



# Finch Market Pulse

A Look Back at 2023 & Predictions for 2024

Partnering with Ambitious Teams in Finance & Business Technology

Accelerating the Path to Profitable Scale



Welcome to the first edition of our **Monthly Market Pulse!**

At Finch Capital, we currently focus on **7 core themes** across **Finance & Business Technology**: Insurance, Banking & Wealth Management, Payments, Tax & Accounting, Regulatory, Legal & Compliance, HR & Payroll, and Business Process Automation. In the Market Pulse, we look at recent trends and performance within each of these themes and the outlook for the future. We delve into the top M&A and fundraising deals in Europe and look at the financial performance of public companies in each of the core themes, giving us an insight into the current industry landscape.

**Finch Capital** is a growth investor, partnering with ambitious teams in **Finance & Business technology**. We focus on seven themes including Payments; Banking & Wealth Management; Regulatory, Legal & Compliance; Business Process Automation; Tax & Accounting; HR & Payroll and Insurance. With €450m AuM, we back companies generating €2m+ in annualized revenues by investing tickets of up to €20m. Our goal is to help our companies scale to €30m-€50m in revenues by building sustainable and capital efficient business models. We have invested in ±45 companies including Fourthline, Goodlord, Grab, ZOPA, Twisto, AccountsIQ, NomuPay and Symmetrical.

Finch Capital consists of a team of 12 investment professionals with wide entrepreneurial experience located across offices in Amsterdam, London and Dublin. For more information see [www.finchcapital.com](http://www.finchcapital.com) and subscribe to our newsletter.

# Is the Insurance technology space a winner takes all market?

Insurance

Banking & Wealth Management

Payments

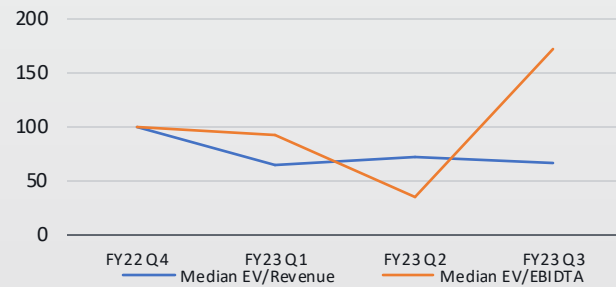
Tax & Accounting

Regulatory, Legal & Compliance

HR & Payroll

Business Process Automation

## Public Comps Index



	Q4-22	Q1-23	Q2-23	Q3-23
Med EV/Revenue	2.5	1.7	1.8	1.7
Med EV/EBITDA	1.7	1.6	0.6	3.0

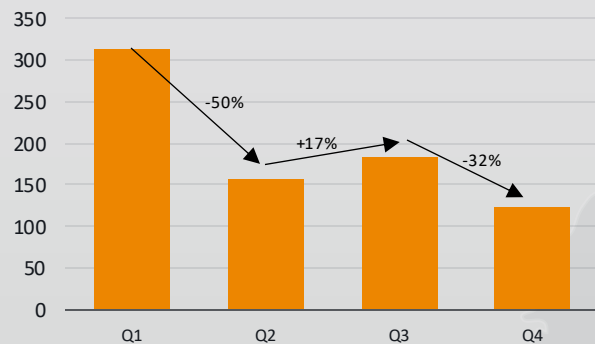
## Notable M&A in 2023

Acquirer	Acquiree	Country HQ	Transaction size	EV / Revenue	EV / EBITDA
total specific solutions	prima solutions	France	€100-200m	n/a	n/a
+Simple	CREA	Italy	€10-20m	n/a	n/a
+Simple	GMBC	Germany	€0-10m	n/a	n/a

## Notable Growth/VC deals in 2023

Company	Country HQ	Description	Round size	Round stage	Lead Investor
wefox	Germany	Insurance comparison platform	\$110m	Series D	Chrysalis Investments, Conny & Co., Allinvest Unternehmensbeteiligung
TRACTABLE	UK	Image recognition for claims settlements	\$65m	Series E	Softbank, Silicon Valley Venture Group
HOKODO	UK	SME insurance technology	€41m	Series B	Notion

