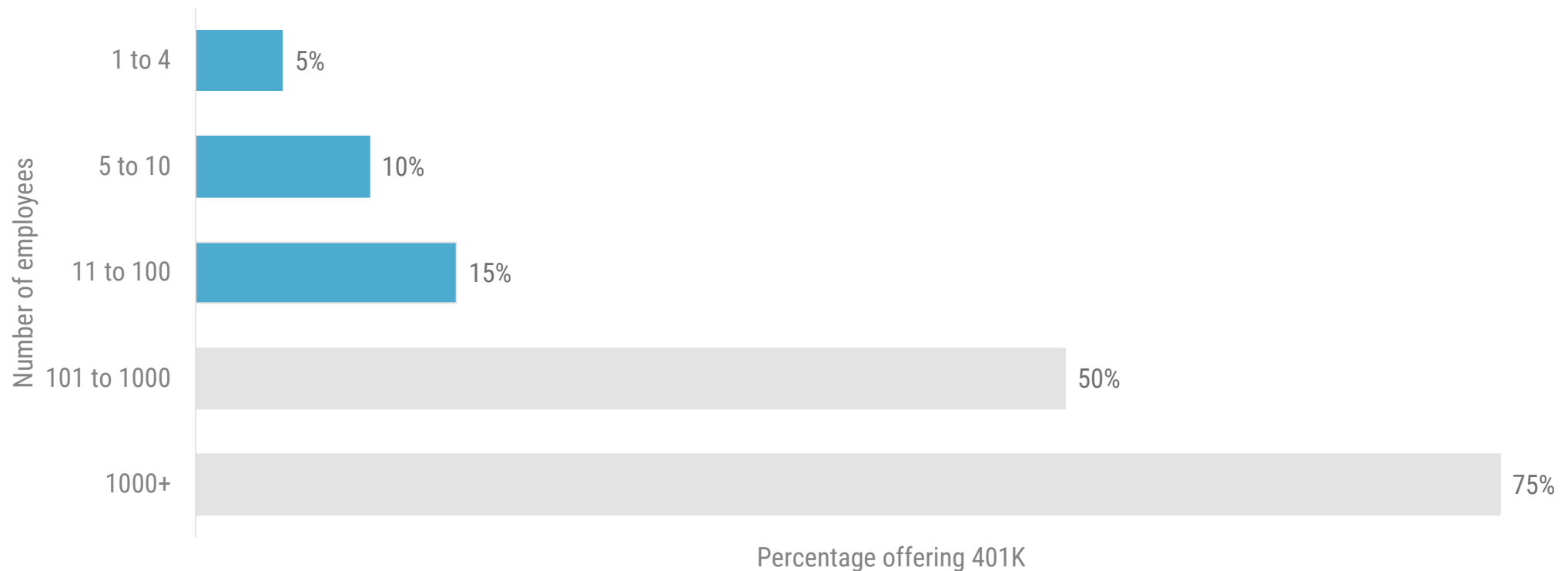


Failure to pay

WHY NOW?

Only 30% of small businesses offer retirement savings plans

Plan sponsorship by number of employees



“Small businesses tend to not get products that are designed around the small business need. They tend to get **either watered down commercial products or trumped up consumer products.**”



attune

James Hobson

CEO, Attune (former COO, OnDeck)

The US small business fintech landscape



THE SMALL BUSINESS FINTECH LANDSCAPE

Banking

BREX azlo NOVO

Expense Management

TRIPACTIONS Expensify
KARMIC LABS Rocketrip
divvy Teampay
travelbank bento

Fundraising

Equity

CircleUp seedinvest AngelList crowdfunder

Debt

Kabbage CAN CAPITAL BlueVine quarterspot C2FO lendio
DRIP/c FUNDATION MIRADOR CAMINO FINANCIAL LendingExpress
LIFTFORWARD taulia fundera Biz2Credit SnapAdvances
behalf BRAAVO INTERNEX CAPITAL nav F2Binvestor CLEARBANC
STREETSHARES The Credit Junction. kountable FUNDBOX CREDIBLY

Payroll

synCHR GUSTO
zenefits Namely
JUSTWORKS. inovaPayroll
PATRIOT SOFTWARE

Retirement

Guideline Human Interest
forusall Betterment

Accounting / Invoicing / Tax

Acumatica SCALEFACTOR Stampi pilot botkeeper Symple.
#FloQast Restaurant365 ceterus w@bgility Qvinci
compeat AUTOBOOKS AUDITBOARD Leap commeresync
Finagraph inDinero Invoice2go ONEUP viewpost. xendoo
BKE BOOKKEEPING EXPRESS ZipBooks ORWAY aavidxchange hurdlr taxfyle
Bookly.co TaxJar lumatax accrualify Bill.com canopy
TRANSACTIS CHROMERIVER highradius ARIA BackOffice DAVO TECHNOLOGIES billtrust

