

Disruption in Financial Services Webinar Presentation

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#fintechdisrupt

Disruption in Financial Services

A data-driven look at the trends and emerging players challenging financial services. Silicon Valley is coming. Are you ready?

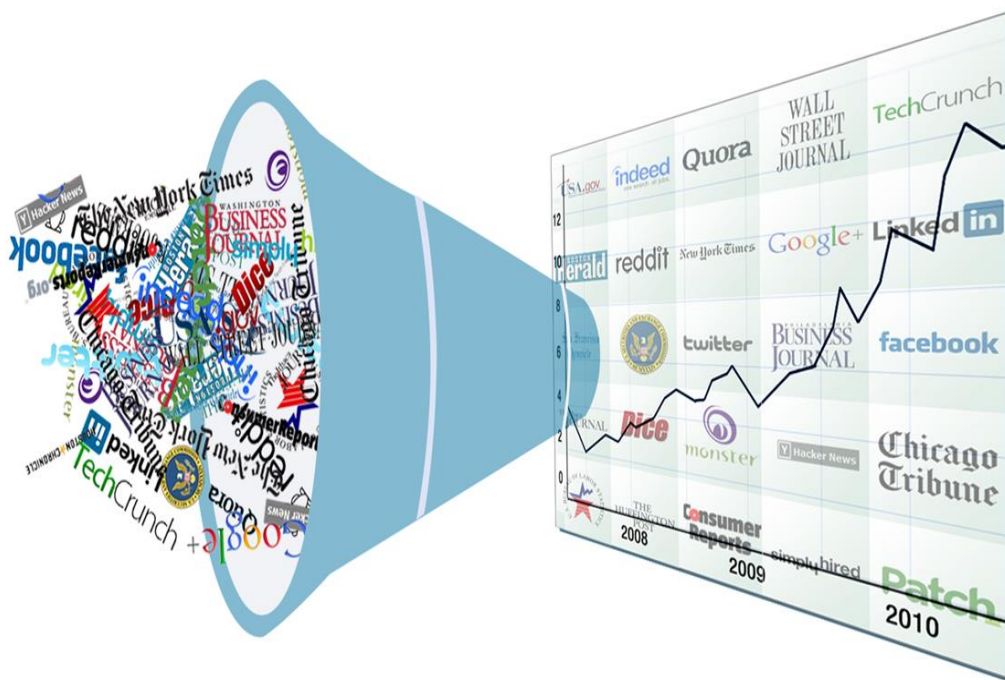
About CB Insights

A unique combination of data science and machine learning to help you see what's next.

About CB Insights

Backed by the National Science Foundation, CB Insights uses data science and machine learning to help our customers predict what's next—their next customer, their next investment, the next market they should attack, the next move of their competitor or the next company they should acquire. The world's leading global corporations including the likes of Cisco, Salesforce, Castrol and Gartner as well as top tier VCs including, NEA, Upfront Ventures, RRE, and FirstMark Capital rely on CB Insights to make decisions based on data, not decibels.

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"A detailed discussion of data collection and how the company parses them is written by CB Insights' data scientists; it convincingly tells the story of scalability and accuracy for what they call 'The Cruncher.'"

From "[Predictive Analytics And Novel Visualization Draw Customers To 'Must Have' Data](#)" published April 8, 2015



Forbes



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"CB Insights' intuitive user interface, analytical capabilities, and detailed investment information create a very powerful tool for our team's research needs."



Nate D'Anna
Corporate Development
Cisco



"We're using CB Insights at Salesforce Ventures to analyze industry trends that are relevant to our strategy. It's helped improve our efficiency."



Matt Garratt
Sr. Director, Corporate
Development
Salesforce Ventures



"CB Insights provides our team with a holistic and thematic approach that really captures market activity....we've found CBI to have the best access for the most accurate market view."



Jack Leeney
Portfolio Manager
Telefonica
Ventures



"Designed by a VC insider who truly knows the space and understands end-user needs."



Greg Bae
Investments & Biz Dev
Comcast Ventures



"We have been looking for a tool that could give us the ability to track, research and identify investment opportunities. CB Insights provides this simply and in a simple, easy to use interface. The depth of information that we get is exactly what we need. Great product."



Jonathan Tudor
Ventures Director
Castrol innoVentures



"CB Insights perfectly illustrates what I expect today from such online services to stay tuned to our fast-changing Tech Landscape. Accurate and up-to-date data mash-ups, intuitive UIs, smart data visualization capabilities and direct API access... all packaged together with straightforward pricing."



Simon Mencarelli
Senior Manager, Strategic Planning
Dassault Systemes



A bright sun shining through a blue sky with large, white, fluffy clouds. The sun is positioned behind a large cloud on the left side, creating a lens flare effect. The text is overlaid on the right side of the image.

In God we trust,
all others must
bring data

IN THE NEXT 35-45 MINUTES, WE'LL COVER...

1

The hot & crowded fin tech space

Financing and exit trends in fin tech

2

Momentum within Fin Tech – areas & companies

What areas within fin tech have momentum, and which companies have traction

3

Case studies – where are incumbents placing bets

Resource allocation is strategy. Where are Goldman, JPMorgan Chase, American Express, Visa and Mastercard placing their bets?

4

The faster pace of disruption

Just how quickly are things moving and what does it mean for you

THE HOT & CROWDED FIN TECH SPACE

A space that is booming

HOW MUCH IS FUNDING TO FIN TECH STARTUPS BOOMING? ALMOST \$14B IN LAST 12 MONTHS

From less than \$1 billion in Q2 2010 to nearly \$3 billion in Q1 2015

\$13.7bn

Funding in last year

+45.83%

YoY Funding Growth

821

Deals in last year

+16.41%

YoY Deal Growth

150

Avg Deals per Quarter

\$1.31bn

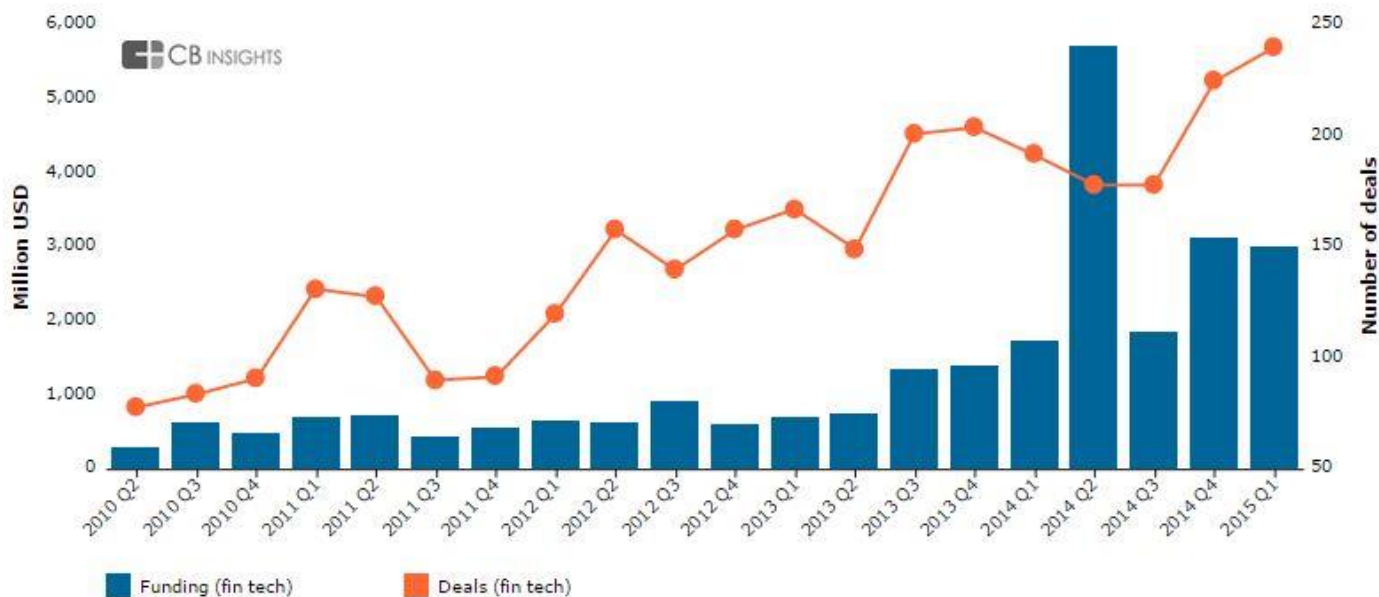
Avg Funding per Quarter

Q2'14

Biggest Quarter (\$ Funding)

Q1'15

Biggest Quarter (# of deals)



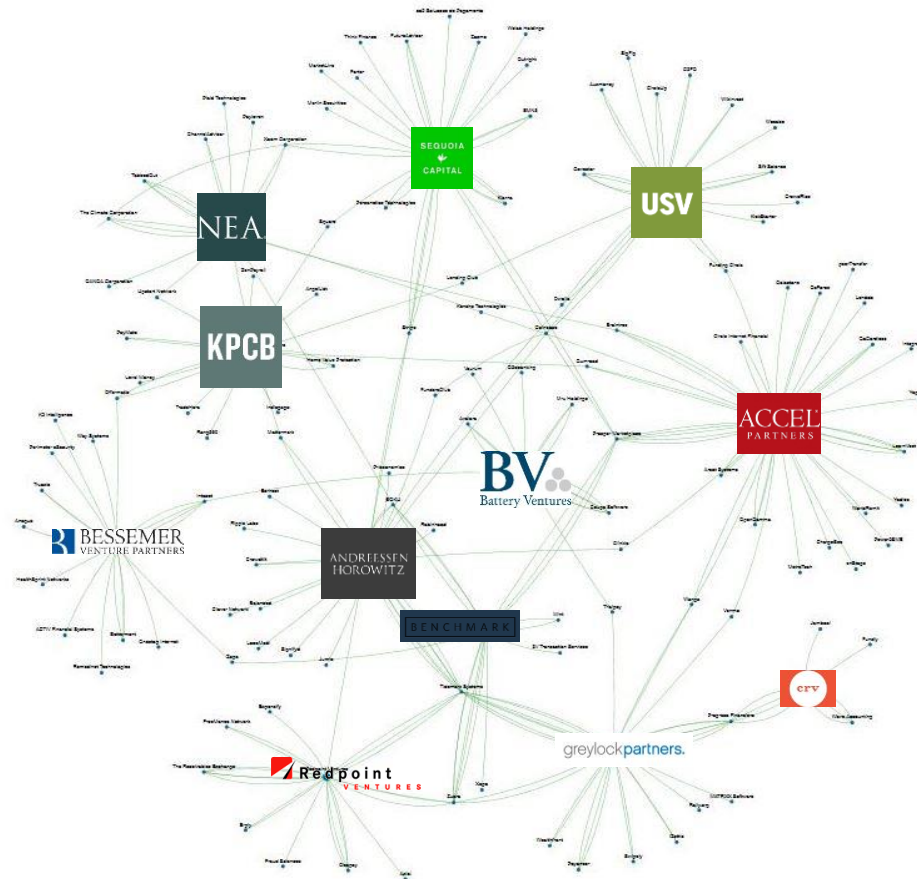
Source: https://www.cbinsights.com/industry?sector=281&setup=2&public_list



THE BUSINESS SOCIAL GRAPH

The Business Social Graph lets you visualize the investment, acquisition, competitor and partner & customer relationships between players in a space. It makes mapping an understanding an ecosystem dead simple.