## Funding in 2023 (€m)



## Predictions 2024



Radboud Vlaar  
Managing Partner



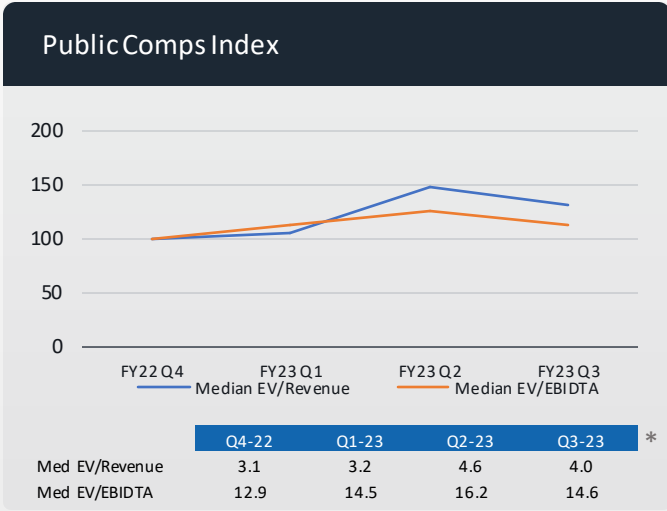
Friso Roscam Abbing  
Partner

- Distribution is once again dominated by incumbents and tech players, with technology providers focusing on growth by offering services in analytics, AI tools, and productivity.
- New start-ups in unpenetrated markets incur high costs to build a market presence and acquire customers. Although a profitable customer base is achievable, it requires substantial scale for cash flow profitability due to challenging unit economics and customer acquisition cost to lifetime value (CAC:LTV) ratios.
- The MGA game continues to prove capital-intensive and struggling to prove its value.
- Insurtech firms competing on price often underprice risk, leading to unprofitable portfolios.

\*Includes EverQuote, GoHealth, Hippo Holdings, Lemonade, Oscar Health, PolicyBazaar, Root Insurance, SelectQuote, Guidewire

# Interest rate rises have shaken the **Banking & Wealth Management** space

Insurance   **Banking & Wealth Management**   Payments   Tax & Accounting   Regulatory, Legal & Compliance   HR & Payroll   Business Process Automation

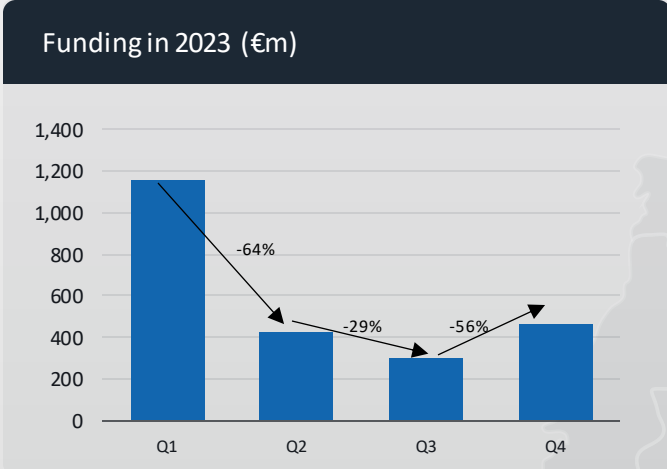


### Notable M&A in 2023

Acquirer	Acquiree	Country HQ	Transaction size	EV / Revenue	EV / EBITDA
Deutsche Börse	SimCorp		€4.3b	6.4	20.7
ripple	metaco		\$250m	n/a	n/a
NatWest	cushon		€144m	n/a	n/a

### Notable Growth/VC deals in 2023

Company	Country HQ	Description	Round size	Round stage	Lead Investor
etoro		Trading & investing platform	\$250m	Later Stage	ION Group, SoftBank
scalable .CAPITAL		Wealth management platform	€210m	Series E	Tencent, Balderton Capital
Moonfare		Investment platform	€140m	Series C2	Insight Partners



### Predictions 2024

**Friso Roscam Abbing**  
Partner

**Olivier Kesber**  
Associate

- Consumer banks face challenges from rising competitors like Raisin amid current interest rates, prompting two key shifts: heightened focus on efficiency through internal process improvements and diversified consumer offerings, including wealth management and ESG monitoring.
- In B2B finance, we anticipate a delay in adopting Open Banking-based solutions with a focus on creating tangible value. WealthTech is poised for a resurgence, driven by younger clients, a stabilizing interest rate environment, and innovative technologies like AI-powered tools. Institutional wealth managers' preference for partnerships over acquisitions may pose challenges for startup exit opportunities.