Procurement

TRADESHIFF scout kinnek ivalua

Business Insurance

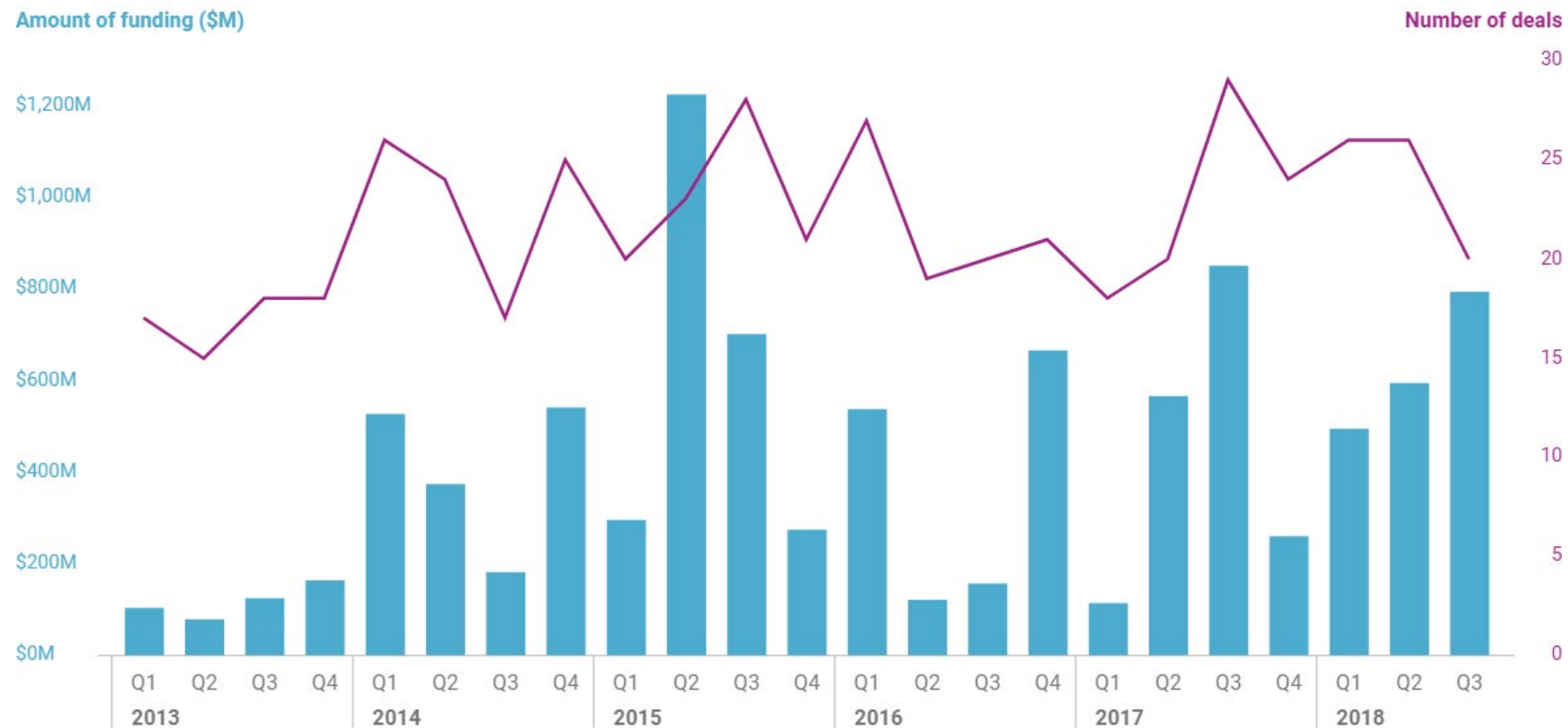
NEXT INSURANCE BUNKER coverwallet EMBROKER Huckleberry PALADIN Cyber
PIE INSURANCE insureon Coalition at bay zeguro Verify

Payments

bitpay flint DUE Finexio PayStream SpotOn
Payoneer Upserve toast SHOPKEEP CardFlight
Revel tabbedout BlueSnap CLEARRENT
API
stripe FINIX PAYMENTS PUSH PAYMENTS DWOLLA
Warren eThor MARQETA