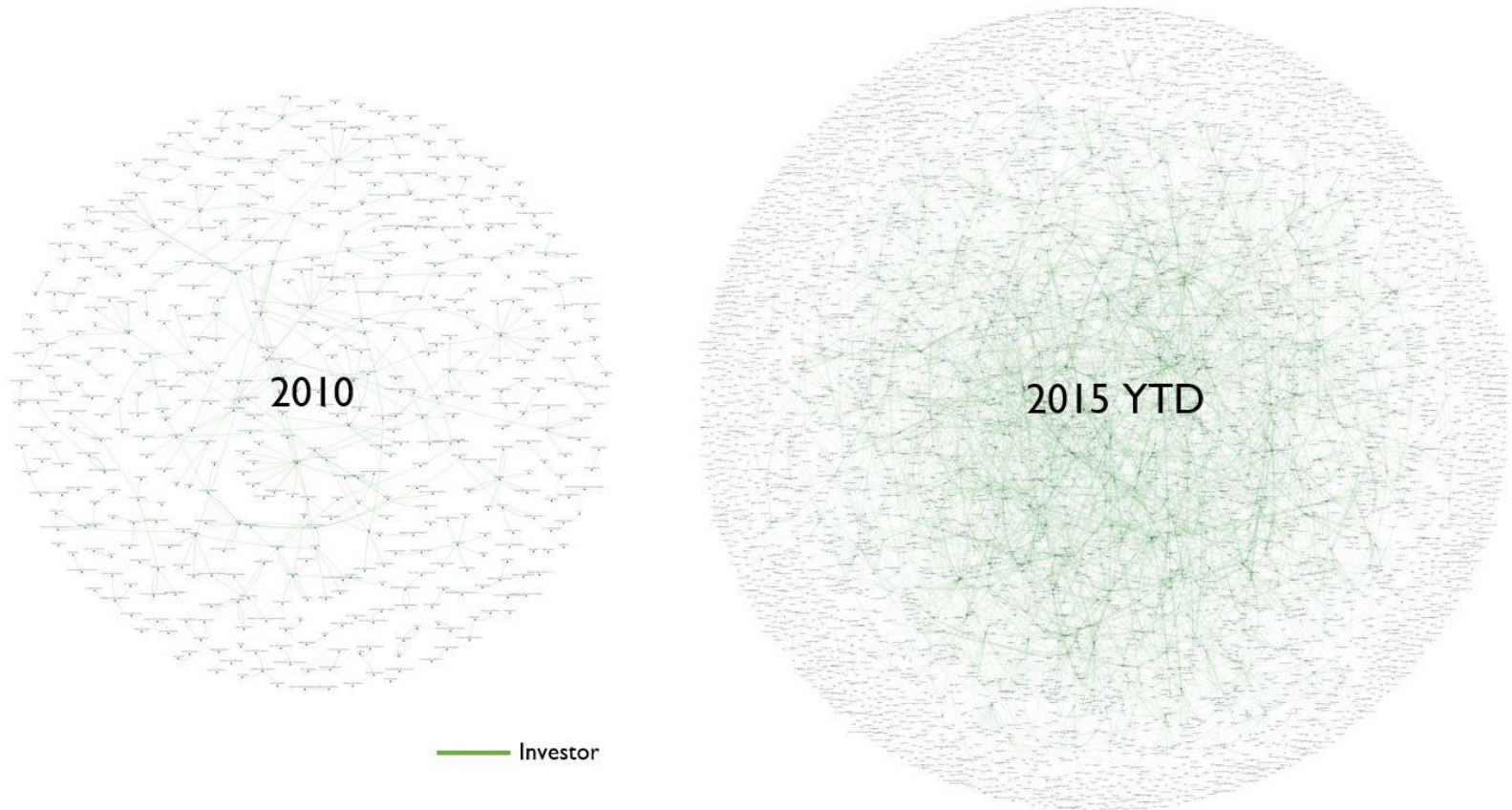
Fin Tech Investments of 12 Top VC Investors Since 2007



VENTURE CAPITAL INVESTORS ARE TAKING AN INCREASING INTEREST IN FIN TECH

223 unique investors in Fin Tech in 2010. Now, there are 894. Investors see blood.

Investors in Fin Tech: Then and Now

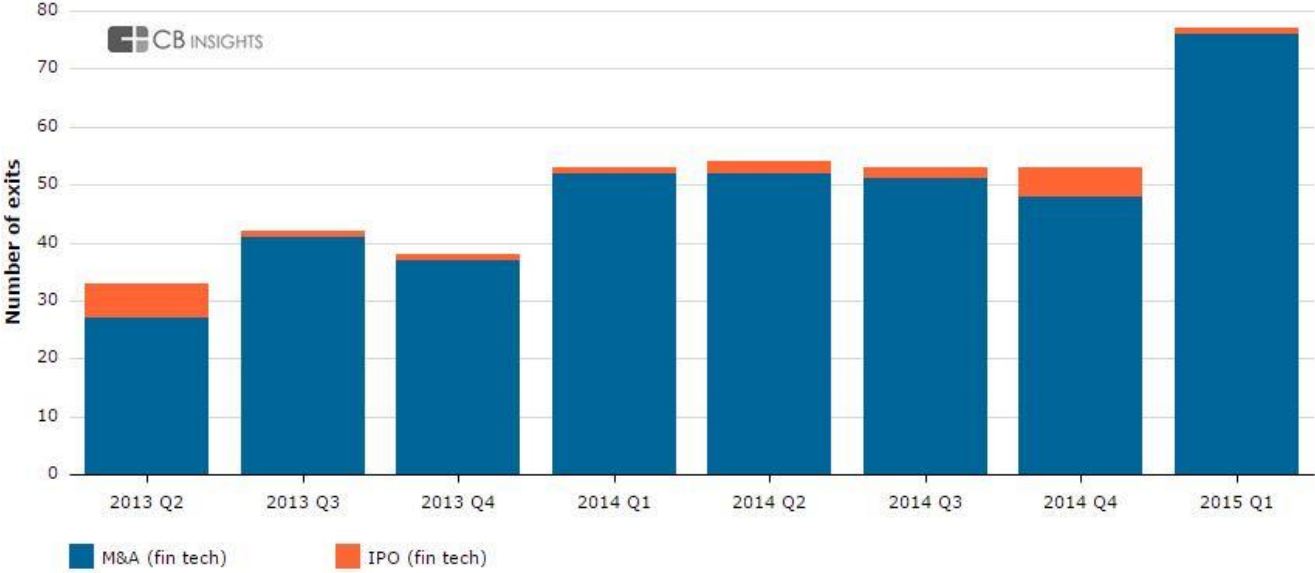


Source: <https://www.cbinsights.com/business-social-network>

FIN TECH EXIT ACTIVITY ALSO CLIMBING

Exits are also growing and recent IPOs portend more financing into Fin Tech companies

237 Exits in Last Year
+42.77% YoY Exit Growth
Q1'15 Biggest Quarter for Exits
50 Average Number of Exits Per Quarter



NOTABLE RECENT EXITS

LendingClub

\$5.42 Billion
 Q4'14 (IPO)

OnDeck

\$1.32 Billion
 Q4'14 (IPO)

YODLEE

\$339.80 Million
 Q4'14 (IPO)



MOMENTUM WITH FIN TECH

Areas and companies to watch

MARKET MOSAIC – A DATA-DRIVEN VIEW OF INDUSTRY ATTRACTIVENESS

Probability > punditry – Using big data & algorithms to provide predictive intelligence into the health & attractiveness of emerging industries

Sentiment & Chatter

- Press sentiment
- News volume
- Social media chatter & sentiment

Hiring Activity

- Open jobs in the industry
- Growth of hiring activity in industry
- Key senior hires into industry

Financing Activity & Strength

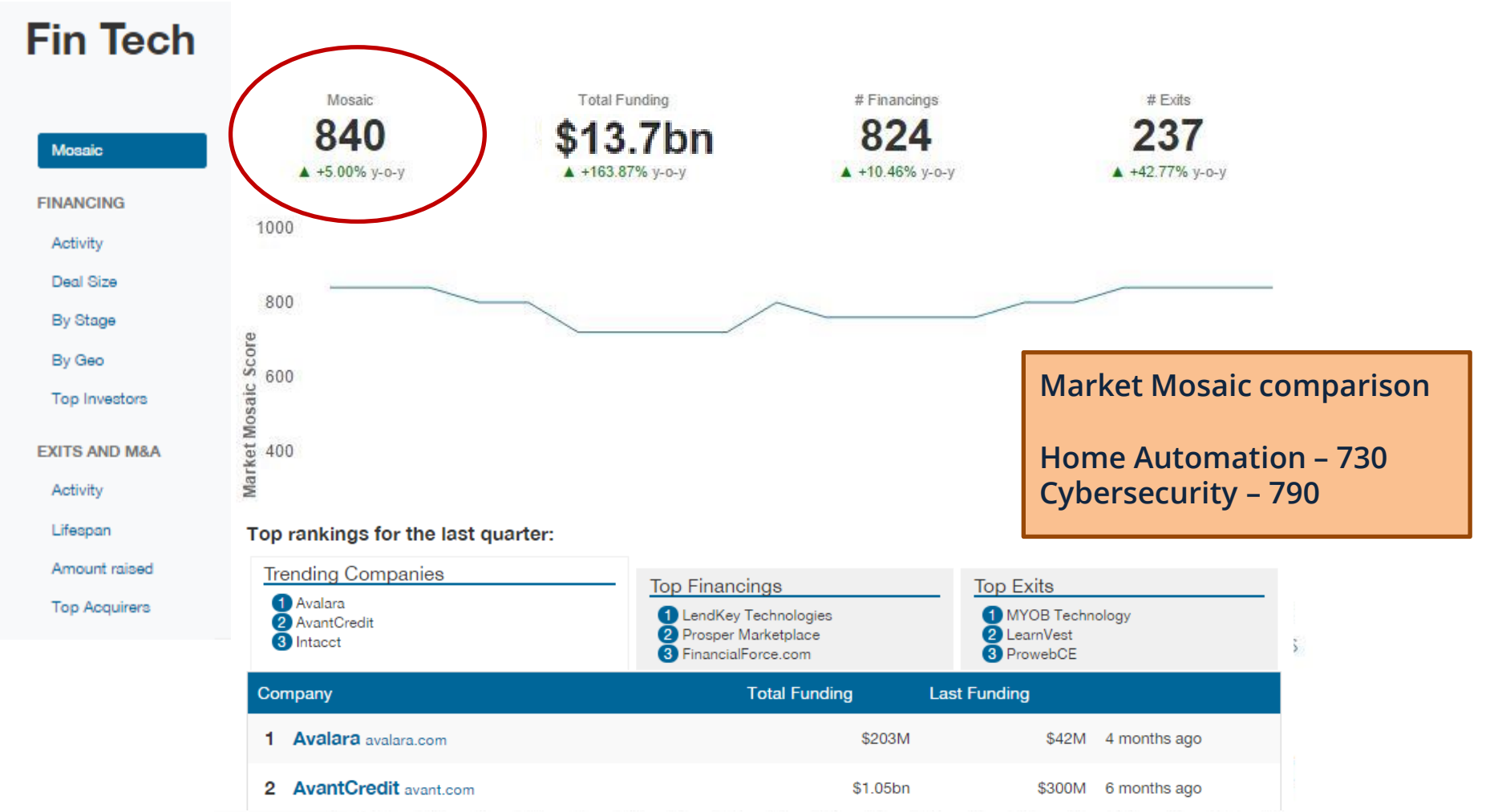
- Investor quality
- Investment deals
- Investment funding
- Funding/deal growth