\*Includes Alkami, Blend, Fiserv Inc, Forge Global, MeridianLink, Pagaya, Robinhoods, Temenos



# The Payments industry is maturing in Europe

Insurance

Banking & Wealth Management

**Payments**

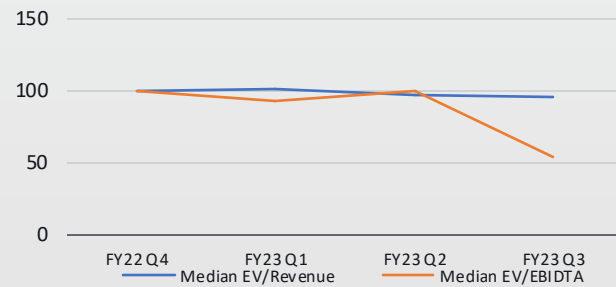
Tax & Accounting

Regulatory, Legal & Compliance

HR & Payroll

Business Process Automation

## Public Comps Index



	Q4-22	Q1-23	Q2-23	Q3-23
Med EV/Revenue	2.3	2.3	2.2	2.2
Med EV/EBITDA	22.5	21.0	22.3	12.0

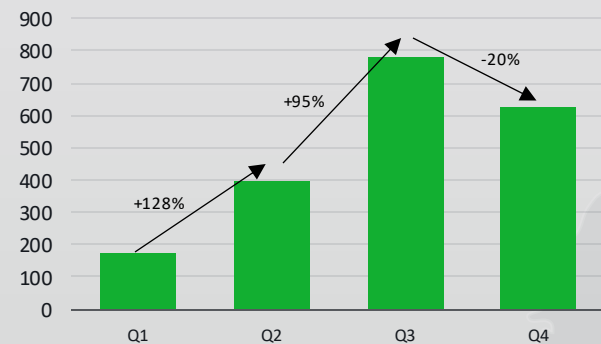
## Notable M&A in 2023

Acquirer	Acquiree	Country HQ	Transaction size	EV / Revenue	EV / EBITDA
Rapyd	PayU <sup>+</sup>		\$610m	n/a	n/a
VERTEX	PAGERO		\$555m	8.1	n/a
nexi	PAYCOMET		€280m	n/a	n/a

## Notable Growth/VC deals in 2023

Company	Country HQ	Description	Round size	Round stage	Lead Investor
terrapay		Cross-border payments	\$100m	Series B	International Finance Corporation
FNALITY INTERNATIONAL		Distributed ledger technology	£78m	Series B	Goldman Sachs, BNP Paribas
PAYSEND		Multiple currency transactions	\$65m	Later Stage	MasterCard, One Peak Partners, Hermes GPE

## Funding in 2023 (€m)



## Predictions 2024



Radboud Vlaar  
Managing Partner



Maria Patrão  
Investment Manager

- Consolidation continues, especially in mature markets where the price per transaction is expected to decline. Margins are being generated through value-added services and tools.
- Strong growth continues in emerging markets, driven by overall macroeconomic growth and consolidation efforts.
- AI and Machine Learning continue to transform the payment space by processing large amounts of data in a relatively autonomous way. Potential applications include risk management and customer experience.