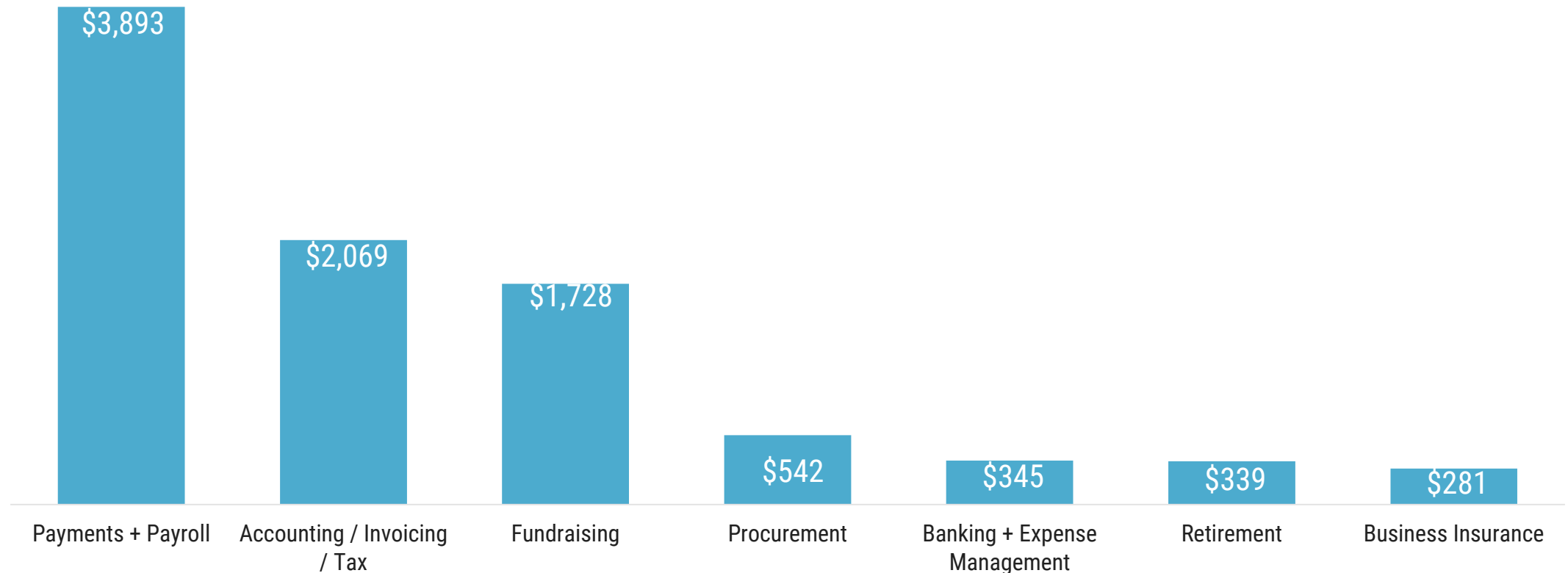
Created by You. Powered by CBINSIGHTS

Small business fintech startups have raised over \$10B since 2013