Exit Activity & Strength

- Acquirer quality
- Number of exits
- Exit growth
- Size of exits

FIN TECH MARKET ATTRACTIVENESS IS HIGH

Fin Tech's Market Mosaic score ranks above that of several other prominent industries

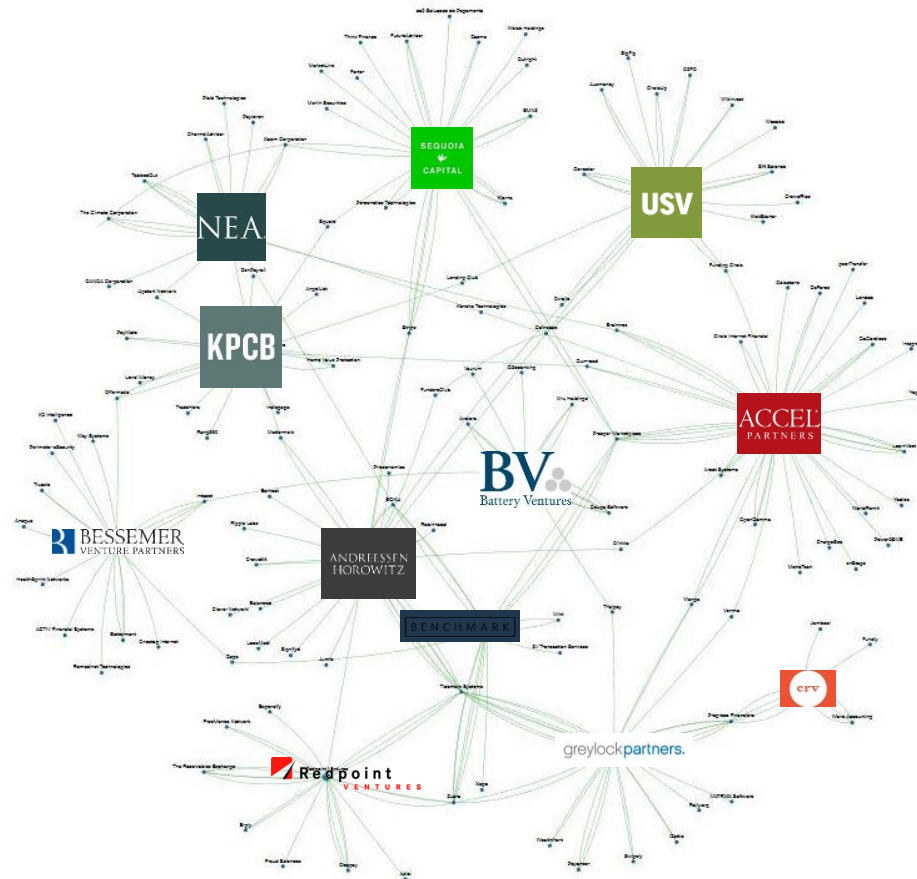


Source: <https://www.cbinsights.com/industry-mosaic>

AN ATTRACTIVE MARKET MEANS THE SMART MONEY IS INCREASINGLY ACTIVE

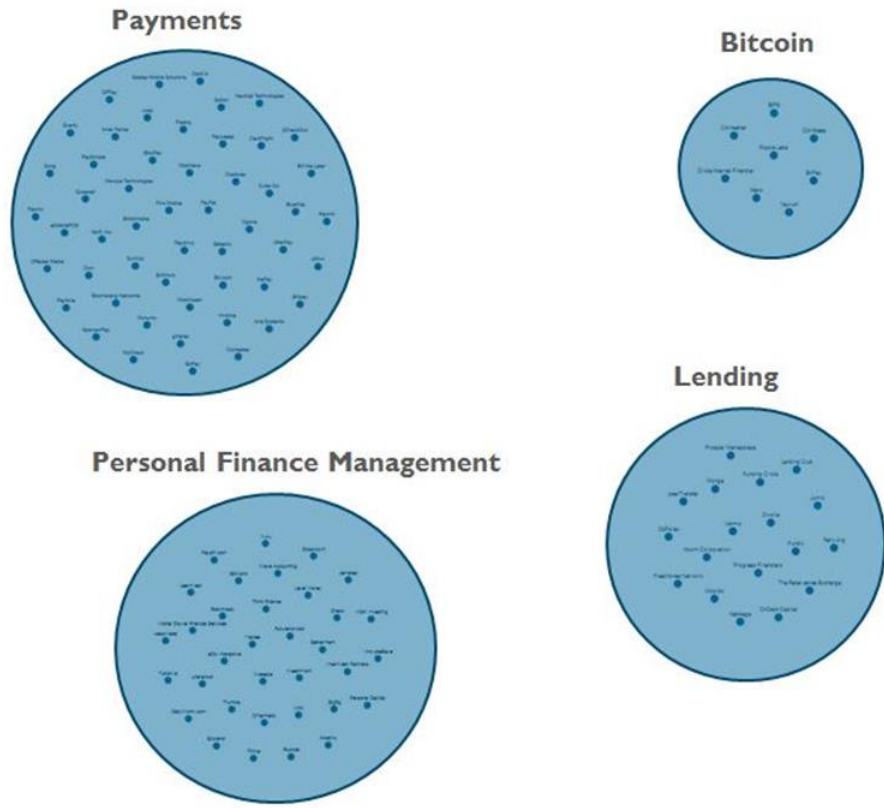
Some VC investors (top decile funds) are good at seeing around corners

Fin Tech Investments of 12 Top VC Investors Since 2007



WHERE IS THE SMART MONEY PLACING THEIR BETS?

Fin Tech Focus Areas of 12 Top VC Investors Since 2007



NOTABLE INVESTMENTS



(Andreessen Horowitz, Union Square Ventures)



(Andreessen Horowitz, Sequoia Capital, Redpoint Ventures)



(Accel Partners, Union Square Ventures)



(Benchmark, Greylock)



(Benchmark, Accel Partners, Sequoia Capital)



FIN TECH IS ALSO ATTRACTING NON-FINANCIAL SERVICES CORPORATIONS (UNUSUAL SUSPECTS)

Google Ventures has done 37 fin tech deals in the last 5 years

Corporate Investor

Fin Tech Investments / Acquisitions



GLOBAL CORPORATES INTERESTED IN FIN TECH

Activity is not restricted to US corporations

Corporate Investor

Fin Tech Investments / Acquisitions

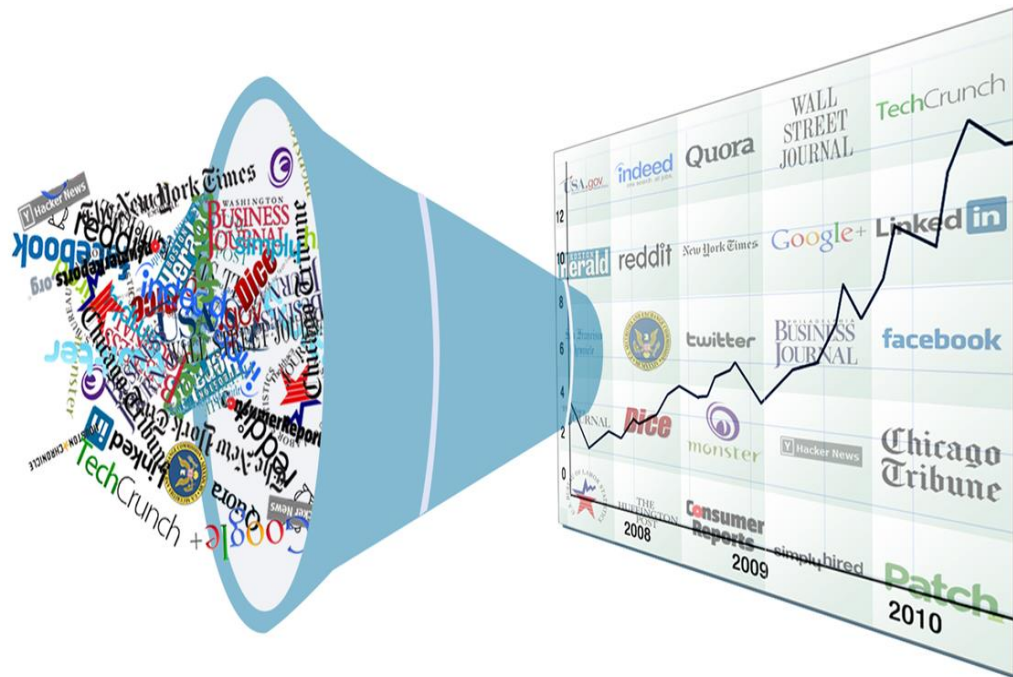


THE STARTUP CHALLENGERS

Emerging companies with momentum

COMPANY MOSAIC – ILLIQUID DOESN'T HAVE TO MEAN OPAQUE

Assessing the health of opaque private companies using public data. The National Science Foundation has funded the development of Company Mosaic.



What is Company Mosaic?

Quantitative framework to algorithmically measure the overall health and growth potential of private companies.

Companies scored on a 0 to 1000 scale.

It tracks 3 Ms for each company based on non-traditional signals such as:

- **Momentum** – Uses signals ranging from hiring growth, exec turnover, news volume and sentiment, customer & partner signings, product development velocity, web traffic, mobile app data, and social media chatter
- **Market** – Uses Market Mosaic to assess health of industry the company competes in
- **Money** – Financial strength and viability of company based on burn rate, financing history and investor quality

COMPANY MOSAIC IN REALITY

Internet / Internet Software & Services / Payments

Europe / Netherlands

Adyen adyen.com

Download PDF

Follow

MOSAIC

900	Momentum	790	-50
-20 1-month	Market	990	
	Money	960	-10

Public list: **fin tech (3508)**

1 Private list: **FinTech (2352)** On 1 private list

Dashboard

Performance

Financing

People

Tech Stack

Industry Trends & Comps

Adyen provides an internet payment system for international merchants. The company helps merchants accept payments from consumers and the company focuses on maximizing payment conversion and excellent reporting. Adyen supports relevant payment methods across Europe, USA, Asia and Latin America and continues to expand.

Company (Alive / Active)

4 Investors

All investors data

- Felicis Ventures
- Index Ventures
- General Atlantic
- Temasek Holdings

Phone: +31 20 240 12 40

Simon Carmiggeltstraat 6-50
Amsterdam, 1011 DJ
Netherlands



2014



Series B

\$250M

Total Funding

\$266M

148 days





5 months since last funding

Source: <https://www.cbinsights.com/c-cad7596d55a115a2fd4a72a8b93fe60c?term=ADYEN>







HIGH COMPANY MOSAIC SCORES - PAYMENTS

These payments companies have a strong Mosaic trend. They're in the top 5% of companies based on their Company Mosaic scores.

Company	Company Mosaic Score	Recent Headlines / Highlights
	900	Adyen Hires Ex-PayPal Exec to Spearhead APAC Expansion
	910	Stripe Lands Apple in Quest for \$720 Billion in Payments
	870	Bill.com Partners with Intuit to Give Benefits to QuickBooks Pro Advisors
	890	PayPal Co-Founder Takes Aim at Credit Card Industry With New Startup





HIGH COMPANY MOSAIC SCORES – DIGITAL CURRENCY

These digital currency / bitcoin companies have demonstrated consistent Mosaic strength. They're in the top 5% of companies based on their Company Mosaic scores.