\*Includes Adyen, Block Inc, Flywire, Marqeta, Payoneer, PayPal Holdings, Paysafe, Wise

# Tax & Accounting is getting more sophisticated through verticalisation

Insurance

Banking & Wealth Management

Payments

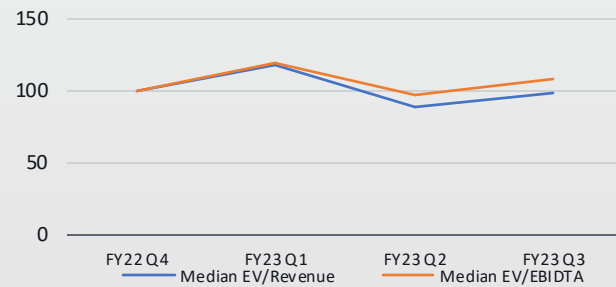
**Tax & Accounting**

Regulatory, Legal & Compliance

HR & Payroll

Business Process Automation

## Public Comps Index



	Q4-22	Q1-23	Q2-23	Q3-23
Med EV/Revenue	6.6	7.8	5.9	6.5
Med EV/EBITDA	23.5	27.9	22.6	25.3

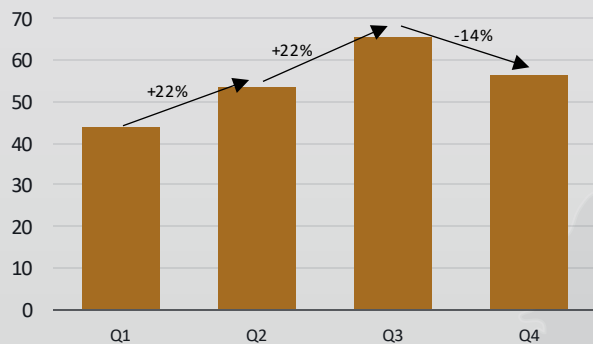
## Notable M&A in 2023

Acquirer	Acquiree	Country HQ	Transaction size	EV / Revenue	EV / EBITDA
Hg	IRIS	UK	£3.5b	9.3x	n/a
TENZING PRIVATE EQUITY	webexpenses	UK	~£60m	5.3x	n/a
VISMA	silverfin	Belgium	~€300m	9.0x	n/a

## Notable Growth/VC deals in 2023

Company	Country HQ	Description	Round size	Round stage	Lead Investor
indy	France	Accounting automation technology	€40m	Series C	BlackFin Capital Partners
pennylane	France	Digital accounting tool for SMEs	€30m	Later Stage	Sequoia Capital, DST Global
Numarics	Switzerland	Digital accounting platform	€10m	Seed	UBS, FiveT Fintech

## Funding in 2023 (€m)



## Predictions 2024



Mike Brennan  
Partner



Aman Ghei  
Partner

- Tax laws are becoming more complex in Europe, and we can anticipate the emergence of more software companies dedicated to personal, self-employed, and SMB tax computation.
- R&D and VAT rebates have already become automated. The CFO will require additional components for the automation of the accountings tack.
- Xero will face competition from a rival product for SMBs, and larger businesses will think twice about the cost implications of moving to larger providers.
- Real-time data and AI/ML will help move the future of finance from a month-end cycle to an 'on demand' cycle.

# The Regulatory, Legal & Compliance space is yet to grow to its full potential

Insurance

Banking & Wealth Management

Payments

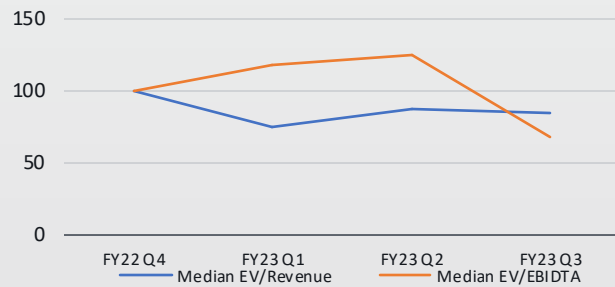
Tax & Accounting

**Regulatory, Legal & Compliance**

HR & Payroll

Business Process Automation

## Public Comps Index



	Q4-22	Q1-23	Q2-23	Q3-23
Med EV/Revenue	5.7	4.3	5.0	4.8
Med EV/EBITDA	17.8	21.0	22.3	12.0