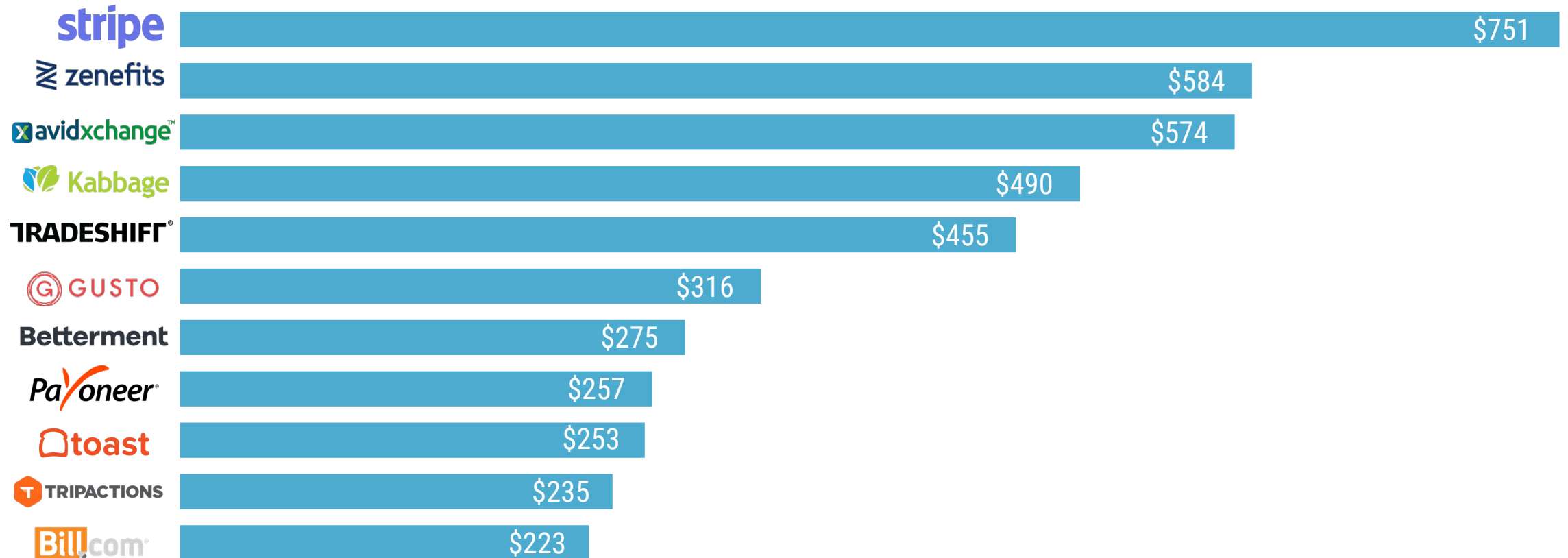


Payments, payroll, and accounting are the top categories by funding

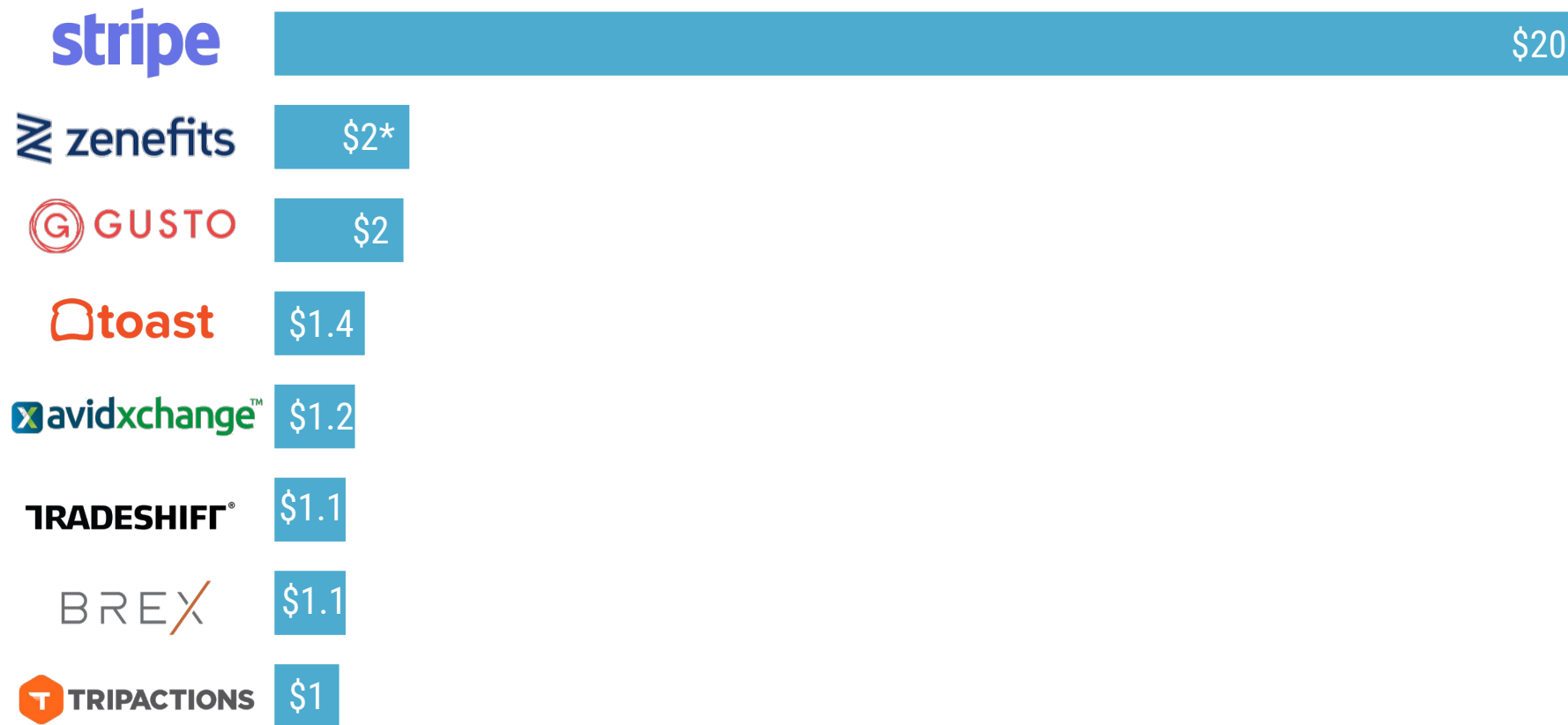
(Q1'13 – Q3'18, in \$ million)