Company	Company Mosaic Score	Recent Headlines / Highlights
	850	Bitcoin Exchange itBit Gets N.Y. Trust Charter, Bank Partner
	830	Goldman Sachs invests in bitcoin start-up Circle Internet Financial
	790	Braintree Partners with Coinbase to Accept Bitcoin Payments
	770	Blockstream on a Roll: Reid Hoffman on the Board, Company Raises \$15 Million





HIGH COMPANY MOSAIC SCORES – PERSONAL FINANCIAL MANAGEMENT

These personal financial management companies have demonstrated consistent Mosaic strength. They're in the top 5% of companies based on their Company Mosaic scores.

Company	Company Mosaic Score	Recent Headlines / Highlights
 Betterment	890	Betterment Allies With Fidelity To Bring Financial Advisers Into The 21st Century
 motif <small>INVESTING</small>	880	Motif Investing Named to CNBC Disruptor 50 List for Second Consecutive Year
 wealthfront	870	Wealthfront Now Manages More Than \$2 Billion In Client Assets
 FutureAdvisor	830	FutureAdvisor Launches Free Service to Manage College Investments

HIGH COMPANY MOSAIC SCORES – LENDING

These lending companies have demonstrated consistent Mosaic strength. They're in the top 5% of companies based on their Company Mosaic scores.

Company	Company Mosaic Score	Recent Headlines / Highlights
	910	AvantCredit acquires ReadyForZero.com and rebrands
	900	Funding Circle & Santander announce partnership to support thousands of UK businesses
	870	OnDeck Inks Deal With Prosper In Online Lending Field
	820	Colony Capital Executive Varun Pathria Joins AssetAvenue

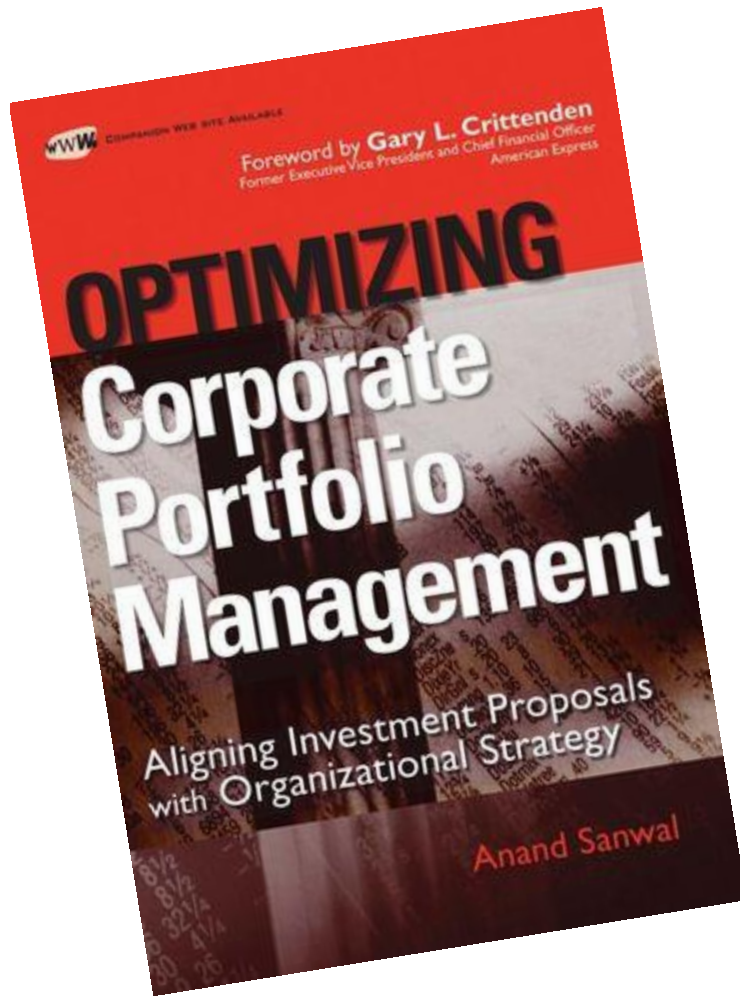
CASE STUDIES

Where are financial services players placing their bets



WHERE YOU ALLOCATE RESOURCES = STRATEGY

The best way to understand a competitor's strategy is not to listen to what they say, but what they do.



Follow the money...

Follow these activities and you'll get an objective view into a peer's strategy.

- Investments
- Acquisitions
- Partnerships
- Product & product development

Most of the world does this by guessing or using their gut or even worse, relying on someone else's gut.

You will either be wrong or lucky. Neither is ideal.

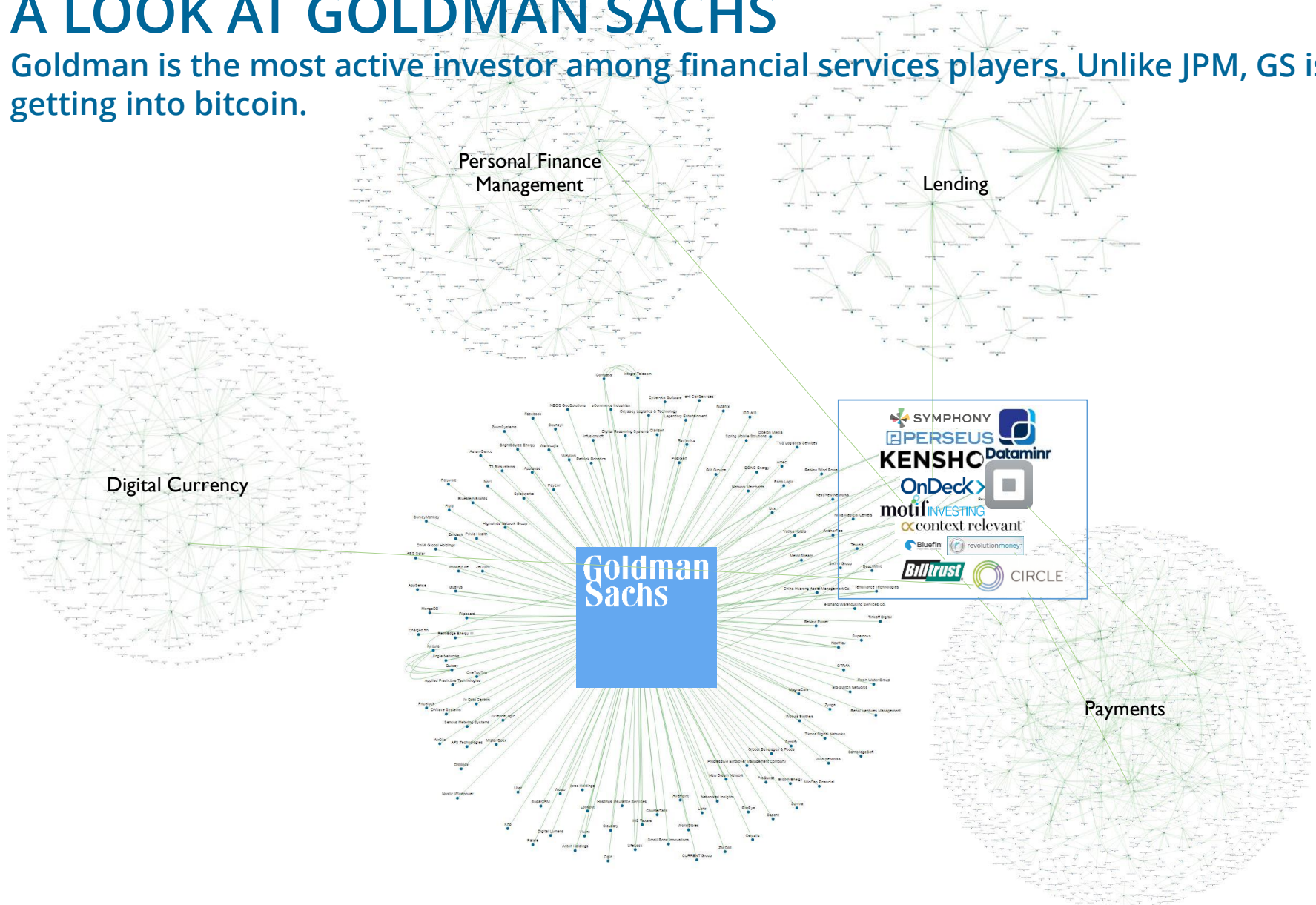


JPMORGAN CHASE NOTABLE FIN TECH BETS

Company	First Investment	Description
	Series D, May 2014	Online broker allowing investors to trade stock baskets and bonds built around themes.
	Growth, April 2015	Peer-to-peer lending marketplace
	Series B, Jan. 2011	Credit card processing and mobile payments solutions
	Venture, Oct. 2014	Communication and workflow platform for financial firms
	Line of Credit, April 2015	Small business alternative capital platform

A LOOK AT GOLDMAN SACHS

Goldman is the most active investor among financial services players. Unlike JPM, GS is getting into bitcoin.

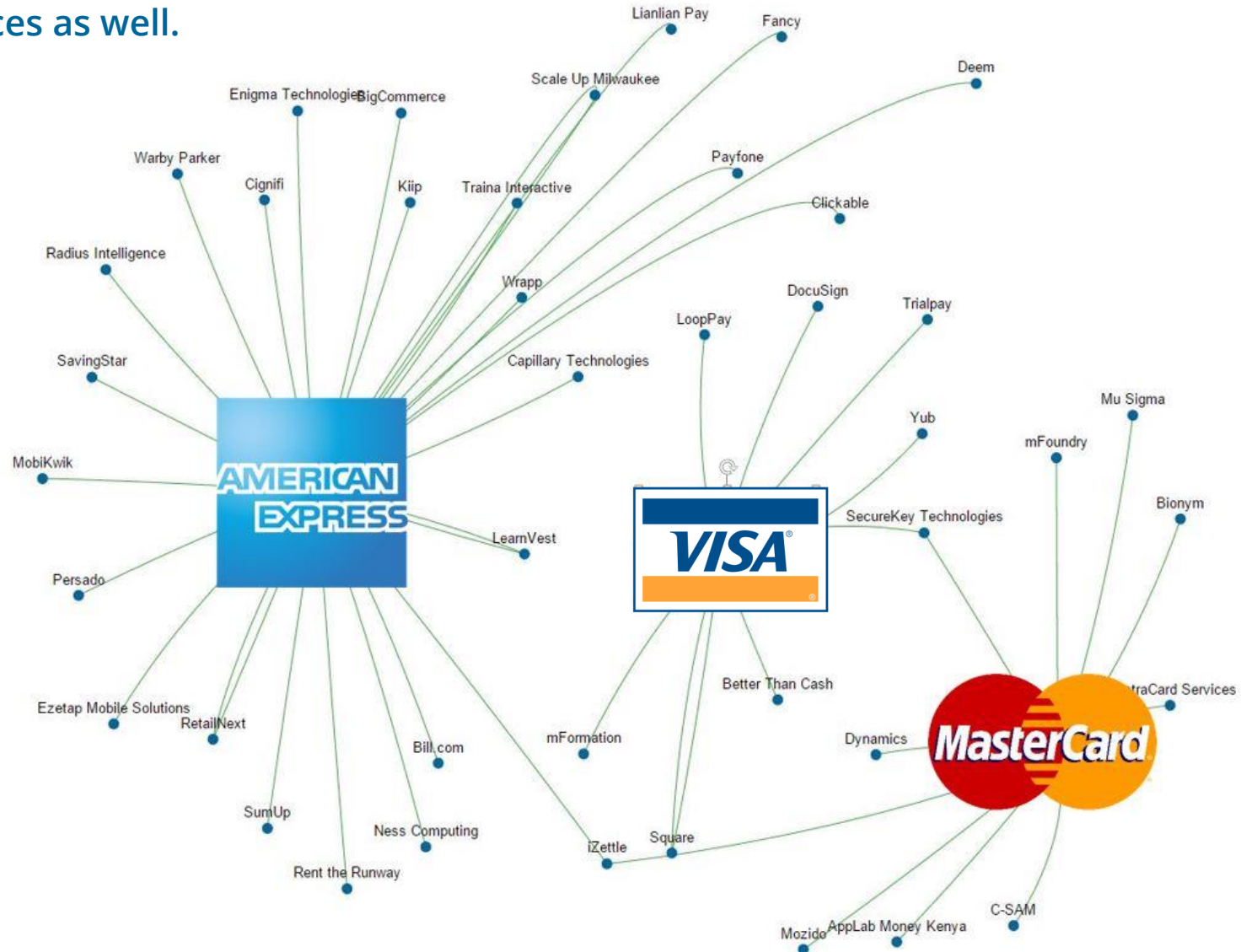


GOLDMAN SACHS NOTABLE FIN TECH BETS

Company	Round of First Investment	Description
 CIRCLE	Series C, April 2015	Digital currency/bitcoin payments and storage
 motif INVESTING	Series D, May 2014	Online broker allowing investors to trade stock baskets and bonds built around themes.
 Square	Series E, Oct. 2014	Credit card processing and mobile payments solutions
 PERSEUS	Corporate minority, Mar. 2015	Networks for high-frequency trading firms
 KENSHO	Series A, Nov. 2014	Real-time statistical computing for financial investors

AMEX, MASTERCARD, VISA - DIFFERENT PRIORITIES

The three major payment networks see some overlap in priorities but some big strategic differences as well.