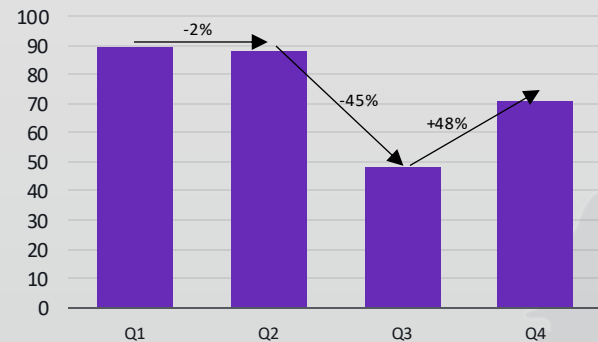
## Notable M&A in 2023

Acquirer	Acquiree	Country HQ	Transaction size	EV / Revenue	EV / EBITDA
RWS	PROPYLON		€30m	n/a	n/a
THOMABRAVO	EQS GROUP		€400m	6.3x	49.3x
Nasdaq	Adenza		\$10.5b	20.5x	38.1x

## Notable Growth/VC deals in 2023

Company	Country HQ	Description	Round size	Round stage	Lead Investor
Fourthline		End-to-end KYC and AML compliance	€50m	Later Stage	Finch Capital
GSS		Platform to screen financial firms' transaction data	£37m	Later Stage	AlixPartners, The Cynosure Group, MUFG
Verified		AML and KYC for B2B companies	€31m	Later Stage	Verdane

## Funding in 2023 (€m)



## Predictions 2024



Aman Ghei  
Partner



Joe McHale  
Business Analyst

- RegTech will continue to benefit from the tailwinds of increased regulatory stringency and amplified risks of non-compliance. Businesses however are progressively seeking solutions that are not just compliant but integrated, automated and supported by sophisticated data and workflow functionalities. As we have seen in the KYC/AML domain with data players branching into workflow solutions, expect more consolidated and vendors seek to build or buy to provide full suite solutions.
- The role of AI in enhancing efficiency and capabilities also brings challenges, such as complexity and lack of explainability in AI-driven threats. The trajectory in 2024 leans towards measured AI adoption, potentially involving the development of ethical frameworks and increased transparency.
- Data and security compliance for institutions handling sensitive data are becoming paramount: consider how many companies take copies of our passports or utility bills. Establishing a compliance-first approach will be crucial for these companies as they pursue certification.

\*Includes CS Disco, Equifax, Experian, FiscalNote, Intapp, LegalZoom, Moody's, Nasdaq

# More consolidation in the HR & Payroll space is to be expected

Insurance

Banking & Wealth Management

Payments

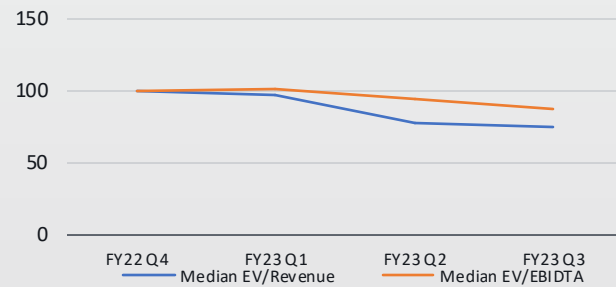
Tax & Accounting

Regulatory, Legal & Compliance

**HR & Payroll**

Business Process Automation

## Public Comps Index



	Q4-22	Q1-23	Q2-23	Q3-23
Med EV/Revenue	10.6	10.2	8.2	7.9
Med EV/EBITDA	28.2	28.5	26.4	24.4

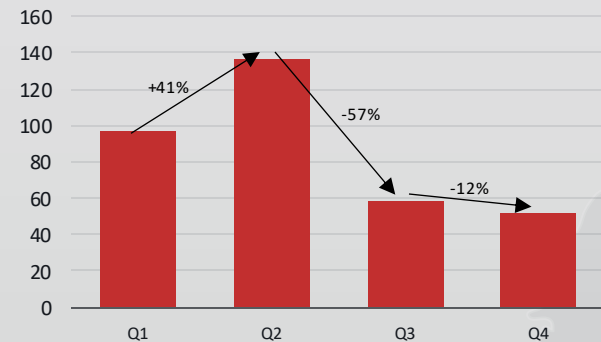
## Notable M&A in 2023

Acquirer	Acquiree	Country HQ	Transaction size	EV / Revenue	EV / EBITDA
zoom	workvivo	Italy	€222m	21	-19
ALLEGION	plano	Germany	€37m	n/a	n/a
LMS365	Weekly10	UK	£5.6m	n/a	n/a