The most well funded private small business fintech startups (\$M)



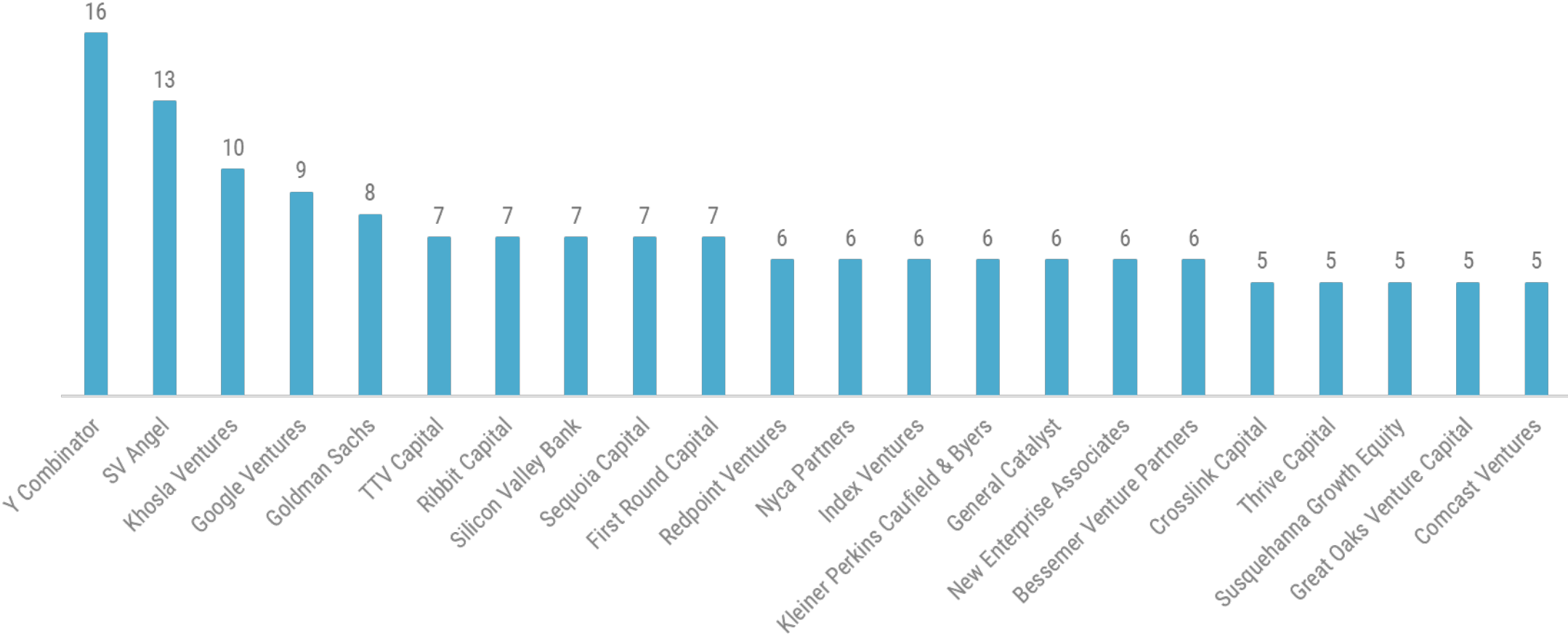
The most highly-valued private small business fintech startups (\$B)



THE SMALL BUSINESS FINTECH LANDSCAPE

Who's betting on small business fintech startups?