PICTURE SHOWS US DIFFERENT THEMES

American Express is doing the deals furthest afield from its core business with several consumer-focused commerce plays.

Corporate Investor

Investment Themes / Focus Areas



Mobile Payments



Payments Authentication & Verification



International Payments



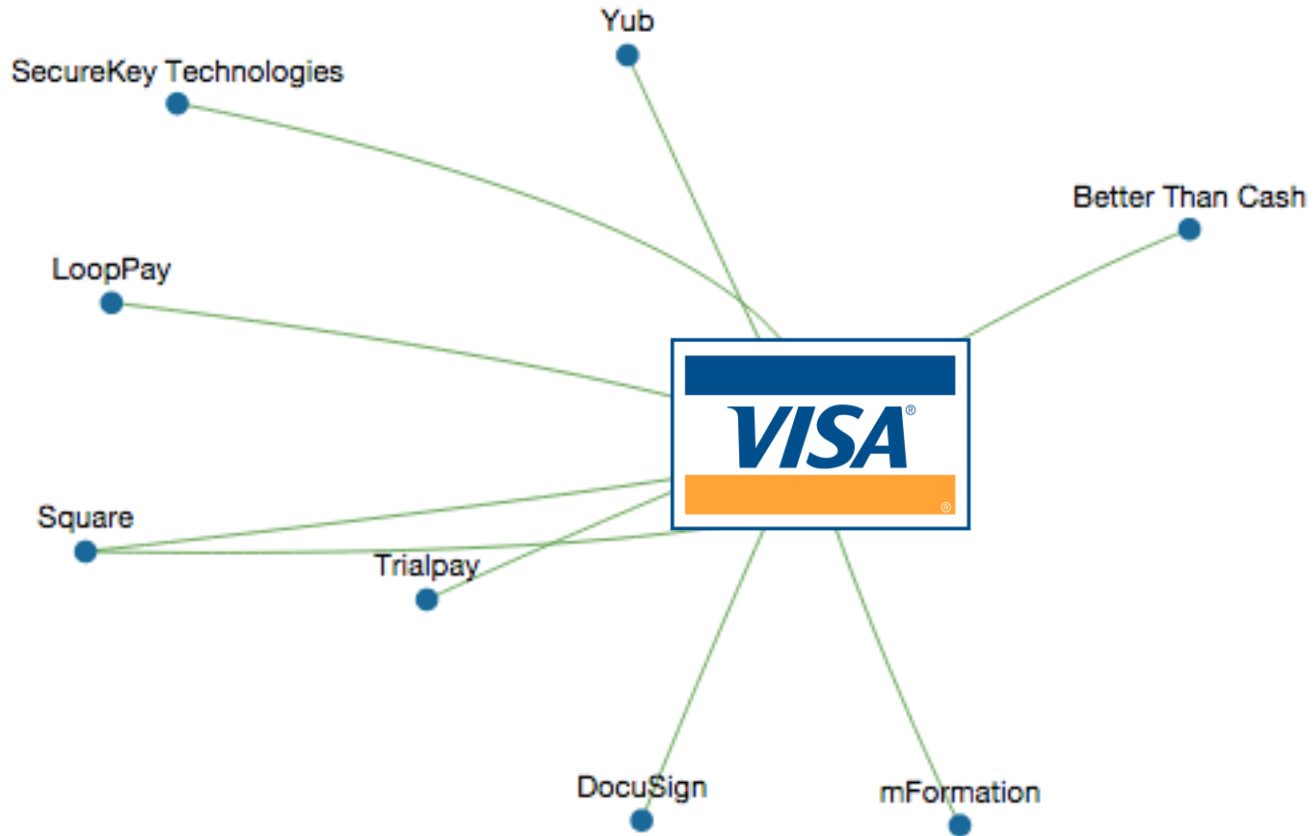
Consumer-focused plays



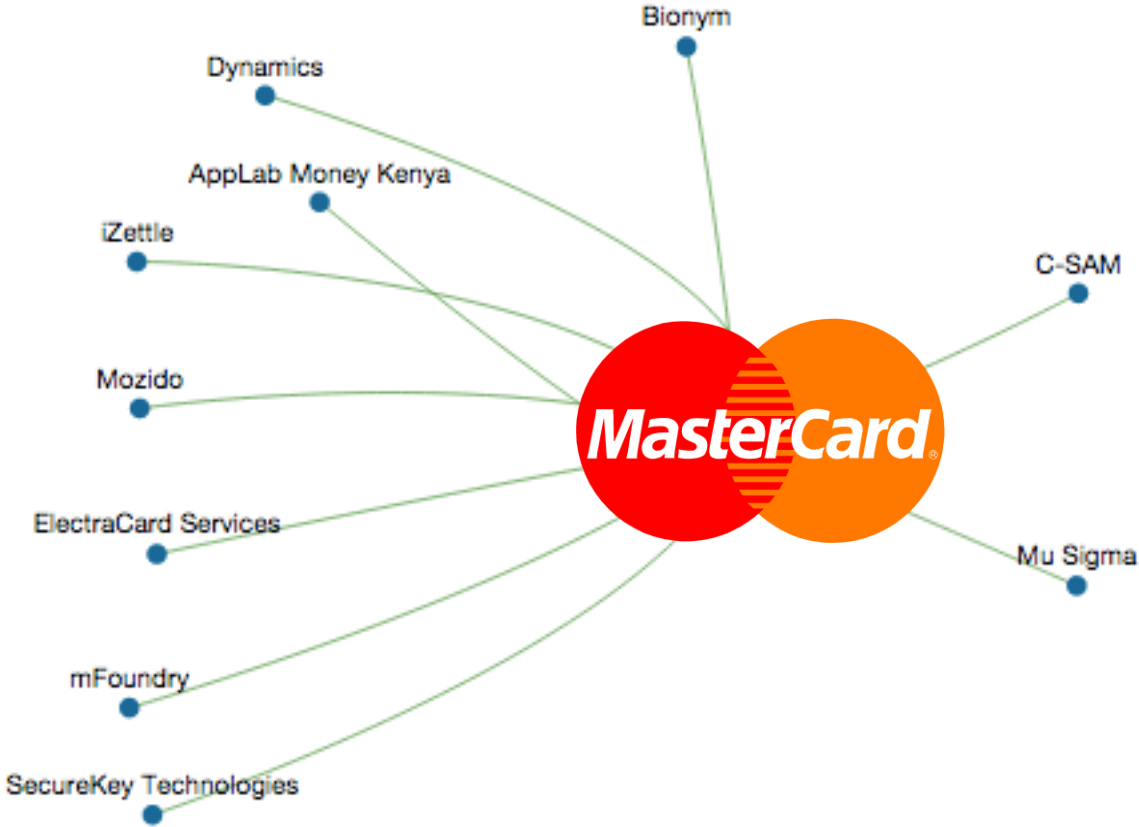
Payments Tech & Authentication



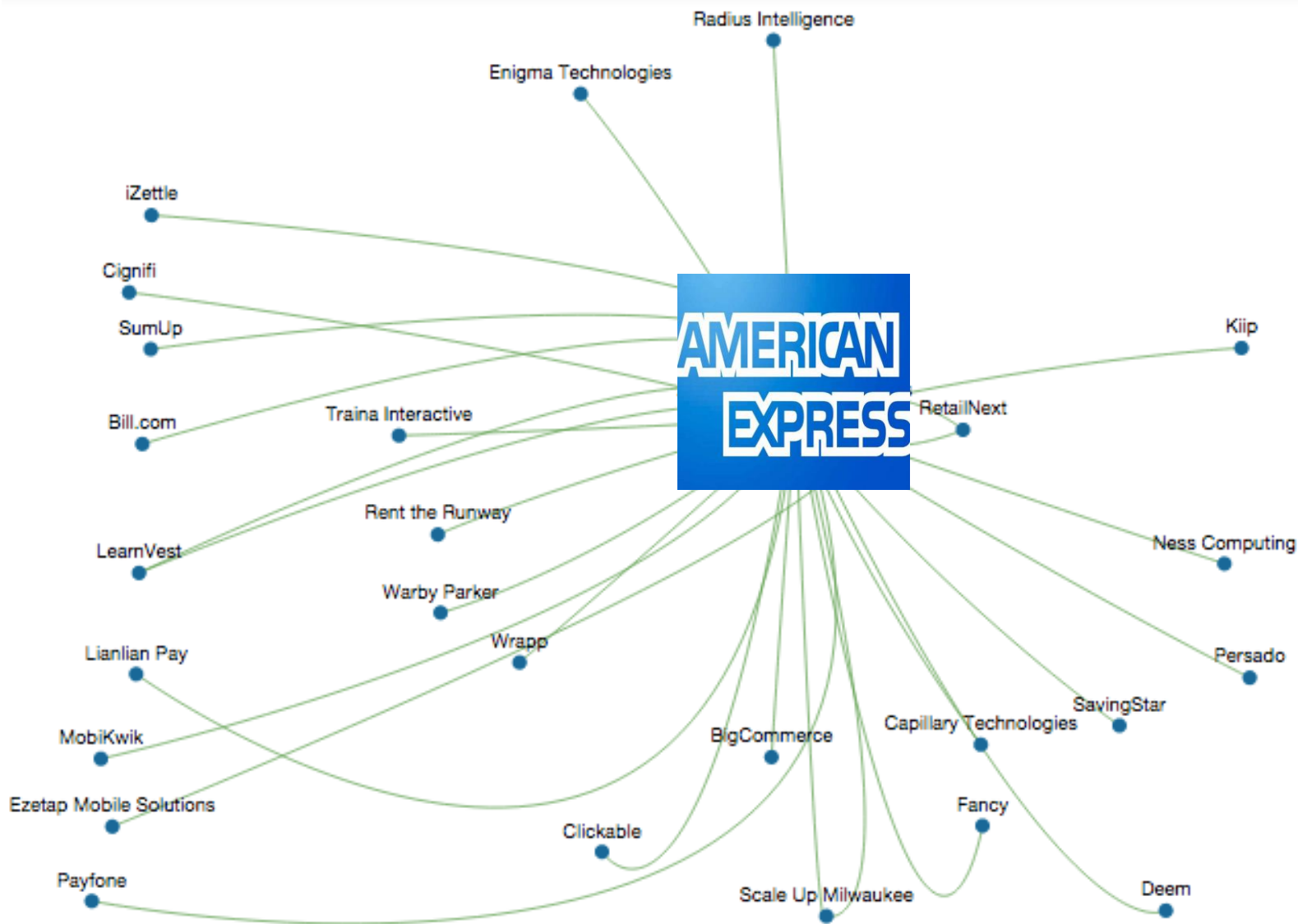
VISA'S BETS



MASTERCARD'S BETS



AMERICAN EXPRESS' BETS



THE FASTER PACE OF DISRUPTION

Why incumbent financial services players need to move quickly

THE HEAD-IN-SAND APPROACH TO DEALING WITH INNOVATION, STARTUPS & THREATS



Brian Moynihan, CEO of America's second-largest bank by assets, said most of the robo-advisers are going after investors who aren't rich enough for the bank to worry about.