## Notable Growth/VC deals in 2023

Company	Country HQ	Description	Round size	Round stage	Lead Investor
hackajob	UK	Data-driven recruiting platform	£20m	Series B	Volition
Pinpoint	UK	Talent acquisition platform	€30m	Later Stage	Expedition Growth Capital
spotted zebra	UK	Workforce management platform	£7.7m	Series A	Nauta Capital

## Funding in 2023 (€m)



## Predictions 2024



Aman Ghei  
Partner

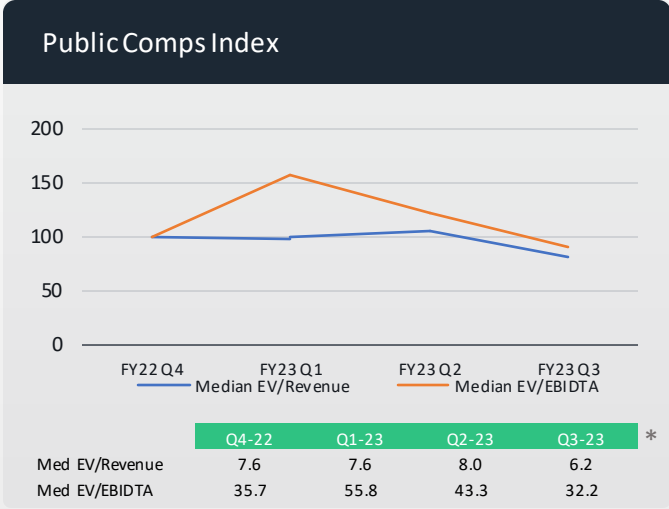


Eugénie Colonna d'Istria  
Associate

- The HR stack will begin to unify. The trend of vendor consolidation will compel silos to collaborate.
- ATS systems will partner with onboarding and people management, which will, in turn, partner with payroll.
- The shift from frenzied hiring to talent management will pave the way for software used by HR leaders to educate, train, and re-train.
- Flexible workforce management and employee wellness solutions will become standards for managing and retaining talents in global hybrid teams.

# Business Process Automation has proven its resilience over the last period

Insurance    Banking & Wealth Management    Payments    Tax & Accounting    Regulatory, Legal & Compliance    HR & Payroll    **Business Process Automation**

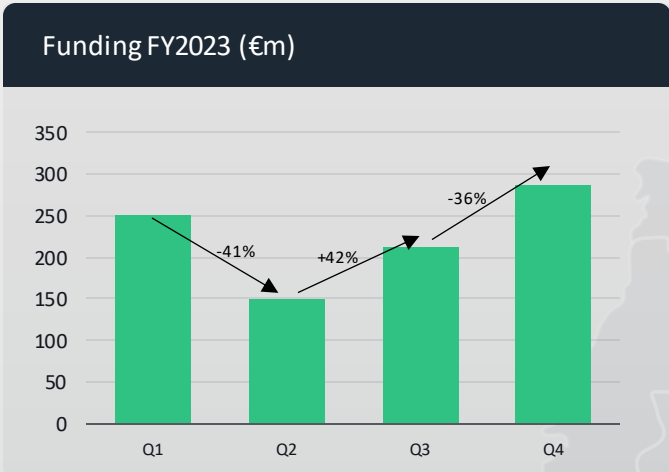


### Notable M&A in 2023

Acquirer	Acquiree	Country HQ	Transaction size	EV / Revenue	EV / EBITDA
Trimble	TRANSPOREON		€1.9b	13.3	n/a
sesimagotag	belive.ai		€6.7m	n/a	n/a
GRAFENIA	topfloor		€5.1m	n/a	n/a