Number of unique companies funded (all time)



THE SMALL BUSINESS FINTECH LANDSCAPE

The most active investors in small business fintech

INVESTOR	#	DIGITAL BANKING	FUNDRAISING	PAYMENTS	ACCOUNTING / INVOICING / TAX	INSURANCE	OTHER
Y Combinator	16	Rocketrip Seed BREX	DRIP/c SMBRate	wepay stripe Warren zenefits GUSTO	inDinero Symple.	SimplyInsured ALADIN Cyber	Human Interest collectly
SV Angel	13	Seed	AngelList fundera smartbiz FUNDBOX Kabbage	Upserve stripe zenefits Square			Guideline Human Interest kinnek
khosla ventures	10		ondeck fundera FUNDBOX	Square stripe Index zenefits		at bay	TrueAccord kinnek
Google ventures	9	Rocketrip	ondeck AngelList CircleUp	toast corduro stripe MARQETA	Square billtrust Intacct.		scout™
Goldman Sachs	8		nav	BluePay PayPal Square stripe Namely	billtrust Intacct.		TRADESHIFF
SEQUOIA	7		behalf DRIP/c	PayPal Square stripe Namely	outright		
Ribbit Capital	7	BREX	CAN CAPITAL	GUSTO	Invoice2go	NEXT INSURANCE Coalition	forusall
Silicon Valley Bank	7	TravelBank.	BlueVine	Bill.com CardFlight	tidemark AppZen		orderwithme
First Round	7		ondeck fundera smartbiz	Upserve Square corduro	outright		
ttvcapital	7			Bill.com Cycle bitpay SHOPKEEP	commercesync hurdlr		E-Duction

Fintech incumbents are also focused on the small business opportunity


MARKET CAP:
\$98.8B

- Payments
- Working Capital
- Online Invoicing


MARKET CAP:
\$28.7B

- Payments
- Invoices
- Capital
- Employee Management
- E-commerce
- Payroll
- Customer Engagement
- Inventory
- Appointments


MARKET CAP:
\$54.3B

- Accounting / Tax
- Invoice & Payments
- Inventory
- Payroll
- Capital


MARKET CAP:
\$15.1B

- E-commerce
- Payments
- Inventory
- Sales
- Capital

Recent startup trends in small business fintech



Payroll providers starting to act as aggregators of small business fintech services



Gusto provides HR, benefits, and payroll automation software to 60K+ small businesses

Partners:



529 college savings



Workers' comp



Square has more than 2 million merchants, and offers them a broader suite of products – including omnichannel payments, payroll, invoicing, and more.

Partners:



Health insurance



Workers' comp



Corporate credit card startup Brex becomes fastest unicorn in small business fintech

Brex is a subscription business built around its **corporate charge card for startups**, a credit line that must be paid back in 30-days. Brex underwrites businesses using factors such as investors, your cash balance, and spending patterns. Brex's services include instant signup and approval, ability to manage team spending, receipt capture, accounting integrations, and rewards including partnerships with AWS, Hubspot, Twilio, Sendgrid, ZenDesk, Salesforce, and DoorDash.

BREX

18

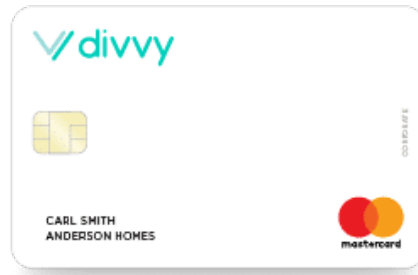
Months between Y Combinator
and first valuation of \$1B+

zenefits

27

Months between Y Combinator
and first valuation of \$1B+

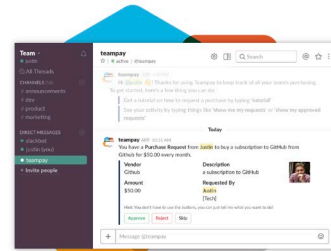
Real-time expense management startups add more funding



Divvy is a B2B payments and expense platform that issues virtual and physical corporate cards to track business expenses. Divvy's app automatically captures transactions, categorizes purchase, and automates expense reporting.

Total Funding: \$53M

Select Investors: Pelion Venture Partners, Insight Venture Partners



Teampay provides software that allows employees to request, approve, and track company spending in real-time. Teampay allows companies to provide virtual credit cards to every employee.