They are below the bank's wealth "cut off," Moynihan said on the bank's quarterly earnings call, "for lack of a better term."

Source: Q1 2015 Bank of America earnings call recap by [Quartz](#)

 CB INSIGHTS

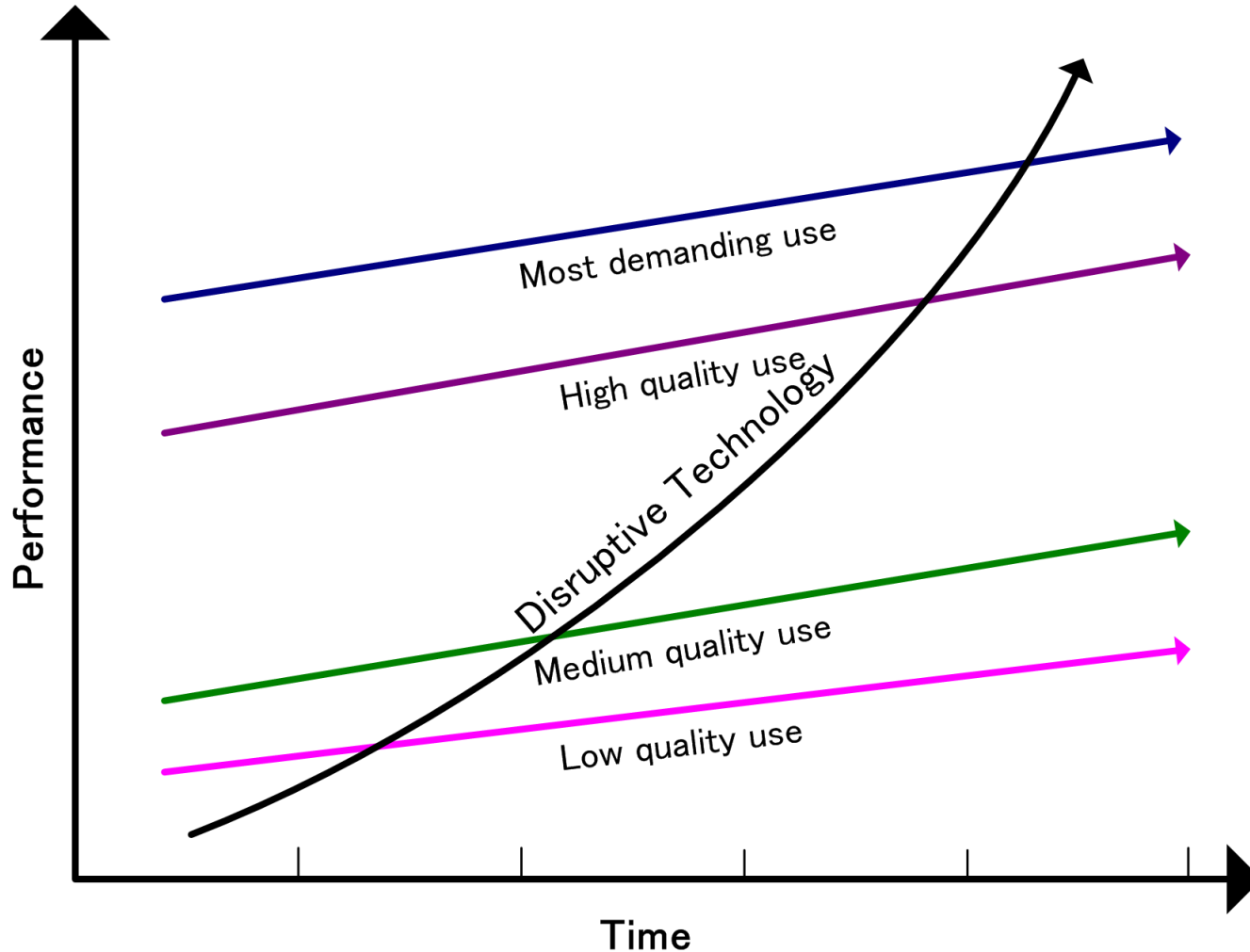


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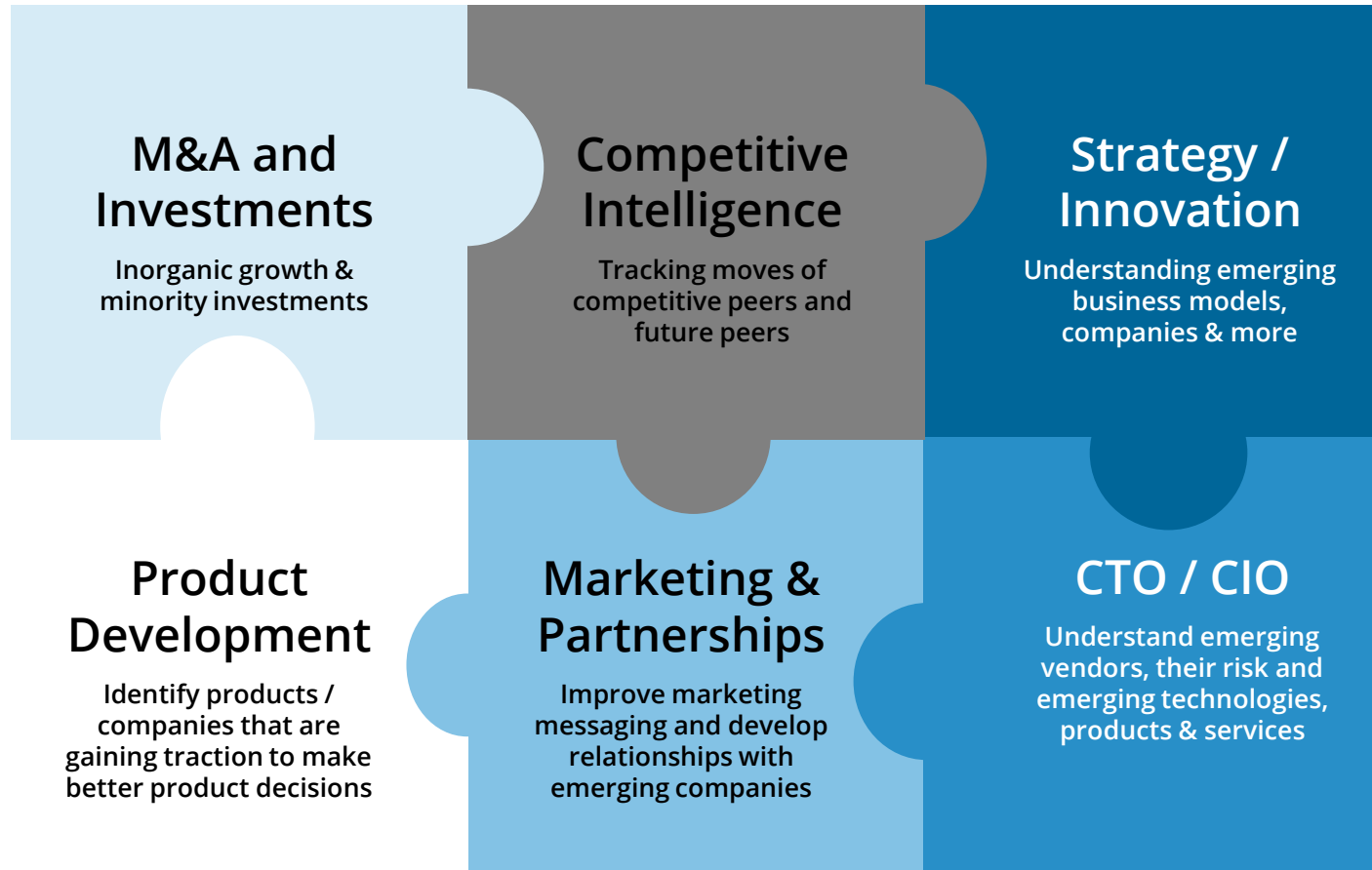
TODAY'S EMERGING BUSINESS MODELS & STARTUPS BECOME TOMORROW'S PROBLEMS



Source: Clay Christensen Disruptive Innovation Framework

WHICH GROUPS AT FINANCIAL SERVICES FIRMS ARE PAYING ATTENTION?

At progressive financial services firms, we're seeing that tracking of innovation and emerging threats is happening in many parts of the organization.



MANY ARE PROACTIVELY READYING THEMSELVES FOR WHAT'S NEXT

Goldman Sachs

\$4.7 trillion in revenue for traditional financial services is **at risk** of being displaced by new technology-enabled entrants.

"First generation online financial services companies ... traditional banks, asset managers, and payments companies are all working to adapt to these behavioral, demographic, and technologic realities," the report said. "We expect partnerships, acquisitions, and competition will be key to the way the vertical develops."