### Notable Growth/VC deals in 2023

Company	Country HQ	Description	Round size	Round stage	Lead Investor
oxa		Autonomous fleet management	\$140m	Series C	BP Ventures
Controlant		Supply chain management	\$80m	Later Stage	Gildi Lífeyrissjóður
t tacto		Supply chain procurement engine	€50m	Series A	Sequoia Capital, Index Ventures



### Predictions 2024

**Mike Brennan**  
Partner

**Eugénie Colonna d'Istria**  
Associate

- The continued democratisation of Generative AI will further augment Intelligent Automation (IA) and elevate the no-code approach to digital process automation to new heights with more non-technical-led process development.
- With an increased spotlight on compliance and regulation, the combination of AI/ML, RPA, and business process management (BPM) will help organisations create data-driven compliance strategies; but in turn will also see stricter ESG reporting standards.
- Data quality and data reconciliation solutions will become ever more crucial to ensure a smooth automation of business processes, especially for enterprise companies.

\*Includes Appfolio, Hubspot, Oracle, Pega Systems, Salesforce, SAP, ServiceNow, UiPath

# Thematic Deep Dive: Sustainability in the built environment

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## Growth Drivers

### 1. Increased sustainability regulations

Stricter laws and regulations are being implemented by governments in a bid to meet net zero targets, with buildings having to meet higher standards for sustainability.

Green building certifications such as BREEAM and GRESB, although not currently mandatory, increase a building's value, creating a strong driver for sustainability

### 2. Cost efficiencies

Technologies that can reduce costs at various stages of the building lifecycle are gaining traction amongst stakeholders.

Greener buildings have lower operating costs and higher comfort levels for tenants, resulting in higher marketability and lower vacancy rates. These cost saving benefits incentivize landlords and building owners to maximize environmental performance.

### 3. Macroeconomic factors

Achieving efficiencies is of particular importance under the current adverse macroeconomic conditions which include high interest rates, high energy prices and labour shortages, resulting in profit margins being squeezed.

Solutions that target maximizing operating costs and minimizing energy loss are attractive to real estate stakeholders.

## Key Sustainability & Energy Efficiency Challenges in the Industry



### Design & Planning Stage

Architects and engineers must adhere to sustainability requirements for new buildings



Building design simulation & optimization software



### Construction Stage

Running a construction site as efficiently as possible; minimizing GHG emissions in construction materials manufacturing



Fleet optimization & carbon efficiency software



### Operational Stage

Asset managers and building managers must prove sustainability and minimize energy loss due to suboptimal systems