Total Funding: \$4M

Select Investors: Crosscut Ventures, Precursor Ventures



Bento for Business provides employee corporate cards, real-time spending controls, automated expense reporting and receipt capture, and expense management tools

Total Funding: \$18.5M

Select Investors: Anthemis Group, Blumberg Capital, Edison Partners

Startups take aim at small business insurance opportunity

Insurers such as Market and Chubb are partnering with startups on usage-based liability products for contractors

BUNKER
USAGE BASED LIABILITY INSURANCE

- Simple** - Entire process online, takes less than 5 minutes
- No Commitments** - Tailor your policy to the length you need, between 3 months and 16 months
- Affordable** - Pay by credit card, rates as low as \$20 per month
- Secure** - Only available on Bunker and backed by Chubb, a global insurer with over \$150B in assets

Here's how you get insured with Jones

JONES

1. Share contract details
2. Get a certificate instantly
3. Pay only when you're working

TRADITIONAL INSURANCE

1. Purchase annual insurance
2. Deal with compliance issues
3. Pay whether you're working or not

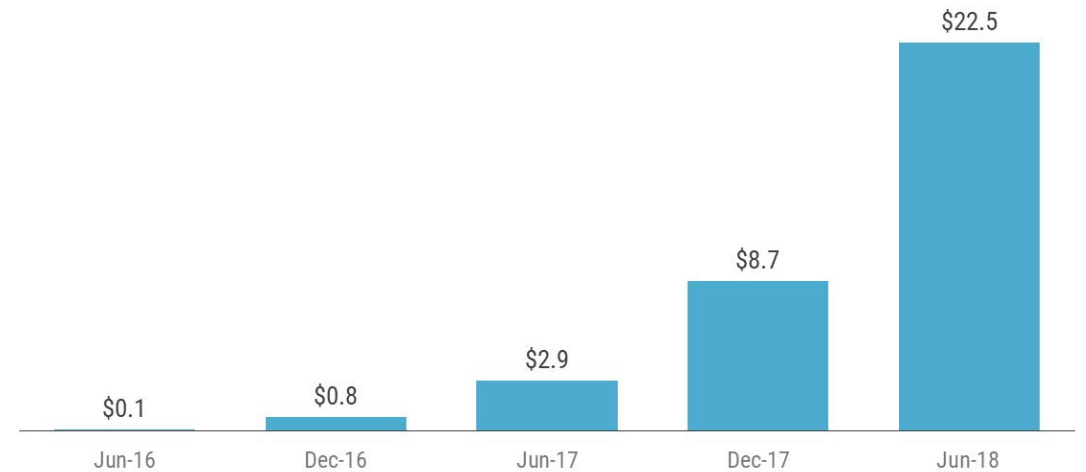
How it Works

- Approved in 2 Taps**
Download and get insured in less than 30 seconds.
- Your Policy, Your Choice**
Pay by the job—from a single hour to a full year.
- Flexible Coverage**
Choose your activities and time period—plus extend or cancel.
- Built for Mobile**
Share certificates and add Additional Insureds.

Startup carrier Next Insurance has taken a strategy of focusing on key SMB verticals and expanding product breadth toward its long-term goal of becoming a one-stop shop for SMB insurance

Next Insurance written premium run rate

All values shown in \$million



Source: Next Insurance

CBINSIGHTS

Startups allow small businesses to automate their finance department

SCALE FACTOR

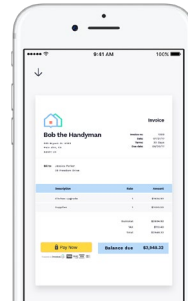


ScaleFactor's software collects and analyzing data from point of sale systems, bank accounts, credit cards and billing systems, to automate recordkeeping and payroll functions.

Total Funding: \$14M

Select Investors: Canaan, Citi Ventures

Invoice2go



Invoice2go offers a mobile invoicing solution that allows business owners or contractors to digitally send invoices, accept payments, and track performance.

Total Funding: \$60M

Select Investors: Accel, Ribbit Capital

pilot

Your Own Financial Expert

Business finances can be confusing and stressful. You're probably going to have questions. Good news: Pilot thinks questions are a good thing. That's why support is included with every plan. The same dedicated account manager who handles your books each month will be on hand to answer your questions and guide you through any concerns you have.

Pilot is an online bookkeeping platform that provides users with a human bookkeeper paired with internal software tools to automate certain processes