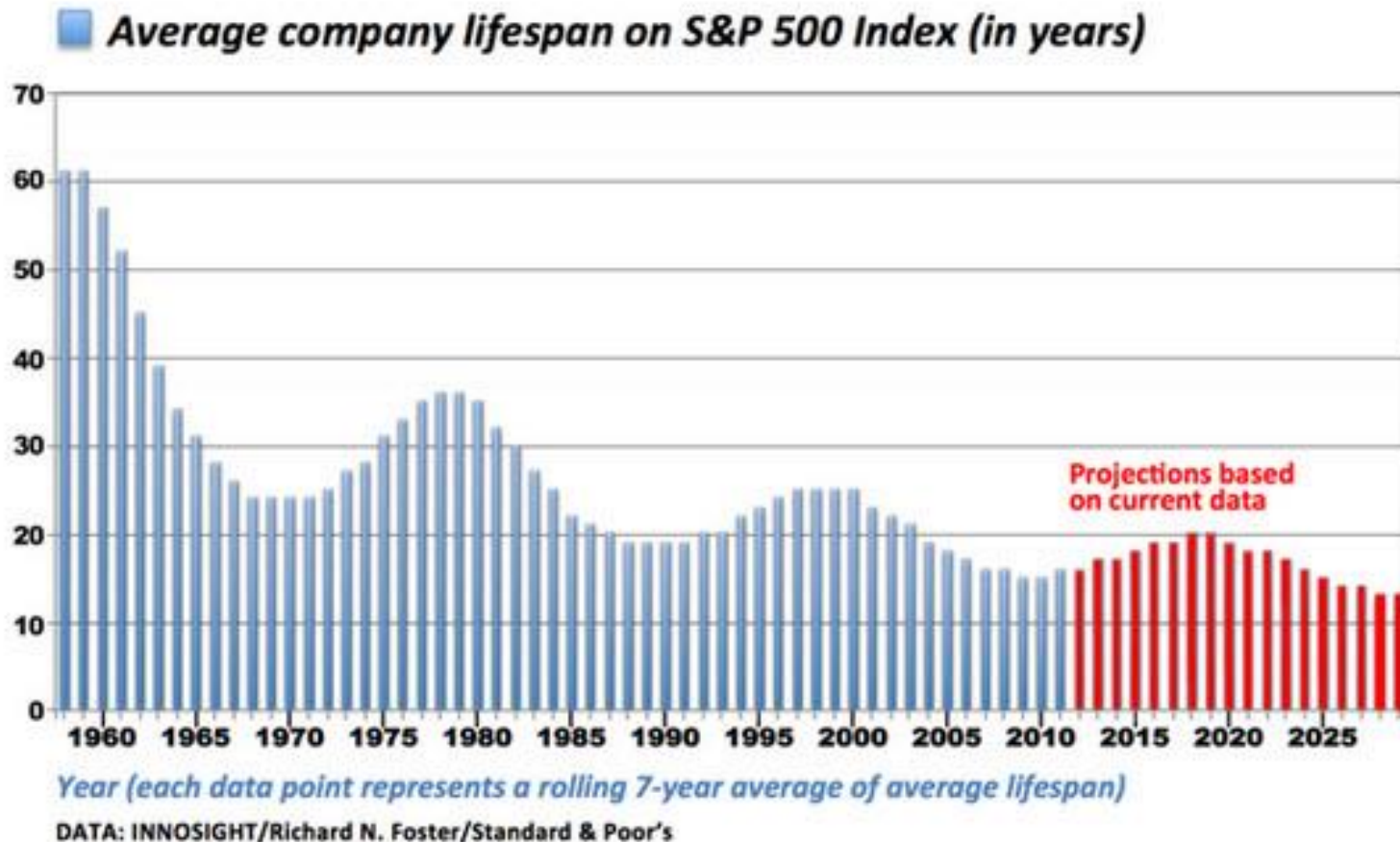
 JPMorgan Chase

"Silicon Valley is coming. There are hundreds of startups with a lot of brains and money working on various alternatives to traditional banking. The ones you read about most are in the lending business, whereby the firms can lend to individuals and small businesses very quickly and – these entities believe – effectively by using Big Data to enhance credit underwriting. They are very good at reducing the “pain points” in that they can make loans in minutes, which might take banks weeks.”

Jamie Dimon, Chairman and CEO JP Morgan Chase & Co.

IT'S HARDER THAN EVER TO STAY ON TOP...

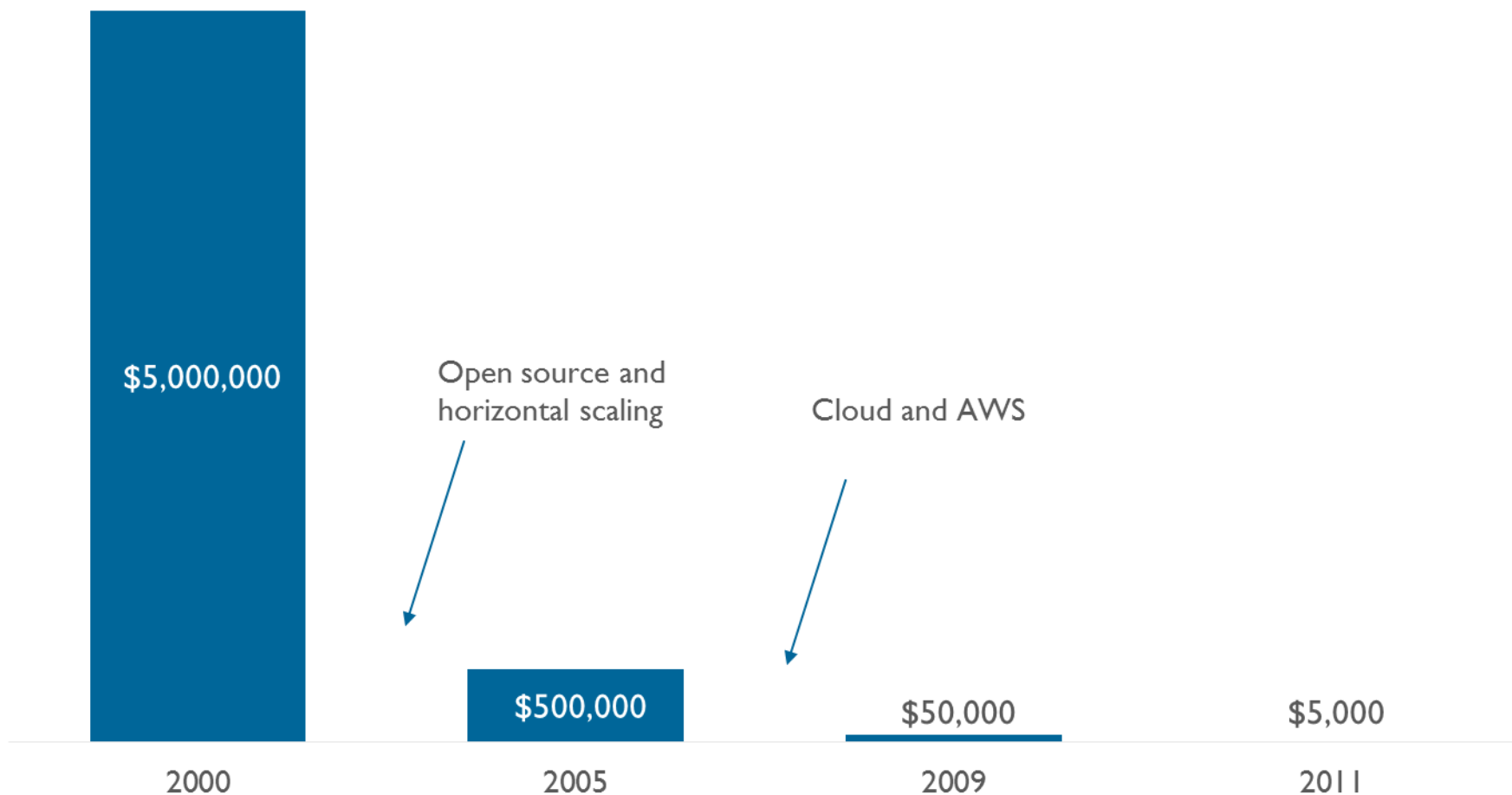
The lifespan of an S&P 500 company is shorter and shorter.



...AND THE THREATS ARE MULTIPLYING

It's cheaper than ever to build a startup. That means more of them.

Cost to Launch a Tech Startup



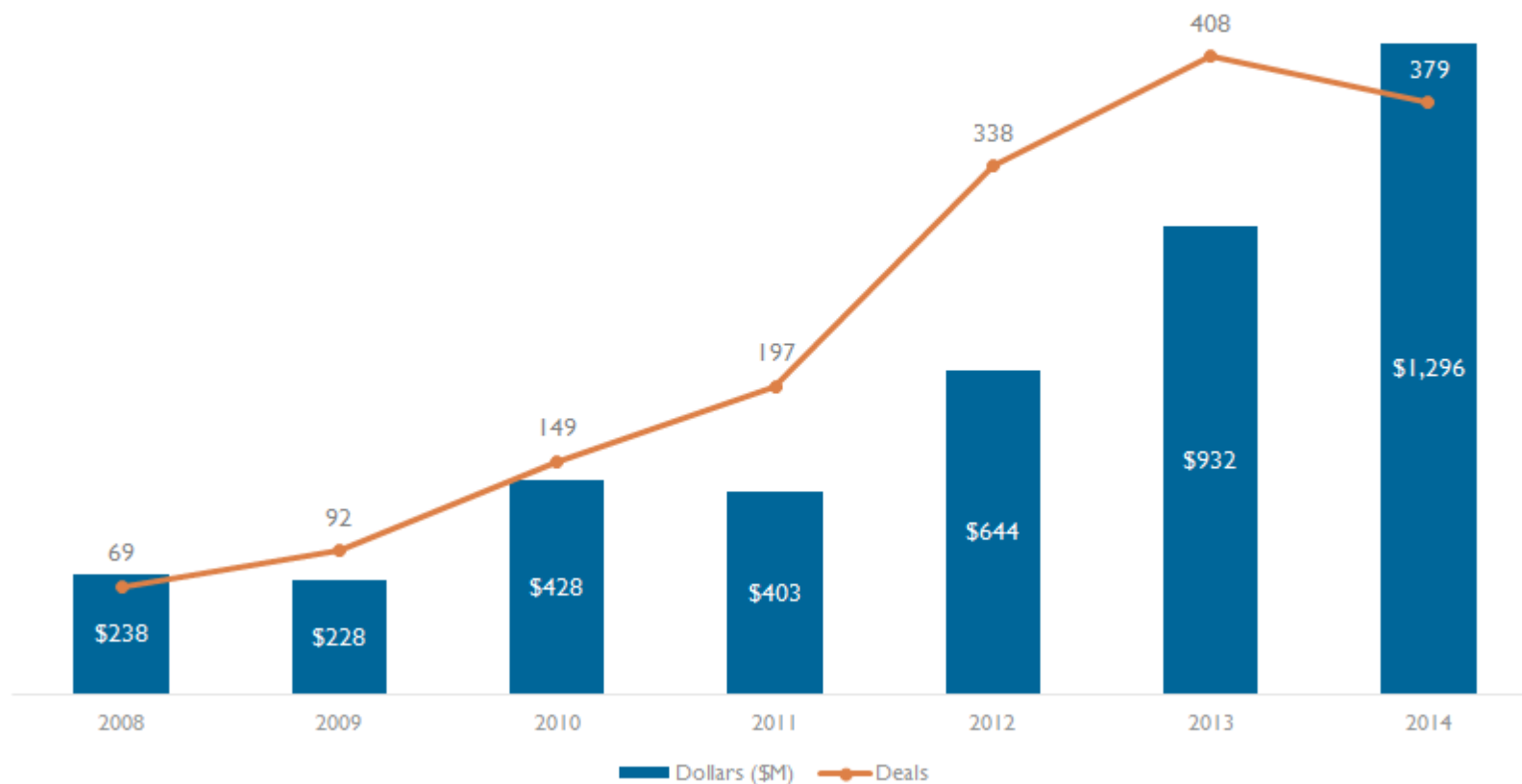
Source: Upfront Ventures

CBINSIGHTS

SEED, ANGEL AND SERIES A FIN TECH DEALS

The cheapening cost of starting up can be seen in the explosion of new fin tech companies being started. Deals are up almost 6x since 2008.