Sustainability reporting & energy optimization software

# Sustainable built environment tech startup map - Europe

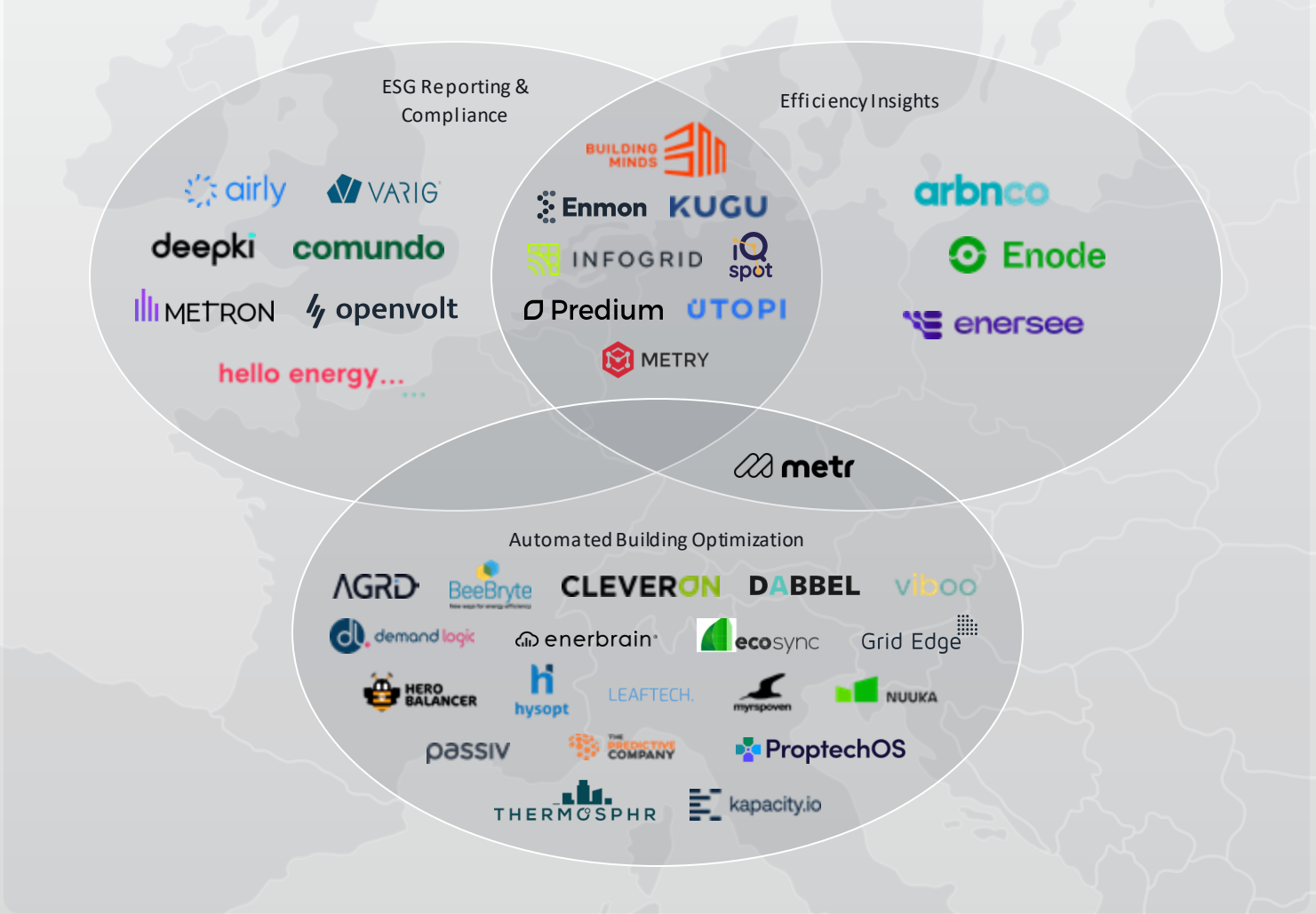
## Building Design & Planning

CAALA UNLOCKING SUSTAINABILITY | DesignBuilder  
 FenestraPro | obi | IES  
 One Click LCA | Vizcab

## Construction Site Management & Manufacturing

abstract | Carbon Re | Barde  
 CLOUDCYCLE | CONXAI | hiboo  
 oculai | Qflow | ShareMat

## Building Operations & Management



## Asset Types



### → Older/smaller buildings

- Education buildings, smaller offices etc.
- More difficult to obtain detailed building data without installing hardware (sensors, radiator valves etc.)

### → Newer/larger buildings

- Offices, build-to-rent, industrial & commercial spaces etc.
- Usually have existing building management systems in place
- Software can easily integrate into these systems to provide insights & recommendations

## Product Features



### → Low-touch solutions

- Data aggregation to understand energy use
- Analytics can be used for ESG reporting
- Highly saturated space with many players offering a non-differentiated product

### → Advanced solutions

- Proprietary algorithms to predict energy use and maintenance needs
- These result in optimized recommendations and shifting load on the grid to a less expensive time
- Significant cost savings and improved sustainability performance

## Customer Retention



### → Changing hands

- When a real estate asset is sold, the vendor must re-acquire a new stakeholder
- Securing long-term contracts and having an extensive customer base is key

### → Hardware vs software

- Hardware in buildings may seem to cause higher client stickiness due to a more complicated switching process
- Risk of customers churning when the equipment requires replacement as they are prompted to consider alternatives

## Key Customers



### → External providers

- Vendors can target various stakeholders across the building management chain
- Going through external providers like FMIs and BMS suppliers makes it harder to retain clients

### → Asset managers

- A direct approach to asset managers is most effective
- These clients benefit the most from the services and best understand the value of the product, resulting in higher customer retention