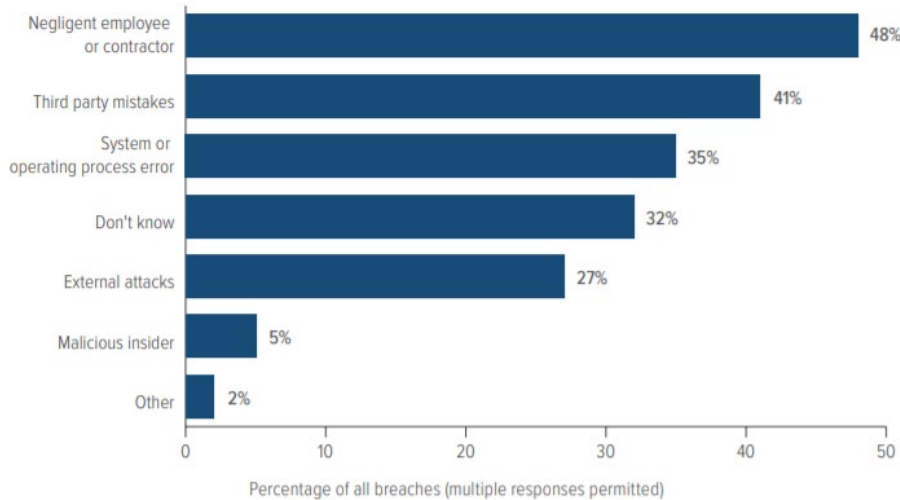
Total Funding: \$18M

Select Investors: Index Ventures

Startups look to bridge the cyber risk management gap for small businesses

Startups see an opportunity to pair risk management tools with cyber insurance for small- and medium-sized businesses, not only because small businesses wouldn't be able to sustain the financial consequences of a cyber event, but also because of the increased attacks on small businesses over time. A recent study by the Better Business Bureau estimates that 15% of small businesses have cyber insurance.

Data breaches of SMBs by root cause, 2016



Source: Ponemon.



Security services:

Coalition provides tools including DDoS mitigation, security benchmarking, ransomware protection, and intelligence alerts

At-Bay provides active risk management, risk assessment at quote and during policy period, and incident management

Zeguro provides a risk management platform to assess cyber gaps and cybersecurity training for employees

Paladin provides a risk assessment test as well as protection tools including inbox, XSS, and public WiFi protection as well as employee training

Coverage limit:

Up to \$10M

Up to \$10M

Up to \$10M

Up to \$1M

Methodology

This report analyzes fintech companies serving, but not exclusively limited to, small- and medium-sized businesses across:

Digital banking:

Digital banking brings the full power of a bank branches to a digital platform. This gives businesses the ability track, monitor, and audit spending in a fully digital manner. We also include any expense management software in this category.

Fundraising:

Fundraising includes startups that help SMBs raise capital to scale operations. This includes equity funding, and debt for working capital, trade financing, and cashflow management.

Payments:

Payments is defined as any startup that facilitates B2B, B2E, C2B payments.

Accounting / invoicing / tax:

The accounting / invoicing / tax category is defined as any startup that helps SMBs with their businesses: accounting, taxes, or sending and receiving invoices.

Insurance:

This category includes startups selling commercial or cyber insurance to SMBs digitally.

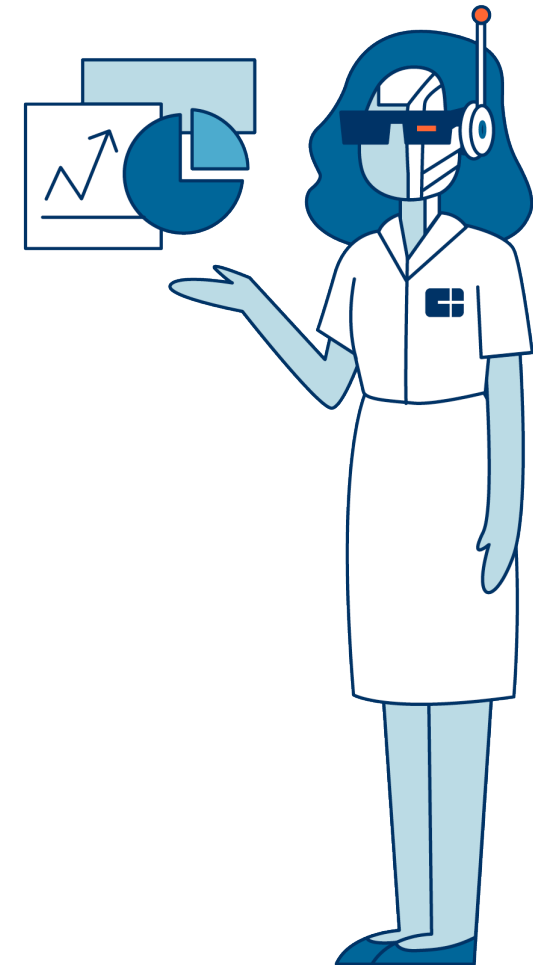
Retirement:

This category includes startups offering 401K and other retirement savings products to SMBs

WHERE IS ALL THIS DATA FROM?

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

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