Early-Stage Fin Tech Investment Activity 2008 - 2014



Source: CB Insights

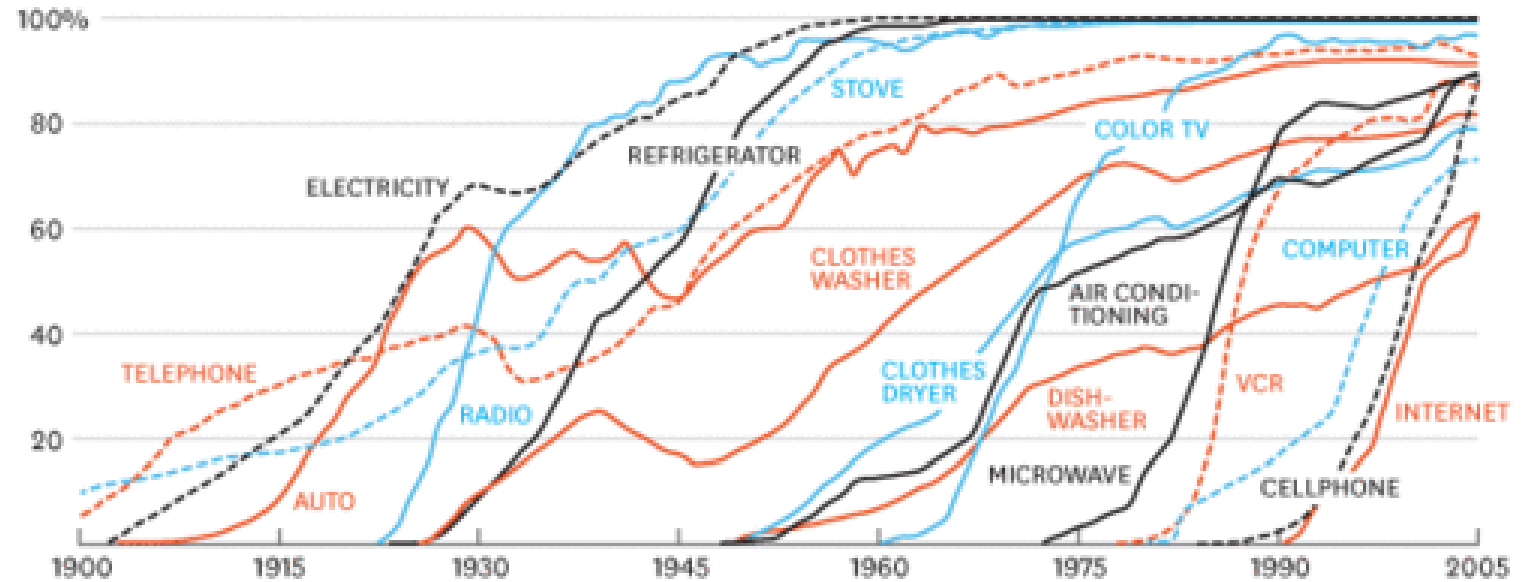


TECHNOLOGY ADOPTION IS QUICKER THAN EVER

The penetration of technology happens quicker than ever before. Time is not on your side.

CONSUMPTION SPREADS FASTER TODAY

PERCENT OF U.S. HOUSEHOLDS

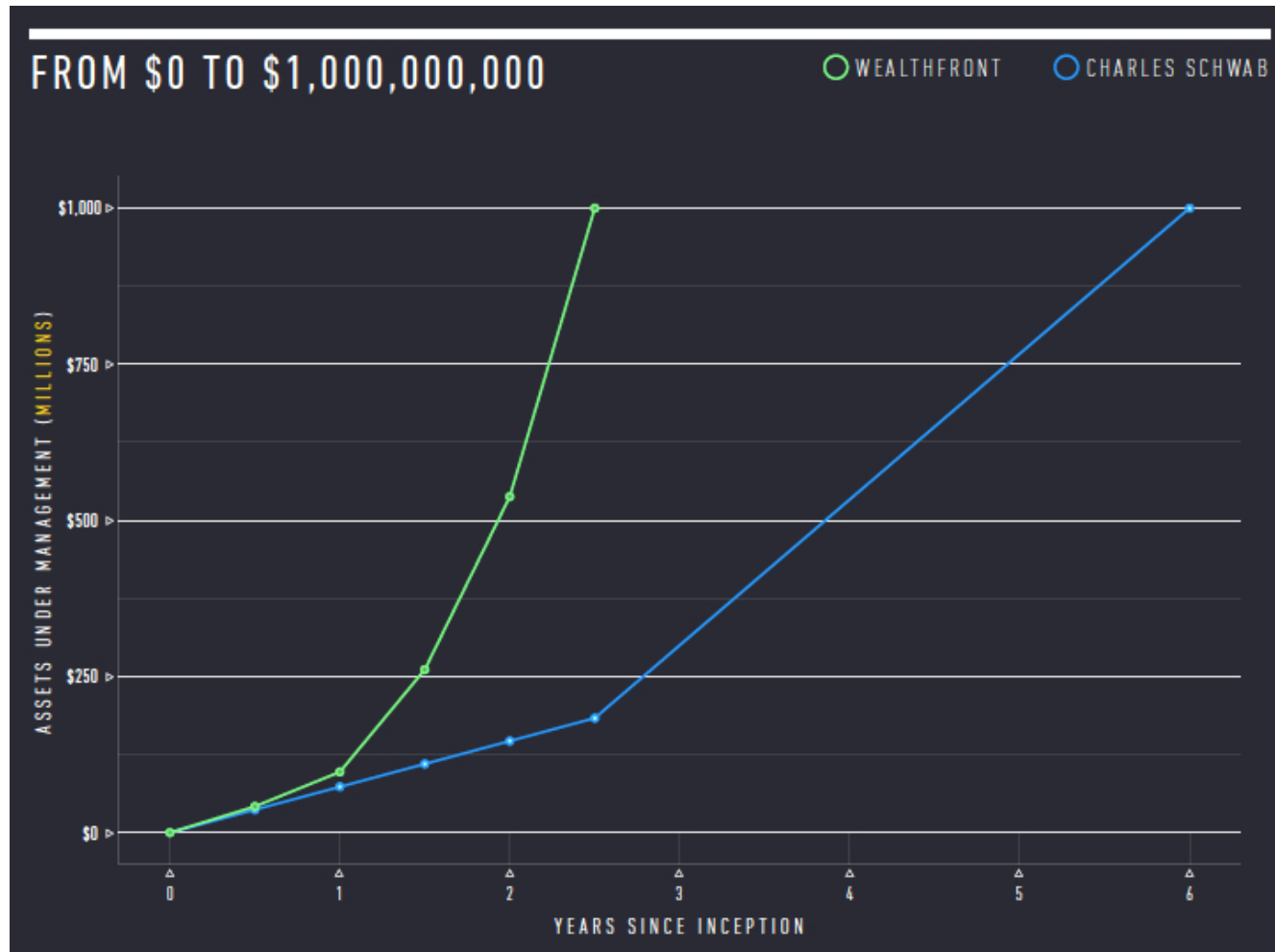


SOURCE MICHAEL FELTON, THE NEW YORK TIMES

HBR.ORG

ADOPTION OF NEW FIN TECH MODELS

Here is just one example from Wealthfront



Source: Wealthfront

WORRY LESS ABOUT THESE COMPETITORS

Disruptive, discontinuous innovation rarely comes from your giant competitive peers.



WORRY MORE ABOUT THESE EMERGING PEERS

It is easy to discount but it is these little, easily discounted startups that will be pushing the frontier of new products, services, technologies and business models.

Death by a thousand cuts.



UNBUNDLING WELLS FARGO

All the startups attacking Wells Fargo (or Citi or Bank of America) product & service lines.

Unbundling of a Bank



Source: <https://www.cbinsights.com/blog/disrupting-banking-fintech-startups/>

UNBUNDLING HSBC

It's not just Silicon Valley. It's global startups.

Unbundling of a European Bank

The image shows a screenshot of the HSBC website interface, overlaid with numerous fintech startup logos. Yellow arrows point from these logos to specific features on the website, demonstrating how these startups are 'unbundling' or competing with traditional bank services. The startups include:

- SavingGlobal, ffrees, osper, CENTRALWAY, SQUIRREL, nutmeg, wikifalia, eToro, tink, CAPITAL, Money Dashboard, moni, transferGo, worldremit, azimo, CurrencyFair, Klarna, adyen, sum up, iZettle, BILLPAY, GOCARDLESS, PAYMILL, payleven, jusp, ensygnio, Lydia, Ebury, Trade River, HOLVI, capioto, iwoca, fleximize, FINEXKAP, Funding Circle, Spotcap, wonga, Property Partner, LANDBAY, fruitful, Lendico, prêt d'union, Zopa, LENDING WORKS, Bondora, borro, SavingGlobal, ffrees, osper, CENTRALWAY, SQUIRREL, nutmeg, wikifalia, eToro, tink, CAPITAL, Money Dashboard, moni, transferGo, worldremit, azimo, CurrencyFair, Klarna, adyen, sum up, iZettle, BILLPAY, GOCARDLESS, PAYMILL, payleven, jusp, ensygnio, Lydia, Ebury, Trade River, HOLVI, capioto, iwoca, fleximize, FINEXKAP, Funding Circle, Spotcap, wonga, Property Partner, LANDBAY, fruitful, Lendico, prêt d'union, Zopa, LENDING WORKS, Bondora, borro.

The website content visible includes:

- Navigation: Personal, Business, Search, Internet Banking, Log on, Register
- Services: Everyday banking (Accounts & services), Borrowing (Loans & mortgages), Investing (Products & analysts), Insurance (Property & family), Planning (for now & the future)
- Main Banner: "Send money overseas in a few clicks. It's secure, quick and easy. See just how much we could save you. Fees may apply. Payments may incur agency and/or beneficiary bank fees. Find out more"
- Secondary Banner: "Find a mortgage", "Our lowest ever loan rate", "Save Together offer", "International money transfer"
- Business Banking Section: Business Banking (Turnover up to £2m), Commercial Banking (Turnover £2m to £30m), Corporate Banking (Turnover in excess of £30m), International Business, Online Services
- CBINSIGHTS logo and text: "Every business has its own story. We create different business bank accounts to suit different needs."
- Product Grid: Community account, Other accounts, Finance & borrowing, Credit cards & debit cards, Payment services, Business insurance policies, Business savings & investments, Ways to Bank, International business, Pensions
- Contact: "Get in touch", "Have a query? There are lots of ways we can help you feel you're making the right choice. Call us on 0800.731.8904. Find a branch and book an appointment. Retrieve application. Retrieve an online application you have already started."

Source: <https://www.cbinsights.com/blog/disrupting-european-banking-fintech-startups/>



QUESTIONS, GETTING UNDERLYING DATA & HELPFUL LINKS

HAVE QUESTIONS / WANT ACCESS TO THE UNDERLYING DATA?

The underlying financing, acquisition, etc data in this presentation is available on CB Insights.

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INVESTOR / ACQUIRER PROFILES

Investor/Acquirer

Profile Link







[Goldman Sachs Investor Profile](#)







[JPMorgan Chase & Co. Investor Profile](#)





COMPANY PROFILES – HIGH MOSAIC SCORES

Company	Company Mosaic Score	Company Profile
	900	Adyen Company Profile Page
	910	Stripe Company Profile Page
	870	Bill.com Company Profile Page
	890	Affirm Company Profile Page

COMPANY PROFILES – HIGH MOSAIC SCORES

Company	Company Mosaic Score	Company Profile
	850	ItBit Company Profile Page
	830	Circle Company Profile Page
	790	Coinbase Company Profile Page
	770	Blockstream Company Profile Page

COMPANY PROFILES – HIGH MOSAIC SCORES

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 Betterment	890	Betterment Company Profile Page
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 wealthfront	870	Wealthfront Company Profile Page
 FutureAdvisor	830	FutureAdvisor Company Profile Page

COMPANY PROFILES – HIGH MOSAIC SCORES

Company	Company Mosaic Score	Company Profile
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	900	Funding Circle Company Profile Page
	870	Prosper Company Profile Page
	820	AssetAvenue Company Profile Page